October 22, 2009

**<u>VIA EMAIL: comments@fdic.gov</u>**
Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

**RE: Proposed Correspondent Concentration Risk Guidance**

**<u>VIA EMAIL: regs.comments@federalreserve.gov</u>**
Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

**RE: Docket No. OP-1369**

**<u>VIA EMAIL: regs.comments@occ.treas,gov</u>**
Office of the Comptroller of the Currency
250 East Street, SW., Mail Stop 2-3
Washington, DC 20219

**RE: Docket ID OCC-2009-0013**

The Bankers Bank Council (BBC) is fully committed to measuring, monitoring and controlling correspondent concentration risk as a safe and sound banking practice. The BBC, however, respectfully requests modification and/or clarification of several items contained in the aforementioned interagency proposal.

More specifically, the items are as follows:

1. **Correspondent Concentration Limits**
   The proposed correspondent concentration limit is significantly more restrictive than Regulation F. Additionally, the guidance does not provide for any type of graduated restrictions based on the correspondent bank's financial condition also contained in Regulation F. The restrictive limitation, lack of graduated restrictions, and inconsistency with Regulation F gives the appearance of targeting a specific institution type instead of being a sound tenet of banking.

2. **Correspondent Concentration Risk**
   Correspondent concentration guidelines should be applied uniformly to all institutions engaged in correspondent banking regardless of government support, asset size or perception of being "too big to fail". Bankers' banks and other smaller scale correspondent banks would be treated unfairly, if regulatory bank examiners cited and/or criticized correspondent concentrations existing at bankers' banks or smaller correspondents but failed to do so at large and/or, government supported banks. Equal and equitable treatment is necessary to protect the integrity of the system.

3. **Multiple FRB Excess Balance Accounts (EBA)**
   The BBC endorses multiple EBA's and included comments to that affect in the initial proposal of EBA's. It is vital that this flexibility be granted not only to the correspondent banks but also to their respective respondent banks.

4. **Securities Unrealized Gains**
   Securities unrealized gains should be excluded from the definition of credit exposure due to its immateriality and low benefit ratio. The recordkeeping and pricing responsibilities associated with tracking unrealized gains for credit exposure outweigh its immaterial benefits.

5. **Over Collateralized Portion of Repurchase Agreements, and Under Collateralized Portion of Reverse Repurchase Agreements**
   The above items should be excluded from the definition of credit exposure because they do not represent correspondent balances. These types of transaction are generally secured with debt securities held in the respondent bank's name. The collateral is used to protect the correspondent only to the extent of the potential or actual debt obligation. Any over collateralization is the rightful property of the respondent bank with and its own unique obligor.

6. **Funding Concentrations Restrictions**
   Funding concentrations limitations should be excluded from the proposed guidance due to inconsistency and lack of disclosure. The funding concentration limitation lacks sufficient discussion on relevant issues. For example, the guidance does not distinguish large depositors from long-term secured advances from the Federal Home Loan Bank system. Each of these sources has its own strengths and weaknesses that cannot be addressed with a one-size-fits-all limitation. Funding concentration should be addressed in a guidance that is more appropriate to funding rather than correspondent concentration limits.

7. **Loan Participation Restrictions**
   The regulatory intent behind restrictions on loan participations is unclear. Loan participations are currently approved by the participant institution in an arms-length transaction based upon independent credit analysis; these loans qualify for "true sales" under GAAP; the risk of loss is confined to each participant; and credit standards are addressed within loan policies. These tenets have always been sound and prudential standards for lending, which are part of each regulatory safety and soundness examination. This restriction is inconsistent with correspondent bank concentrations and should be addressed at safety and soundness examinations under existing guidance.

# THE BANKERS' BANK COUNCIL



8. **Extension of Comment Period**
   The BBC respectfully requests an extension of the previously allotted comment period, consistent with the magnitude of change being requested. Many issues could benefit from additional study and comment.

You may reach me at 972.650.6025 or morourke@mybankersbank.com for any further clarification.

Sincerely,

The Bankers' Bank Council by
Michael O'Rourke, President and CEO
TIB-The Independent BankersBank