Atlantic Coast Bank

September 8, 2015

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:

Atlantic Coast Bank is headquartered in Jacksonville, Florida with $807,907,759 in assets and 12 branches in northeast Florida and southeast Georgia. We are part of a reciprocal deposit placement network and believe that reciprocal deposits are an important source of stable funding.

We welcome the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking (NPR) proposing changes to the FDIC's deposit insurance assessment regulation for community banks. In particular, we would like to comment on how this proposal would affect reciprocal deposits.

In short, we strongly urge the FDIC to continue to separate the treatment of reciprocal deposits from that of traditional brokered deposits in setting assessments. Reciprocal deposits are stable sources of core funding that do not present the risks and other characteristics of traditional brokered deposits. The separate treatment of reciprocal deposits from that of traditional brokered deposits in the current assessment system recognizes the differences between the two types of deposits. Reciprocal deposits are not just another form of wholesale funding and should not be treated as such.

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." Nothing has changed since then. Reciprocal deposits do not present any of the risks and concerns that traditional brokered deposits do as in: instability, risk of rapid asset growth, and high cost. On the contrary, reciprocal deposits come from <u>local</u> customers. We have a relationship with our customers that go far beyond merely accepting their deposits. We set reciprocal deposit interest rates based on local rates. Our past experience in this program shows that reciprocal deposits "stick" with the bank. For all these reasons, they add to our bank's franchise value.

Further, as the FDIC's proposal itself points out, the premium assessment for an institution is supposed to reflect the risks posed by its assets and liabilities. Those risks must be specific and should be measurable.

The FDIC in its proposal gives no justification for treating reciprocal deposits like traditional brokered deposit. Rather, it arbitrarily lumps the two together. In doing so, it would penalize banks that use them by, in effect, taxing them. Such a tax would be unnecessary and unfair. The FDIC's proposal would punish our bank for using one of the few tools we have to compete against the mega-banks doing business in our area.

Again, we strongly urge you to retain the current system's exclusion of reciprocal deposits from the definition of "brokered" for assessment purposes.

So that we do not have to revisit this issue later, we also strongly urge the FDIC to support legislation to explicitly exempt reciprocal deposits from the definition of brokered deposit in the Federal Deposit Insurance Act.

Thank you for your time.

Sincerely,

John K. Stephens
President & CEO

cc:

The Honorable Bill Nelson
716 Hart Senate Office Building
United States Senate
Washington, D.C. 20510

The Honorable Marco Rubio
284 Russell Senate Office Building
United States Senate
Washington, D.C. 20510

The Honorable Ander Crenshaw
2161 Rayburn House Office Building
United States House of Representatives
Washington, D.C. 20515

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th St., NW
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