THE FINANCIAL SERVICES ROUNDTABLE

1001 PENNSYLVANIA AVE., NW
SUITE 500 SOUTH
WASHINGTON, DC 20004
TEL 202-289-4322
FAX 202-628-2507

E-Mail rich@fsround.org
www.fsround.org

RICHARD M. WHITING
EXECUTIVE DIRECTOR
AND GENERAL COUNSEL

August 16, 2006

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corp.
550 17th Street, N.W.
Washington, DC 20429
Attn: Comments

Re: RIN 3064–AD08; Proposal for Distribution of Assessment Credits, as provided in the Federal Deposit Insurance Reform Act of 2005; 71 Federal Register 28809; May 18, 2006 (as revised in 71 Federal Register 36717; June 28, 2006)

Dear Mr. Feldman:

The Financial Services Roundtable ("Roundtable")[1] appreciates this opportunity to submit a written comment on these proposed rules governing deposit insurance. As set out generally below, the Roundtable supports "slow growth with no cliffs." In addition, the Roundtable supports inclusion of *de facto* mergers in the definition of "successor."

Slow Growth, No Cliffs

The enactment of the Federal Deposit Insurance Reform Act (FDIRA) provided important new tools to enable the Federal Deposit Insurance Corporation (FDIC) to manage deposit insurance funds in a more flexible manner. One of the most salient reforms removed the rigid mandates that required abrupt increases in premiums in order to augment FDIC resources, the so-called "cliff." This reform was strongly supported by regulators, Congress, and industry alike.

As the FDIC considers funding levels for the coming year, we believe that the FDIC should draw upon the flexibility provided under the new law to assess

[1] The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, investment products and services to the American consumer. Roundtable member companies provide fuel for America's economic engine accounting directly for $18.3 trillion in managed assets, $678 billion in revenue, and 2.1 million jobs.

premiums in an even and balanced way across an appropriate period of time rather than endeavor to build up the Deposit Insurance Fund (DIF) with considerable short-term premium increases. Eliminating the so-called "cliff" was a very good idea because assessing insurance premiums in a more stable way is likely to avoid the negative impact on the economy and the activities of banks that could result from sizeable spikes in deposit insurance premiums.

There are several reasons why it is not necessary to raise premium levels sharply or precipitously:

First, the banking industry is extremely healthy. The decline in the insurance fund reserve ratio is due to strong insured deposit growth, not from any problems in the banking industry.

Second, the insurance fund balance is currently stable and growing. The proposed changes to increase assessments would impose a high costs on banks but would have little practical benefit to the FDIC's ability to meet its obligations.

Third, Congress provided flexibility to the FDIC to consider a range for its statutory reserve ration. This grant of discretion was intended to allow the FDIC to pursue a smooth, slow, and minimal premium policy that avoids spikes in premium levels.

Fourth, the FDIC's proposed Designated Reserve Ratio of 1.25 percent level is too high relative to their risk. The FDIC's enhanced regulatory authority, including the ability to take prompt corrective action, as well as depositor preference and cross guarantee measures, make it less likely that a bank would fail and less costly to resolve those that might.

The Roundtable supports a healthy, strong, adequately funded DIF and our members stand ready as an industry to contribute to that strength. As envisioned by FDIRA, we believe that financial strength can best be achieved by a premium program that is as close to constant as financial demands will allow. Such an approach would be beneficial to the entire banking system, including both banks with substantial assessment credits, as well as those with little or no credits. Fortunately, the strong condition of the banking industry will allow for a consistent program of DIF funding, and we encourage the FDIC board to take that approach when the board considers funding levels for the coming year.

Definition of "successor" to include *de facto* mergers

The Federal Deposit Insurance Reform Act of 2005 ("Reform Act") provides the Federal Deposit Insurance Corporation ("FDIC") with broad discretion in defining the term "successor" for the purposes of the one-time assessment credit set forth in the Reform Act. The Roundtable urges that the FDIC include within the definition of "successor" a business combination that results from a *de facto* merger.

These transactions follow the same procedural and substantive rules that apply to true mergers and consolidations, including regulatory approval under section 18(c) of the Federal Deposit Insurance Act. The final result is essentially the same as if the target bank had been merged with and into the acquiring bank.

* * *

In sum, the Roundtable supports a healthy, strong, adequately funded DIF by assessing insurance premiums in a stable way that is likely to avoid the negative impact on the economy and on the activities of banks that could result from sizeable spikes in deposit insurance premiums. In addition, we urge the FDIC to include some modification of the definition of "successor" to include "*de facto* mergers."

If you have any questions concerning these comments, or would like to discuss these issues further, please contact me at rich@fsround.org or 202-589-2413, or Mitzi Moore at mitzi@fsround.org or 202-589-2424.

Sincerely,

Richard M. Whiting

Richard M. Whiting
Executive Director and General Counsel