UNION BANKSHARES
CORPORATION

January 28, 2010

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

Attn: Comments

Dear Mr. Feldman:

Thank you for the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) proposal to include employee incentive compensation as a risk factor for the purpose of determining fees assessed to insured banks.

First, let me state that the proposal does not provide the commenter with substance sufficient to create a detailed response. The proposal lacks clarity and specificity.

It would seem to me that the FDIC should step back and consider risk in a broader sense to better reflect the mandate given the Corporation under Section 7 of the Federal Deposit Insurance Act (FDI Act). Incentive compensation may be a factor in bank failures as your proposal alludes. But, your data source of only those reports filed in 2009 begs the question; is the sample size statistically sound?

If the FDIC wishes to redesign its fee assessment risk matrix, the writer would opine that a global analysis of risk including additional factors such as liquidity, loan mix, investment portfolio mix, off balance sheet activity, trading volumes, levels of non-traditional banking as a percent of total revenue, level of secured borrowings, rate of organic growth, level of brokered deposits, level of deposits from customers located outside the bank market footprint, compliance risk and operational risk should be undertaken.

Even banks with simple business models of taking deposits and making loans within their market footprint can have varying degrees of risk within their balance sheet regardless of their incentive compensation structure. The FDIC should address all levels of risk not just a select few because it seems fashionable at the time or because of a public uproar.



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To specifically address the three items that the FDIC proposal included as example, I am surprised that it was not suggested that a member of the board must be certified or indentified as a compensation expert. This would be similar to the level of expertise expected of the financial expert on the bank audit committee. Union Bankshares existing incentive compensation structure meets the criteria defined under FDIC Goals #1 on page 8. The writer does see potential problems with the execution of goal #2. Is the goal referring to look-back mechanisms to include stock that has been vested or earned over time? If so, how are events such as sale of the vested stock, retirement, disability, departure and death to be handled in FDIC goal #2? FDIC goal #3 is just good corporate governance. The writer is curious as to how many of the 17 cited failures in which incentive compensation was a factor had outside board members on the compensation committee?

Again thank you for the opportunity to comment. With all due respect there is insufficient depth to the proposal.

Sincerely,

G. William Beale

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President & Chief Executive Officer