

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:

\*\*\*\*\* , which has \*\*\*\*\* in assets and branch offices. On October 16, 2008, the Federal Deposit Insurance Corporation (FDIC) issued a Notice of Proposed Rulemaking (the "Notice") proposing significant changes to its deposit insurance assessment regulation. The Notice invites interested parties to submit comments and, on behalf of The Citadel Bank, I welcome the opportunity to provide our views.

We are concerned that the proposal does not differentiate CDARS Reciprocal deposits from traditional brokered deposits, and believe that the factual differences support the FDIC's exclusion of CDARS deposits from the definition of brokered deposit for purposes of the adjusted deposit ratio and the brokered deposit adjustment.

### ***CDARS Reciprocal Deposits***

The Certificate of Deposit Account Registry Service (CDARS) is a service that enables us to provide our customers with FDIC-insured certificates of deposit through the CDARS network. When one of our customers deposits a sum of money greater than \$250,000, we place the excess funds into certificates of deposit issued by other banks in the network. Our bank relies on CDARS deposits as a stable source of core funding.

### ***Cost of CDARS Deposits vs. Traditional Brokered Deposits***

The reasons for charging a higher assessment on brokered deposits do not in any way apply to CDARS deposits. In particular, we have been able to consistently raise funds through CDARS at costs lower than the costs of traditional brokered deposits. In fact, we have typically been able to raise funds via CDARS Reciprocal at 52 to 57 basis points below the national brokered market.

Consequently, we have no reason to pay higher interest rates to customers with CDARS deposits than the rate that prevails in our local market. In most cases, these are the same customers that have been banking with us for years. The CDARS program simply allows us to

offer these customers Federal deposit insurance on large dollar deposits. CDARS deposits are therefore no more costly than other stable sources of funding.

CDARS deposits do not exhibit the characteristics that justify the FDIC's increased assessment rule for brokered funds.

***Separate Reporting for CDARS Deposits***

As far as we can determine, the Notice does not provide any reason for categorizing CDARS deposits as brokered deposits, other than CDARS Reciprocal is reported as brokered deposits in call reports. We would be happy to report CDARS Reciprocal deposits separately on call reports.

For the above reasons, we believe the FDIC should exclude CDARS deposits from the definition of brokered deposit for purposes of the adjusted deposit ratio and the brokered deposit adjustment. Further, we call on the FDIC to amend the definition of brokered deposits, as it is currently used in the Federal Deposit Insurance Act, once and for all, so that CDARS deposits are accurately categorized as the stable source of funding that they are.

We appreciate the opportunity to comment on the FDIC's proposed regulation.

Sincerely,