Bankers Trust®

It's our name . . . and our promise.

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429

Re: Notice of Proposed Rulemaking and Request for Comment – RIN 3064-AD35
Federal Deposit Insurance Corporation Revision of Deposit Insurance Assessment Rates

Dear Mr. Feldman:

Bankers Trust Company appreciates the opportunity to comment on the proposal of revising the manner in which insurance assessments are computed by the Federal Deposit Insurance Corporation (FDIC). We have specific comments to offer about the proposal to charge an assessment premium if a depository institution's ratio of secured liabilities to domestic deposits exceeds 15%, with "secured liabilities" defined to include Federal Home Loan Bank (FHLB) advances.

We use advances to reduce liquidity risk, manage interest rate risk, and lower our cost of funds. Advances are an extremely valuable financial risk management tool that contributes to the profitability and to the safety and soundness of Bankers Trust Company. We continue to support our communities by being viewed as a reliable source of loans and borrowing from the FHLB permits us to do this effectively and in a financially feasible manner.

Advances Reduce Liquidity Risk
Our institution relies on core deposits, FHLB advances, and the strength of our capital to fund loans while maintaining sufficient liquidity. In our experience, advances have proven to be a more consistent and reliable funding source than other wholesale funding options. Provided that our institution meets the credit and collateral requirements of our regional FHLB, we can obtain advances within a short period of time. This immediate access to liquidity is always valuable, but is essential in times like these, when other resources have disappeared or have become inordinately expensive.
Furthermore, there are times when commercial banks on Main Street simply get painted with the same brush as Wall Street banks. Deposit growth becomes a bit of a challenge. Or, there are times when commercial banks grow at a pace where they outgrow their capital. During either of those times, as evidenced recently in the challenging economic times, it has become increasingly difficult to attract core deposits expeditiously and cost efficiently. The liquidity provided by advances has become critical in enabling many banks to continue lending in their respective communities.

Advances Help Manage Interest Rate Risk
Advances are an essential part of our asset-liability management strategy. FHLB advances are an attractive interest rate risk management tool because they are simple, precise, and transparent on-

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balance sheet transactions that enhance our ability to match the terms and interest rate features of our assets and liabilities more closely. No other retail or wholesale funding source can offer the range of terms available with FHLB advances, which can also be customized to fit the specific asset-liability management needs of our institution. Advances assist with long-term, fixed-rate lending - not readily facilitated by short-term funding sources like deposits, for example - which is needed for housing, infrastructure, and community development lending.

As the current credit crisis has shown, there has been a significant decline in the availability of the other financial tools normally deployed to manage interest rate risk. For example, competition for core deposits has increased, making longer-term deposits scarce and more expensive. By increasing the effective cost of FHLB advances through an increase in our deposit insurance assessment, the proposed rule discourages our institution from availing of the one significant tool for effectively managing interest rate risk at a time when the banking industry needs all the tools available to augment its safety and soundness. Given the instability of the financial markets, it is imperative that our institution has the ability to manage interest rate risk adequately and in a cost-effective manner. We believe it is also in the FDIC's interest to ensure that this valuable risk management tool continue to be readily available to all FHLB members **without** any penalty. The banking industry already faces increased FDIC premiums attributable to the downturn in the housing market and the credit crisis.

Advances Help Keep Funding Costs Low

We also use advances to reduce our cost of funds, which enhances our profitability. We are a bank which believes in a "reasonable profit" earned ethically. We have never subscribed to unsound banking practices.

Typically, FHLB advances are priced at rates that are more favorable than alternative long term funding sources. Under the proposed rule, this pricing advantage would be limited to a small amount of advances. In addition, deposit generation expenses, generally higher than the costs associated with obtaining advances, will increase as institutions such as ours seek other forms of liquidity. Bidding wars for deposits are an unsound banking practice and to encourage such a course of action, indirectly or directly, is not in the best interest of our banking system.

While advances can be used to meet a temporary funding need without raising the cost of other liabilities, raising deposit rates to attract new funds also increases costs for existing deposits as they mature. As a result, heightened competition for deposits would not just increase the cost of the marginal deposits necessary to make up for the shortfall caused by the cap on advances, but would likely lead to a general increase in the cost of the entire pool of deposits as institutions impacted by the proposal seek to replace funding from the dwindling availability of retail deposits. This combination of factors could have a significant negative effect on our funding costs and our profitability.

Advances Support Our Ability to Provide Credit to Our Communities
We use FHLB advances to help us meet the credit needs of our communities. Charging higher assessments because of our use of advances would impede our ability to provide that credit and create additional stress for communities that are already struggling in the current economic climate.

In summary, given that advances are a vital and transparent financial management tool, I recommend that the FDIC refrain from increasing premiums by excluding advances in the computation of determining assessments as currently proposed. I believe that such a change could result in undesirable outcomes for us and many other financial institutions. Penalizing the use of advances would also be counterproductive to encouraging the flow of credit to our communities and potentially harmful to the economy during these particularly challenging times.

Sincerely,

Patricia F. Rourke

Patricia F. Rourke
President & CEO