October 26, 2009

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW, Room 6028
Washington, D.C. 20429

Jennifer Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Ave NW
Washington, DC 20551
Docket No. OP-1369

Subject: Proposed Correspondent Concentration Risks Guidance

Ladies and Gentlemen:

Great Lakes Bankers Bank (GLBB) appreciates the opportunity to comment on the above-captioned proposal for correspondent concentrations. While we agree with the fundamental principles underlying this guidance; specifically the importance of all financial institutions to assess and monitor exposure with correspondents, we ask the agencies to consider the following in refining and clarifying the guidance's intent as it relates to the following areas:

*Introduction*: GLBB is a bankers' bank headquartered in Ohio that serves more than 175 financial institutions. GLBB is owned by Bankers Bancshares, Inc., a registered financial holding company. BBI, in turn, is owned by over 80 community banks, none of which own more than 5% of the company's stock. By charter, GLBB's customer base is restricted to depository institutions and is prohibited from working directly with the retail public. The majority of its deposits are limited to those held by its customers who use the bank for cash management clearing and settlement services, loan participations, and other correspondent services.

Events of the past eighteen months illustrate the importance of understanding counter-party risk and monitoring the health of service providers, including correspondent banks. During this time, community banks have seen their correspondent options dwindle as a number of regional correspondent banks have withdrawn or significantly scaled back their offerings to community banks.

*Comments*:

- *Correspondent Concentration Limits:* Regulation F governing Interbank Liabilities provides an appropriate framework for community banks in assessing their aggregate exposure to correspondent banks. The proposed guidance is significantly more restrictive than Reg F and, in some instances, appears to be inconsistent with it. It is our opinion that consistency between the two documents is of paramount importance.
- *Correspondent Concentration Risk:* In order to ensure the desired outcomes of regulation, it is imperative the guidance be applied uniformly to all correspondent banking providers – regardless of government investment, asset size, or the public perception of an institution being "too big to fail." We are concerned that the inclusion of stock ownership in the exposure calculation disproportionately impacts bankers' banks and other aggregators due to their ownership structure. We respectfully ask the agencies to reconsider the appropriateness of including stock investments in this calculation.

- *<u>Funding Concentration Restrictions:</u>* GLBB recognizes the importance and appropriateness of having alternate funding sources to avoid an over-reliance on one source. We are concerned; however, that aggregator correspondents will be unduly impacted by this guidance in two respects. First, as bankers' banks are prohibited, by charter, from working directly with the general public, there are a limited number of funding categories to draw from; although those funding categories often represent hundreds of individual sources in the form of community bank customers. Second, an artificial cap (5% per initial guidance) ignores the limited funding sources available to smaller institutions. We also suggest it may be appropriate to acknowledge the impact from external markets by establishing a target range reflective of market conditions while allowing respondent banks the latitude to establish their exposure in keeping with their individual risk management practices and approaches.

Thank you for the opportunity to comment on this program.

Sincerely,

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| Charlotte W. Martin | Thomas W. Tenwalde |
| President & CEO | Vice Chairman |