



August 26, 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:

Two Rivers Bank & Trust is headquartered in Burlington Iowa. We have \$700,000,000 in assets and 11 branches. We are part of a reciprocal deposit placement network. We use reciprocal deposits to be an important source of funding. We utilize both CDARS and ICS products in order to serve our core customer base efficiently and locally.

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 small 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. In our case, these deposits represent local depositors who request additional insurance coverage and maintain those balances as if they were on our balance sheet. Those deposits are stable and long term relationships within our Bank.

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. Traditional brokered deposits are considered "hot money" while reciprocal deposits are not.

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.

Reciprocal deposits do not present any of the risks and concerns that traditional brokered deposits do: instability, risk of rapid asset growth, and high cost. On the contrary, our reciprocal deposits come from local customers. We typically 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 experience is that reciprocal deposits "stick" with the bank. For all these reasons, they add to our bank's franchise value.

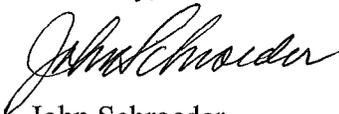
The FDIC in its proposal gives no justification for treating reciprocal deposits like traditional brokered deposit: no facts, no figures, and no analysis. Rather, it arbitrarily lumps the two together. In doing so, it would penalize banks that use them by, in effect, taxing them. Such a tax would be 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.

Sincerely,



John Schroeder
SVP & Cashier

cc: Martin J. Gruenberg