

F.N.B.C. OF LA GRANGE, INC.

October 27th, 2008

Office of the Comptroller
Of the Currency
250 E Street SW
Mail Stop 1-5
Washington, D.C. 20219
Attn: Docket No. OCC-2008-0006

Robert Feldman
Secretary
Federal Deposit Insurance Corporation
550 17th St. NW
Washington, D.C. 20425
Attn: Comments Legal ESS

Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th St. & Constitution Ave NW
Washington D.C. 20551
Docket No. R-1318

Regulatory Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G St. NW
Washington, D.C. 20552
Attn: No. 2008-0002

Subject: Risk Based Capital Guidelines; Standardized Framework

Dear Sir or Madam,

I am writing in response to your request for comments on your proposed rule to allow non-“Core” banks to adopt the regulatory capital guidelines under the Basel II Standardized Approach. F.N.B.C. of LaGrange, Inc. is a multi-bank holding company located in the Chicago suburbs.

Generally speaking, we welcome the option provided under the rule to adopt the Standardized Approach. Under the rule, small community banking organization like ours

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would have the ability to compete on a level playing field with Core Banks with respect to regulatory capital requirements.

In past comments we have made on proposed changes to the original Basel I risk based capital standards, we have asked that the Regulatory Agencies re-evaluate the regulatory capital rules governing identifiable intangible assets. Since 1993, core deposit intangible assets ("CDI") have been completely deducted from regulatory capital. In contrast, other identifiable intangibles such as purchased mortgage servicing rights ("PMSRs") are included subject to limitations.

The reasons we provided in our prior comments in favor of including contractually protected CDI (including the comparative reliability of the asset's value, and competitive equity between Core and non-Core banks) are still valid. In addition, developments within the banking industry during 2008 have revealed a further justification for a change in the regulatory capital guidelines. Core deposit funding has proven to be the most effective means to insulate financial institutions from liquidity risk exposure.

Unfortunately, the current capital standard creates a massive disincentive for insured depository institutions to generate and/or acquire core deposit funding versus other types of liability funding that can cause serious liquidity risk exposures. Removing this disincentive would create more positive conditions for financial institutions to favor core deposit funding and reduce liquidity risk across the banking industry.

Therefore, we believe that the contemplated revisions to the overall regulatory capital guidelines should allow banks to include, subject to limitations, contractually protected CDI in their calculation of regulatory capital.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. P. Madden', with a long horizontal flourish extending to the right.

Martin P. Madden
Executive Vice President