DENNIS E. NIXON
President

April 12, 2011

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

Re: Part 330—Deposit Insurance Education
RIN # 3064-AD37

As President of International Bank of Commerce ("IBC"), Laredo, Texas, a Texas state-chartered bank with assets of nearly $10 billion, I appreciate this opportunity to comment on the FDIC proposed amendments to Deposit Insurance Regulations: Deposit Insurance Coverage Training; SMDIA Notification. IBC is the largest Hispanic-owned bank in the continental United States. It has a strong commitment to retail banking and to providing excellent service in its 278 branches, which includes 115 branches in supermarkets and other retail establishments.

This proposed amendment to 12 CFR Part 330 would require certain bank employees to be trained on FDIC insurance rules, using an FDIC provided training program. The banking industry already faces enormous challenges in keeping its staff well trained on all the other requirements placed on it in order to comply with the massive regulatory burden that now exists and will certainly increase under Dodd-Frank and the Consumer Financial Protection Bureau. With the significant employee turnover the industry faces, especially the employees that face the public each day, the sales associates and those individuals that open accounts and deal with the customer daily, adding another significant training requirement just burdens the process even more. Employee turnover, even in this recession, continues to be a major problem and continues to frustrate every bank in terms of keeping its staff adequately trained and up to speed on all the current requirements. All of these training requirements add a huge amount of cost to the system. Today, key people are trained in understanding the details of FDIC insurance protection, and when a customer has a special need because of deposit balances, these individuals assist these customers on an as-needed basis.

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Requiring all employees who face the public or that open accounts to have this specialized knowledge and to go through an assessment with every customer is just overkill. We have no customers complaining that they do not get the help they need to understand FDIC insurance. Publications and FDIC materials are readily available through many channels. Adding another layer of compliance is just not warranted.

Further, bank employees would be required to ask new customers whether they had other accounts with the bank and whether aggregation of accounts would exceed the current insurance coverage of accounts. The only exception in the rule as proposed would be for trust accounts (with pass through insurance).

It is critical that the requirement to aggregate the deposits of each customer remain a matter for each customer to analyze as proposed in this rule. Placing such a requirement on banks would create a huge challenge for many who do not have central information files (CIF) that are sufficiently accurate to be certain that all accounts are aggregated. Most small to medium size banks do not have systems that provide this kind of aggregated information. Many of the main street banks use systems that aggregate their larger relationships, and much of that effort is supported by significant manual support. Even the largest banks have huge challenges in providing a fully accurate CIF aggregation because almost all efforts to produce a fully accurate CIF record requires some level of employee intervention at the time the account is opened or through subsequent audits. Many systems have software that attempts to provide a clear avenue to aggregation, but the difference in names and the use of varying identifiers can create hazards to full realization of a CIF record. This is especially true of foreign accounts that generally do not have social security numbers or tax ID numbers. It is also important to note that most CIF records are not primarily created for FDIC insurance coverage analysis, but instead are created for a business relationship/customer relationship structure which can differ significantly from the coverage parameters of FDIC insurance. Training front line employees on how to deal with all these variables is virtually impossible.

As drafted, the rule is overly broad. It appears to assume that all customers of a bank are incapable of evaluating (1) whether they are concerned about the insured status of their account and (2) how much insurance coverage their account(s) have. There is no differentiation between retail and commercial accounts; between high net worth customers and unsophisticated customers; or between public fund deposits and other deposits.

Not all customers are equal in their knowledge—or the lack thereof—with regard to insurance coverage. Yet, only trust accounts are excluded from this rule. We would strongly recommend that commercial and public fund deposits be excluded from the coverage of this proposed rule. Also, spread CDs should be excluded since the entire objective of that product is to assure that funds are fully insured.

We should also consider the reality of the 80/20 rule in business. Twenty percent of the customers have 80% of the deposit balances, yet we will be required to question the relationships of 80% of the number of customers who do not hold balances that would ever exceed the new limits of $250,000. This creates an enormous amount of personnel time and cost to make certain all these low dollar customers understand the $250,000 limit, adding cost and time to the process. This will frustrate the consumer and the bank employee by imposing needless scrutiny – just another massive process that must be paid for driving up costs and causing more fee increases.

