Association for Financial Professionals

Submitted via E-mail

September 22, 2006

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

RE: Part 327-Designated Reserve Ratio
RIN number 3064-AD02

Dear Mr. Feldman,

The Association for Financial Professionals (AFP) welcomes the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) proposed rule to set the designated reserve ratio. The Federal Deposit Insurance Reform Act of 2005 (Reform Act) requires the FDIC to set the Designated Reserve Ration (DRR) for the Deposit Insurance Fund (DIF) within a range of 1.15 to 1.5 percent. As one of several recently issued proposals implementing the Reform Act, the FDIC is proposing to set the Designated Reserve Ratio (DRR) at 1.25 percent of estimated insured deposits.

The Association for Financial Professionals represents 15,000 finance and treasury professionals who manage their organization's banking relationships and have an active interest and a sizable stake in proposed changes to the deposit insurance assessment system. Banks pass the costs of deposit insurance onto corporate depositors. Thus, AFP member organizations contribute large sums to the deposit insurance system. In their role as bank relationship managers, AFP members negotiate, monitor and approve for payment charges that their banks pass on to them for deposit insurance assessments.

A major goal of the Reform Act is to avoid sharp increases in the assessment of premiums and volatility in the DIF. Therefore, the FDIC should exercise the maximum amount of flexibility allowed for by the Reform Act. The Reform Act gives the FDIC sufficient flexibility to manage DIF to maintain the stability of the fund. AFP believes that the best way to meet this objective is through a system of low and steady premium assessments spread out over the longest possible time frame. In fact, the Reform Act gives the FDIC five years to replenish the DIF should it fall below the low mark in the range (1.15 percent).

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As the FDIC moves toward its target DRR, AFP urges the FDIC to move slowly as it builds the DIF. A slow and steady approach would allow for a smooth transition to the new system reducing any potential volatility. AFP addresses specific concerns regarding the setting of assessments rates and risk determinations in a separate comment letter.

We appreciate the opportunity to present our views and recommendations. If you have any questions or need additional information, please contact Tom Santos, AFP's Director of Government Relations at 301.907.2862.

Sincerely,

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