

October 28, 2009

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

**RE: RIN PREPAID ASSESSMENTS**

Dear Mr. Feldman:

The Association for Financial Professionals (AFP) welcomes the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) proposal to require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012.

AFP understands the need for the FDIC to strengthen the cash position of the Deposit Insurance Fund (DIF) immediately. However, it is important to recognize that FDIC assessments are usually passed on to banks' commercial clients. Commercial customers are commonly assessed a charge on their entire deposit balance, not just their insured balance, resulting in a disproportionate share of the cost of FDIC insurance being borne by business depositors. Some consideration must be given to the impact of these pass-through charges on commercial depositors and the balances they choose to maintain in FDIC-insured depositories.

Due to concerns about the safety and liquidity of many short-term investment alternatives and the extension of the FDIC's Transaction Account Guarantee Program, along with extremely tight credit markets, many businesses are holding an historically high percentage of their operating cash in bank deposits. According to [AFP's 2009 Liquidity Survey](#), which was released in late June, more than 37 percent of companies' short-term cash was held in bank deposits. A precipitous rise in the FDIC assessments passed on to business depositors, coupled with historically low interest rates on bank deposits, would create an incentive for companies to move funds out of bank deposits in order to generate higher yields from alternatives that would not be subject to FDIC assessments. Simply put, additional fees, if passed on to corporate depositors unfairly, may cause businesses to move cash from bank accounts to other investment vehicles, thereby eroding bank liquidity.

In recognition of the significant impact that prepaying assessments could have on bank earnings, capital positions and lending capacity, the FDIC will allow banks to recognize this expense over the period being prepaid and to record the balance of the prepayment as an asset on the balance sheet in accordance with Generally Accepted Accounting Principles (GAAP). As a matter of fairness and to avoid the undesirable impact of a rapid rise in FDIC assessments being charged to business depositors, we ask that the FDIC encourage banks to collect assessments from depositors at a pace no more rapid than that at which they will recognize the expense. That is, banks should not pass premiums on to corporate depositors at a more rapid rate than the rate at which the banks will recognize the expense. AFP clearly recognizes the need to replenish the Depository Insurance Fund. Further, we agree with the accounting treatment being given to these prepaid assessments to minimize the impact on bank earnings and capital positions and their capacity to lend. While we recognize that the FDIC does not dictate how, or even whether, banks pass on FDIC assessments to their depositors, we recommend that the FDIC encourage banks to be prudent in their collection of FDIC assessments from business depositors as a matter of fairness and to ensure that the prepayment plan accomplishes the FDIC's stated goals.

The membership of the Association for Financial Professionals (AFP) includes more than 16,000 financial executives employed by over 5,000 corporations and other organizations. AFP members represent a broad spectrum of financial disciplines and their organizations are drawn generally from the Fortune 1000 and middle-market companies in a wide variety of industries, including manufacturing, retail, energy, financial services, and technology. Many AFP members manage their organization's banking relationships and have an active interest and a sizable stake in restoring the safety and soundness of our nation's banking system.

We appreciate the opportunity to provide our thoughts on the prepaid assessments. If you have any questions about our comments, please contact Jeff Glenzer, Managing Director, at 301.961.8872 or [jglenzer@AFPonline.org](mailto:jglenzer@AFPonline.org).

Sincerely,



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Chairman  
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