Next, the requirement that the bank employee inquire as to other accounts and then aggregate to determine total amount on deposit gives the false impression that all customers should be worried about whether their accounts are fully insured. First, many customers are fully aware of the health of their local community bank and are more concerned with the convenience and services to be attained by maximizing their relationship with a single institution. This requirement gives the impression that customers should move accounts that exceed the insurance coverage amount. That could be very damaging to the liquidity position of some institutions. Furthermore, it would give "too big to fail" banks a competitive advantage over community institutions.

Next, simply aggregating accounts without completely analyzing the types of accounts and the potential for additional coverage (for example, individual accounts versus joint accounts) could leave customers who do not seek more information with anxiety over the safety of their deposits. On the other hand, if the rule went further and required counseling as to deposit coverage and ways to maximize such coverage, the entire arms length relationship would be skewed to a fiduciary one with greater potential liability and significantly greater staff cost for the institution.

The potential costs to community banks like IBC greatly exceed the benefits, and there are less intrusive ways to accomplish these objectives. First, the training requirement—while apparently modest—will necessitate specialized training of front line (at a minimum new accounts desk) personnel. The training costs include the time that employees must spend on the training as well as the sunk costs of the existing training. IBC already has comprehensive training of staff. At a minimum, banks should be able to substitute training programs which they have already purchased or developed to substitute for the FDIC training module.

Next, as noted above there is the potential cost in the loss of deposits to institutions that are perceived as "too big to fail." The most recent economic crisis has solidified in the public's mind the likelihood that the government will always bail out the biggest banks. Therefore, only community banks will be affected by this emphasis on insurance coverage.

Further, there will be additional staff costs as employees find it necessary to "counsel" customers who are now concerned (perhaps unnecessarily) about insurance limits. This is time that will no longer be available to assist other customers. In addition to the loss of time, there is an additional cost in the bank's exposure to liability for such counseling.

There is a simpler and less costly alternative that is readily available to banks. Many banks already provide their customers with information about FDIC insurance, and IBC provides customers with a helpful calculator to determine the protection that they have. The rule should be flexible so that either a link to *EDIE* or a comparable calculation device could demonstrate compliance with this requirement.

In addition, the FDIC's *Deposit Insurance Summary* brochure is already available in bank lobbies for customers who are seeking more information. Making this common banking practice mandatory is unnecessary, but it could create a potential trap for bankers if a lobby brochure rack ran out of brochures just when an examiner was on premises. If there could be assurances that the inadvertent run off of brochures would not create a violation of law, then this requirement could be a reasonable one.

IBC has made a strong commitment to providing deposit services to the "unbanked" by making services readily available at supermarkets and other retail establishment branches. Services are available at some locations seven days a week and with extended hours.

However, the new accounts staff at these locations do not have the sort of facilities—or time—to engage in counseling activities with the customers attracted to these branches. The accounts opened at these locations do not come close to FDIC deposit insurance limits. Yet these new accounts would not be exempt from the requirements of this overly broad rule. Another potential unintended consequence of this rule could be the inhibition or reduction in account formation for these branches and these currently unbanked persons.

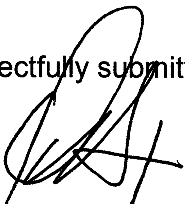
This proposed rule is just one of over a dozen final and proposed rules issued by various federal banking regulators in the first quarter of this year. At the same time, President Obama issued an Executive Order that stated in pertinent part:

> The administration is initiating a review "to make sure we avoid excessive, inconsistent and redundant regulation," focusing on rules that "stifle job creation and make our economy less competitive."

We believe that this proposed rule is excessive. Furthermore, the newly created Bureau of Consumer Financial Protection is required to establish a Consumer Engagement and Education Division. We would suggest that this Division should develop a program to address consumer awareness of deposit insurance rather than piling on more regulatory burden onto community banks.

In summary, rather than balancing consumers' expectations and need for information with a reasonable cost for compliance, this proposal could create false anxiety for consumers, significantly increase the cost of deposit taking, and result in no real benefit to the public. If the true concern is protecting all deposits through insurance coverage, then it would be more productive to simply insure all deposits instead of addressing the concerns in such a round-about manner.

Respectfully submitted,



Dennis E. Nixon