BELMONT BANK & TRUST

September 1, 2015

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

***Re: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking (RIN 3064–AE37)***

Dear Mr. Feldman:

Belmont Bank & Trust Company (the "Bank") welcomes the opportunity to comment on the Federal Deposit Insurance Corporation (the "FDIC") Notice of Proposed Rulemaking (the "NPR") proposing changes to the FDIC's deposit insurance assessment regulation for small banks, which are defined as banks with assets of less than $10 billion. In particular, we would like to comment on the impact that this proposal has on reciprocal deposits.

The Bank is headquartered in the Dunning community of Chicago, Illinois, with a branch location in downtown Chicago. We have approximately $319 million in assets, $287.4 million in deposits, and 2 locations. We are part of a reciprocal placement network. Of our total deposits, 6% are reciprocal. We have found that reciprocal deposits are a safe and important source of funding for our institution.

As noted in the NPR, the Federal Deposit Insurance Act ("FDI Act") specifically calls for a risk-based assessment system "for calculating an insured depository institution's assessment based on the insured depository institution's probability of causing a loss to the DIF due to the composition and concentration of the IDI's assets and liabilities...." In short, the premium assessments for each individual institution are supposed to reflect the specific and measurable risks posed by its assets and liabilities.

The proposal also states that it would improve the current system "by incorporating newer data from the recent financial crisis" ... to ... "more accurately reflect risk."

When it established the current system in 2009, the FDIC recognized that reciprocal deposits "may be a more stable source of funding for healthy banks than other types of brokered deposits and that they may not be as readily used to fund rapid asset growth."

That recognition was based on the characteristics that reciprocal deposits share with core deposits, characteristics that traditional brokered deposits lack. In particular, the Bank's reciprocal deposits typically come from our local customers and the relationship the Bank has with these customers is long term and involves multiple services and products. The Bank sets the interest rate based on local market conditions. Reciprocal deposits allow the Bank to attract and retain large deposits from businesses, nonprofit organizations, individuals and other customers in our community that require an assurance of safety. Reciprocal deposits add to the Bank's overall intrinsic value. Reciprocal deposits, therefore, do not present any of the concerns that traditional brokered deposits do, such as: 1) volatility, 2) risk of rapid asset growth, 3) high cost, and 4) out of market location.

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Specifically, under the current system, reciprocal deposits are excluded from the "adjusted brokered deposit ratio" which penalizes banks for reliance on brokered deposits. The proposed assessment system would no longer exclude reciprocal deposits from the definition of brokered deposits.

In the proposal, the FDIC gives no justification for this shift, which would result in reciprocal deposits being treated like any other form of brokered deposit or wholesale funding. It simply and arbitrarily lumps reciprocal deposits in with traditional brokered deposits. In doing so, it would penalize banks that use them by, in effect, taxing them.

The best way to avoid the punitive measures contained within the NPR is to maintain the current system's exclusion of reciprocal deposits from the definition of "brokered" for assessment purposes.

In addition, we strongly urge the FDIC to support legislation to explicitly exempt reciprocal deposits from the definition of brokered deposit in the FDI Act.

Thank you for the opportunity to comment on this proposal.

Sincerely,

Ronald J. Banks
Chief Financial Officer

cc:

The Honorable Richard Durbin
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United States Senate
Washington, D.C. 20510

The Honorable Mark Kirk
524 Hart Senate Office Building
United States Senate
Washington, D.C. 20510

The Honorable Mike Quigley
2458 Rayburn House Office Building
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The Honorable Martin J. Gruenberg
Chairman
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