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# United States Senate

WASHINGTON, DC 20510-4104

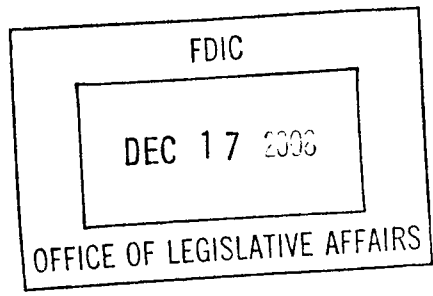
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December 16, 2008

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OFFICE OF LEGISLATIVE AFFAIRS

The Honorable Sheila C. Bair  
Chairman  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, DC 20429



Re: FDIC Notice of Proposed Rulemaking RIN 3064-AD35

Dear Chairman Bair:

Thank you for the opportunity to provide comments to the Federal Deposit Insurance Corporation's (FDIC) specific request on the appropriateness of treating reciprocal deposits placed through a network differently than traditional "brokered" deposits.

I have heard from numerous community banks in our districts, our states, and nationally that FDIC's proposed rulemaking would make it materially more difficult for community banks to attract needed funding for local loans from local sources. I understand that you have received about 3000 comments from bankers and banking organizations who raise serious concerns about the proposal, which would impose a higher insurance assessment on deposits that are currently included in the definition of "brokered deposits," even though these deposits are not invested by a traditional deposit broker, but rather are exchanged among banks on a reciprocal basis. The bankers argue that reciprocal deposits placed through a banking network comprehensively differ from traditional brokered deposits in significant and meaningful ways and should not be subject to special premiums placed on volatile brokered deposits. In light of those concerns, this proposal should be weighed carefully.

As you may know, networks, like the Promontory Interfinancial Network, provide such reciprocal placement through the Certificate of Deposit Account Registry Service (CDARS). We are informed that ninety-nine (99) percent of the Network's 2,700 members are community banks, defined as banks with less than \$5 billion in assets.

I am supportive of the role that community banks play locally and in the economy generally. Community banks make needed loans to households, small businesses, and other local borrowers that are the engines of economic growth in our communities. To make these loans, community banks need to be able to attract stable large-dollar deposits available locally.

Consumer uncertainty and fear is a major factor to weigh in these troubled times. We need to do all that we can to build consumer confidence. The CDARS program provides a safe method to appropriately extend deposit insurance coverage to a broader range of deposit institution customers. This confidence translates into higher levels of liquidity at participating financial institutions. The CDARS program is no different than a long established banking practice of

Chairman Bair Letter

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granting broader deposit insurance coverage where bank holding companies have multiple charters and leverage each of those charters to multiply the deposit insurance coverage for their customers.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Johnson". The signature is written in a cursive style with a large initial "T" and a long, sweeping underline.

Tim Johnson  
U.S. Senator