From: James McCarthy [mailto:James.McCarthy@danversbank.com]
Sent: Monday, November 03, 2008 9:51 AM
To: Comments
Subject: Assessments - RIN-3064-AD35

I am writing in opposition to section VII. Adjustment for Secured Liabilities for All Risk Categories in the Federal Register Vol. 73 No.201. Prudently managed well capitalized banks have appropriately used FHLB advances as an essential liquidity source especially when irrational competitive in-market deposit pricing is prevalent. To assess a "penalty" on such advances by incrementally raising the deposit premiums of well-capitalized banks that utilize these advances for all of the right reasons is unfair. The arbitrary 15% ratio (assuming the "penalty" were to remain in place) is low considering that repurchase agreements are also considered secured liabilities for the purpose of assessing the "penalty". Both FHLB advances and Repo's are ways that community banks manage their cost of funds and as such the 15% ratio should at least be doubled to 30% so that spreads already compressed by competition aren't further deteriorated by an undue "penalty".

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