B BELMONT BANK & TRUST

October 17, 2008

Robert E. Feldman
Executive Secretary
FDIC
550 - 17th St N.W.
Washington, DC 20429

Re: RIN 3064-AD35 - Notice of Proposed Rulemaking on Risk-Based Assessments

Dear Mr. Feldman:

Belmont Bank & Trust Company is pleased to submit our comments on the Federal Deposit Insurance Corporation's (FDIC) proposed changes to deposit insurance assessments and, in particular, to whether reciprocal deposit placement services – such as CDARS – should be exempted from the definition of brokered deposits for the purposes of the proposal. As we discuss below, CDARS deposits should be excluded from the Notice's definition of brokered deposit.

Belmont Bank & Trust Company is headquartered in Chicago, IL. We are a full-service institution with over $110,788,000 in assets and 1 branch location. Our ability to foster customer relationships is due to our emphasis on great customer service and quality products and services. We are a member of the Promontory Interfinancial Network and offer the CDARS Reciprocal service which, in addition to being a service highly valued by our clients, is also a highly stable source of funding for us. Our CDARS Reciprocal deposits have all the characteristics of classic core deposits -- the funds come from local customers who generally reinvest their funds when their CDs mature. These certainly are not out-of-market deposits or in any sense "hot money." In fact, the overwhelming majority (100%) of the deposits originate from customers located within twenty-five miles of our offices.

Defining CDARS Reciprocal deposits as brokered deposit is illogical. No one is standing between us and our customer. And these deposits do not behave like traditional brokered deposits. Since CDARS deposits act like core deposits, they should be treated as core deposits, not brokered deposits. The proposed rule would have the effect of punishing institutions like ours for no reason whatsoever. This would contradict one of the stated purposes of the proposed rule – to "make the assessment system fairer, by limiting the subsidization of riskier institutions by safer ones."

Traditional brokered deposits, in contrast to our CDARS Reciprocal funds, originate from third parties whose customers are seeking to place funds at the highest rates available. It is a national market and banks must "pay up" to play.
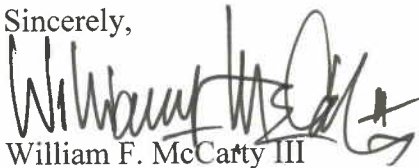
This is not the case with CDARS deposits. Our local customers use CDARS so that they can continue their relationship with us. In the absence of CDARS, our customers might well turn to deposit brokers or internet rate boards, which could damage the valuable customer relationship we have worked so hard to maintain and increase the level of volatile, high interest rate deposits that are the FDIC's stated concern. Alternatively, we would need to post valuable collateral in order to retain the deposits.

The Notice points out that call reports do not distinguish between CDARS deposits and brokered deposits. It would be a simple matter for our bank to separately report its CDARS holdings if this would allow an exemption of CDARS Reciprocal from the brokered deposit definition.

In closing, CDARS deposits should be excluded from the Notice's definition of brokered deposit. Moreover, we see no reason why CDARS deposits should be considered as brokered in the first place. This institution respectfully asks the FDIC to support legislation to exclude CDARS Reciprocal deposits from the definition of "brokered deposits" in the next Congress. We believe doing so would clarify any uncertainty that would remain in the wake of an FDIC exemption in the risk-based assessment rule.

Thank you for this opportunity to comment.

Sincerely,

William F. McCarty III
President & CEO

cc: Sen. Barack Obama   713 Hart Senate Office Building
                                        Washington, DC 20510

            Sen. Richard J. Durbin   309 Hart Senate Office Building
                                        Washington, DC 20510

            Rep. Rahm Emanuel   1319 Longworth House Office Building
                                        Washington, DC 20515