June 11, 2010

VIA E-mail: comments@FDIC.gov

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

Dear Mr. Feldman:

Thank you for the opportunity to comment on the proposed rulemaking change related to the risk-based assessment system and the associated assessment rates.

Our comment is focused on the proposed elimination of risk categories and long-term debt issuer ratings when calculating assessment rates for "large" depository institutions as defined in your notice. The proposed rule triggers the possibility of additional assessment points when a large institution exceeds a 10 percent ratio of brokered deposits.

We are concerned by this provision for the following reasons: The idea of decoupling risk categories from the assessment equation for large banks enforces the stereotyping of large banks, and does not promote the advancement of individual bank accountability that we would like to see. It seems logical that an effective long-term strategy to reduce the risk of bank failure and stress on the insurance fund would be to discriminate as much as possible based on risk analysis of individual institutions, thereby providing advantage to the institutions that are demonstrating the desired behaviors.

Without the existing exclusion of the additional brokered deposit assessments for the Risk Category I banks, the 10 percent threshold appears arbitrary and carries the implication that brokered deposits are inherently undesirable within the context of the FDIC objectives. We agree that brokered deposits can be undesirable under certain conditions within certain financial institutions and do not question the need for a risk management policy for them. However, given the broad definition of a deposit broker we are concerned with the generalization in the proposed rule. It is well known and your organization has had to take steps to address the fact that funding-related stress can be increased through the direct CD market. We believe that some of the direct instruments are more problematic than certain brokered deposit arrangements.

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Our primary concern is for the growing consumer oriented programs such as broker/dealer FDIC sweep accounts, third party administrator distributed HSA deposits and 529 Plan participant deposits placed in large institutions which will have to compete for a spot within the 10 percent threshold. It is our view that these are legitimate programs that provide beneficial alternatives for consumers. Bank capacity is needed to support them. Because of the rising costs of FDIC premiums, we believe banks will refuse to service these programs as they near the 10 percent threshold.

It is our position that prior to implementing the final rule, the FDIC should rethink whether a Risk Category exemption as currently exists should be incorporated for the brokered deposit adjustment. Otherwise, we would suggest that the FDIC work toward discriminating within the broad class of brokered deposits and create more meaningful categories for the various arrangements that exist today. Perhaps life and volatility metrics can be incorporated in the assessment strategy so that these consumer oriented programs are not generalized with the undesirable effects of the brokered CD market which has created a concern for the FDIC and others. It is reasonable to suspect that more third party deposit arrangements will be created in the future as the non-bank financial services channel grows. To the extent that consumers in these non-bank programs desire or require an FDIC insured deposit position, the banking industry and regulatory bodies should nurture appropriate methods for accommodation.

We wish you success in your endeavors to improve management of the insurance fund and the general health of the banking system in these difficult times.

Sincerely,

Peter J. deSilva

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