

**From:** Paul C. Livermore [<mailto:PCLivermore@fnbsf.com>]  
**Sent:** Wednesday, July 15, 2015 4:43 PM  
**To:** Comments  
**Subject:** RIN 3064-AE37

Dear Sir or Madam:

I am writing to provide a comment related to the FDIC Notice of Proposed Rulemaking regarding refinements anticipated to the deposit insurance assessment system for small depository institutions.

As discussed in the document, one of the factors that the FDIC is intending to use to determine the assessment rate for a particular institution is the ratio of Core Deposits to Total Deposits. Page 118 of the document defines core deposits as “Domestic office deposits (excluding time deposits over the deposit insurance limit and the amount of brokered deposits below the standard maximum deposit insurance amount.”

Despite the fact that banks currently show the amount of “brokered deposits below the standard maximum deposit insurance amount” in Schedule 16: RC – E Deposit Liabilities: Section 2: Line M.1.c, there currently is no effective means for an issuer of brokered deposits whether or not those deposits are held by the beneficial owners in lots below the FDIC limit. Brokered deposits are typically issued in the form of a single master certificate which is normally held by Depository Trust Corp (DTC). DTC maintains records of the custodians (typically brokerage firms, trust companies and the like) who hold the underlying lots on behalf of the end users. Only if DTC provided the names of its custodian customers and they in turn provided the names of the beneficial holders on whose behalf they hold brokered CDs could a bank issuer actually know who the end investors are and in what block sizes they hold the deposits. All this aside, it is generally accepted that the majority of investors hold CDs in lots below the FDIC limit.

I think that if the FDIC intends to include brokered deposits held in lots below the FDIC limit, it should clarify whether or not it accepts the amount represented on Line M.1.c as accurate for this purpose. Alternatively, the FDIC might wish to consider allowing some percent of the amount listed on this line to be considered core – perhaps 80%. Even then, this would be little more than an educated guess. The only way to definitively know is to force the custodian banks and DTC to provide the positions owned by the end investors. I think this would be met with major resistance by the custodian banks and would violate client confidentiality at all levels of the custodial relationships from DTC down to the end investors.

*"We Build Successful Relationships"*

**Paul C. Livermore, CFA**  
Chief Financial Officer  
Executive Vice President  
The First National Bank in Sioux Falls

100 South Phillips Avenue  
Sioux Falls, SD 57104  
Phone: (605) 335-5264  
Fax: (605) 335-5222  
Email: [PCLivermore@fnbsf.com](mailto:PCLivermore@fnbsf.com)  
Web: [www.fnbsf.com](http://www.fnbsf.com)