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November 13, 2008

Robert Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, DC 20429

Re: FDIC Notice of Proposed Rulemaking, RIN 3064-AD35

Dear Mr. Feldman:

I am the Treasurer of State Bank of Long Island (State Bank), which has \$1.6 billion in assets and 17 branch offices. I am writing to you on behalf of State Bank in response to the Notice of Proposed Rulemaking (the "Notice") proposing changes to the FDIC deposit insurance assessment regulation.

We are concerned that the proposal makes no distinction between Certificate of Deposit Account Registry Service (CDARS) Reciprocal deposits and other forms of wholesale deposits. Differences in how these deposits are acquired, priced, and retained make it clear to us that these accounts are significantly different from traditional brokered deposits.

CDARS Reciprocal Deposits – Our Customers

Unlike traditional brokered accounts, CDARS Reciprocal deposits are sourced from our existing customers, within our geographical footprint. A customer that wishes to open a CDARS Reciprocal account must have, at least, a checking account at our bank. The customer must also come into the branch. A CDARS account may not be opened through the internet or over the telephone. Brokered deposits come to us through other financial institutions or money managers and we do not have any direct contact with the customer.

We Set CDARS Pricing

Our institution sets the pricing on the CDARS products that we offer to our customers. In a traditional brokered deposit scenario our bank would bid a certain rate for a certain amount of deposits. The broker would then try to fill the order for a fixed length of time and send us the proceeds. We typically do not have the flexibility to tailor pricing day-to-day and customer-by-customer. With the CDARS product we can adjust pricing as we see fit. This allows us to service *our* customer as we would with any other product that we offer. Additionally, we are able to raise CDARS deposits for significantly less than traditional brokered CDs.

CDARS Deposits are a Stable Source of Funding

Our customers that use the CDARS Reciprocal products are to be long term customers. Of the CDARS accounts that we currently have 87% of the money came from an existing account. Either the CDARS account was renewed after a previous maturity or the money came from another State Bank account. When brokered CDs mature the money is automatically remitted back to the CD holder. There is no opportunity for the customer to renew their account with State Bank. We must enter into another program, with no line-of-sight to the identity of the customer.

Summary

Reciprocal CDARS accounts differ from brokered deposits in three ways; they are lower in cost, the deposits come from our customers, and the accounts tend to renew when they mature. They are much more retail in nature than brokered deposits which we consider as a wholesale funding source. The CDARS Reciprocal program simply allows us to offer our customers Federal deposit insurance on larger dollar deposits. They are less costly and more stable than brokered funds and therefore do not have the characteristics that justify the FDIC's increased assessment rule.

Separate Reporting for CDARS Deposits

Currently, CDARS Reciprocal deposits are reported as brokered deposits on the call reports. For the reasons mentioned above we feel that these accounts should be reported separately and that the definition of brokered deposits, as it is currently used in the Federal Deposit Insurance Act, be amended to exclude CDARS deposits. We would be more than willing to report CDARS Reciprocal deposits on a separate line.

We thank you for allowing us the opportunity to comment on this proposed regulation.

Sincerely,


John McCaffery
Treasurer

cc: Sen. Hillary Rodham Clinton	476 Russell Senate Office Building Washington, DC 20510
Sen. Charles Schumer	313 Hart Senate Office Building Washington, DC 20510
Rep. Carolyn McCarthy	106 Cannon House Office Building Washington, DC 20515
Rep. Gary Ackerman	2243 Rayburn House Office Building Washington, DC 20515
Rep. Gregory W. Meeks	2342 Rayburn House Office Building Washington, DC 20515

