



November 25, 2009

Robert E. Feldman  
Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429

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THE EXECUTIVE SECRETARY

RE: Proposed Guidance on Correspondent Concentration Risks

This letter is in response to the request for comment on the Proposed Interagency  
Guidance on Correspondent Concentration Risk.

Merchants and Farmers Bank is a community bank comprised of \$78MM in assets and is located in Holly Springs, MS. Given our size, we rely on the support and services we receive from the correspondent banking relationships we maintain with bankers banks and commercial banks that provide correspondent services. These correspondent providers are critical to our survival as they allow us to compete with larger regional and money center institutions that are in our market.

While we support the establishment of additional regulatory guidance on managing correspondent concentration risks, we are concerned over the potential for disparity in how the implied concentration limitation as a percentage of capital reference in the proposed guidance may be interpreted by field examination staff. We recognize that credit exposures of 25% or more of capital to any one correspondent are generally considered as a concentration by the Agencies, but as Regulation F is currently written there is no limitation on exposure to any one correspondent if that institution is at least adequately capitalized. If the final guidance will contain any specific internal thresholds or benchmarks for correspondent credit exposure other than what is stated in Regulation F, we recommend that a concentration threshold be more appropriately set at 50% of a respondent bank's Tier 1 capital when the correspondent is Well Capitalized. Such a modification would appear to be in line with the perceived intent of Reg F in establishing heightened correspondent risk management measures commensurate with the financial condition of the correspondent.

We appreciate the opportunity to respond to the Proposed Interagency Guidance for Correspondent Concentration Risk and thank you for your consideration of our comments.

Sincerely,

H. Gregory Taylor  
President and CEO

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