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Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 – 17th Street, N.W.
Washington, D.C. 20429

RE: "Secured Liabilities"- As an insurance assessment tool / Restrictive caps

I am troubled by the Federal Deposit Insurance Corporation (FDIC) contemplating the regulation or restriction of the bone fide use of FHLB advances as a means of assessing risk based premiums on the community banking industry. Of further and greater concern is the notion of limitations or "caps" on such funding going forward.

The idea that the use of wholesale funding is indicative of an institutions appetite for risk is simply inaccurate. Wholesale funding is an essential part of each bank's liquidity plan and allows for "least cost of funds" funding so that diminishing interest margins can be preserved when irrational "in-market" deposit pricing cycles are at their peak. I would contend that restricting readily available wholesale funding sources is a far riskier practice and would severely disable earnings throughout the banking industry thus impairing capital.

The current plethora of regulatory and accounting scrutiny from primary regulators/ secondary regulators/ SEC and independent public accounting firms is designed to examine each individual institution as a whole, their risk appetite, their mitigating controls, etc. To suggest that using wholesale funding in isolation as a risk barometer or to suggest that a cap be placed on what is an integral part of our industries liquidity lifeline would be disastrous. Prudent Asset/Liability management using wholesale funding as an alternative has been around through many business cycles and has arguably helped many banks get through times of market illiquidity (through no fault of their own) instead of irrationally impairing earnings by selling off assets in lackluster markets or shrinking their balance sheets in a time where diminished interest rate margins demand the opposite.

The suggestion of limiting or otherwise tampering with "Secured Liabilities" as an assessment tool has the real potential to cause vs. solve liquidity issues.

Sincerely,

James J McCarthy
Executive Vice President/COO