



BANK OF THE PRAIRIE

BANKING ON YOUR FUTURE.

August 31, 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:

Bank of the Prairie is headquartered in Olathe, KS. We have \$90,000,000 in assets and 2 branches. We are part of a reciprocal deposit placement network. We have found reciprocal deposits to be an important source of funding and an important product to offer our customers who may have total deposits over the FDIC insurance limits.

We appreciate this 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 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. Reciprocal deposits allow small community banks to be more competitive with larger banks when the need to gather funding arises. 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. Traditional brokered deposits are "hot"; 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. Small community banks such as Bank of the Prairie struggle to compete with larger financial institutions deposit gathering side of the ledger. Changing the treatment of reciprocal deposits will on make deposit gather more difficult for small community banks.

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 are able to offer local customers a more attractive suite of products with reciprocal deposits. We typically have a relationship with our customers that goes 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 and the customers that use them “stick: with the bank as well. For all these reasons, they add to our bank’s franchise value.

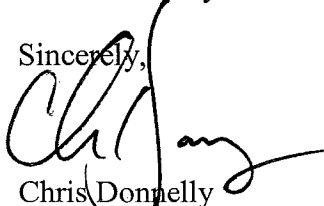
The FDIC’s proposal would punish our bank for using one of the few tools we have to compete against the mega-banks doing business in our area. Community Banks need flexible deposit tools to compete with the big banks. Taking away reciprocal deposits only removes another tool that we could use.

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,



Chris Donnelly
President & CEO

cc:

The Honorable Pat Roberts
109 Hart Senate Office Building
United States Senate
Washington, D.C. 20510

The Honorable Jerry Moran
521 Dirksen Senate Office Building
United States Senate
Washington, D.C. 20510

The Honorable Kevin Yoder
215 Cannon 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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