



February 18, 2010

Mr. Robert E. Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, DC 20429

**Re: RIN 3064-AD56: Advanced Notice of Proposed Rulemaking: Incorporating  
Employee Compensation Criteria Into the Risk Assessment System**

Dear Mr. Feldman:

BancorpSouth Bank takes this opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC's) Advanced Notice of Proposed Rulemaking on incorporating Employee Compensation Criteria into the Risk Assessment System, RIN 3064-AD56 ("ANPR"). BancorpSouth Bank is a wholly-owned subsidiary of BancorpSouth, Inc., a financial services holding company. Our bank conducts commercial banking and financial services operations in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida and Missouri. The company and its subsidiaries have total assets of approximately \$13.5 billion. BancorpSouth did not participate in the Troubled Assets Relief Program (TARP).

As an initial observation, we respect the FDIC's apparent goal with this proposal of endeavoring to reduce the risk of loss to the deposit insurance fund. However, we are concerned that the ANPR will codify an approach that fails to factor in these tenets:

- (A) Our board of directors is better suited to address the compensation structure utilized by our institution.
- (B) Bright line limits on compensation may actually harm an institution, thus ultimately risk more loss to the Fund, rather than reduce it.
- (C) Institutions should have the flexibility to tailor their own incentive compensation practices.

By not addressing these points, the ANPR purports to craft a specific solution to compensation issues for all institutions, regardless of structure, complexity, assets, or size. Thus, the ANPR could impact our institution's ability to formulate compensation plans to meet our specific size and structure. As such, we respectfully ask the FDIC to eliminate any specific requirements and instead create guidance-type principles that allow our institution and others to harmonize internal procedures with a set of general principles.



**(A) Our board of directors is better suited to address the compensation structure utilized by our institution.**

Rest assured that our directors are uniquely aware of our institution's challenges and risks. Yet based on our directors' knowledge, including those with appropriate levels of compensation-related expertise, they stand ready to meet the obligations placed on directors entrusted with fiduciary decision-making for and on behalf of BancorpSouth. Thus, we submit our board of directors serves as the more appropriate vehicle to guide and tailor our company's compensation policies in a manner that is consistent with BancorpSouth's long-term interests. In that our Board members are the ones accountable to the shareholders by oath and law, they stand better suited to design and structure corporate governance-based compensation practices, not regulatory compelled mandates.

**(B) Bright line limits on compensation may actually harm an institution, thus ultimately risk more loss to the Fund, rather than reduce it.**

Our institution already utilizes appropriate tools, i.e., outside consultants, plus human resources and Board expertise to address compensation issues, all attendant with appropriate flexibility to not only initially hire but also reward and retain key personnel with the bank. Imposing a specific percentage, limit, or ratio on compensation levels will most certainly have a negative impact on successful institutions in their efforts to keep talented executives and also stands to be counterproductive to the goals of the FDIC.

**(C) Institutions should have the flexibility to tailor their own incentive compensation practices.**

Amplifying on point (B) above, indeed, our Board, in consultation with appropriate professionals, may end up actually agreeing that a compensation arrangement with some portion of the reward being given in restricted, non-discounted company stock would in fact be the appropriate method to align the bank's interest and our senior officers' interest. Yet just because this serves as a *possible* method, and *potential* "good idea" does not mean that codification of such a specific arrangement is mandated. Indeed, other specific alternatives, methods and formulas could be more appropriate for a certain institution. By compelling specific methods, this could actually limit our bank's ability to tailor-make its incentive compensation to endeavor to meet risk management controls. We therefore urge the FDIC to allow banks to have the discretion to design their own program, without bright line detailed specifics, all the while fulfilling a core principle of prudent risk management that allows institutions to address retention and recruitment.



**BancorpSouth**<sup>®</sup>

We appreciate the opportunity to express BancorpSouth's position on the proposal. BancorpSouth likewise supports the responses from industry trade groups, such as including the Financial Services Roundtable.

Sincerely yours,

W.O. Jones  
Human Resources Director  
Senior Vice President  
BancorpSouth Bank