



February 18, 2010

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

RE: 3064-AD56 Incorporating Employee Compensation Criteria into the Risk Assessment System

Dear Mr. Feldman:

The Association for Financial Professionals (AFP) welcomes the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) proposal on ways that the FDIC's risk-based deposit insurance assessment system could be changed to account for the risks posed by certain employee compensation programs.

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.

AFP understands the need for the FDIC to have a better assessment of risk and we support the FDIC's ability to create comprehensive risk assessment models. In the past 18 months, the FDIC has provided many organizations with a sense of principal security, safety and soundness that is sorely needed during this period of uncertainty in the financial markets. Therefore, we support the FDIC's proposal to evaluate the risks posed by employee compensation packages. However, we would discourage the FDIC from using this expanded risk-based assessment as a proxy for managing what it or others may deem excessive compensation within a bank's structure. Any assessment of compensation packages should be focused on and limited to the factors that determine compensation levels and the impact of those factors on a bank's overall risk profile. Higher compensation levels do not inherently equate to higher risk. Rather, it is the activities that compensation packages encourage that may impact risk, either positively or negatively.

While we support the inclusion of employee compensation packages in risk assessments, we would also like to use this opportunity to restate AFP's long-held position that assessments imposed on banks should be charged on insured balances only. We recognize that such a policy change would necessarily result in a substantial increase in the assessment rate on insured balances. Currently, however, commercial depositors 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. The practice of assessing fees on uninsured balances amounts to paying a fee for a service that no entity guarantees it will ever deliver. In effect, businesses with uninsured balances are paying the premiums for insurance that benefits other depositors.

Further, AFP members continue to deal with the fact that banks are prohibited from paying interest on business transaction accounts and interest rates on bank time deposits are at historical lows. Little or no interest on bank deposits, coupled with increasing FDIC assessments on both insured and uninsured balances, could discourage companies from holding bank deposits. In fact, these conditions create an incentive for companies to move funds out of bank deposits in order to generate higher yields from alternatives that are not FDIC insured and therefore not subject to FDIC assessments. Simply put, FDIC assessments that are passed on to corporate depositors, especially in a low interest rate environment, may cause businesses to move cash from bank accounts to other investment vehicles, thereby eroding bank liquidity.

In addition to paying FDIC assessments on their uninsured as well as insured balances, AFP members have also provided specific examples of instances in the past where their organizations were charged an FDIC assessment when the depository institution itself was not being assessed any premiums by the FDIC. Part of the FDIC's mission is to examine and supervise financial institutions for safety and soundness and consumer protection. Therefore, AFP believes that the FDIC should be empowered to regulate how and how much banks charge their customers for FDIC assessments. AFP recommends that the FDIC prohibit a bank from charging its depositors FDIC assessments greater than the amount actually assessed by the FDIC for those deposits. Any amount charged to depositors as FDIC assessments that exceeds the amount paid by the bank for the associated deposits is a deceptive practice that should be prohibited.

We appreciate the opportunity to provide our thoughts on the inclusion of employee compensation packages in the FDIC's risk assessment system. If you have any questions about our comments, please contact AFP's Jeff Glenzer, CTP, Managing Director, at 301.961.8872 or jglenzer@AFPonline.org.

Sincerely,



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