First Sentry Bank
YOUR TOWN...YOUR BANK™

August 07, 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:

I am President & CEO of First Sentry Bank, Inc., a $500 million asset community bank headquartered in Huntington, WV that operates from four branch offices. I am writing today because we participate in a reciprocal deposit placement network that is very meaningful to us. Reciprocal deposits are an important source of our funding that allows us to accommodate the needs of our customers while meeting the lending needs of our community.

Thank you for the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking (NPR) that proposes changes to the FDIC's deposit insurance assessment regulation for small banks. In particular, I would like to comment on how I understand this proposal would affect reciprocal deposits.

In short, I strongly 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. 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 the FDIC established the current system in 2009, it recognized reciprocal deposits to "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. Reciprocal deposits are not "hot deposits" and should not be considered such. They are an important, steady source of funds from our regular customers.

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.

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, who we have developed long term relationships. We set reciprocal deposit interest rates based on local rates and have customers using both CDARS and the Insured Cash Sweep service. Our experience with reciprocal deposits has been very positive as they have remained at the bank (not "hot") and significantly add to our bank's franchise value.

The FDIC in its proposal gives no justification for treating reciprocal deposits like traditional brokered deposits: no facts, no figures, no analysis. Reciprocal deposits are funds obtained from our customers without the use of any broker, yet this proposal arbitrarily lumps the two together. In doing so, it penalizes banks that use them by, in effect, taxing them. Such a tax would be unnecessary and unfair. The FDIC's proposal would punish our bank for using one of the few tools we have to compete against the handful of mega-banks doing business in our area.

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,

Geoffrey S. Sheils
President & CEO

cc:

The Honorable Joe Manchin
306 Hart Senate Office Building
United States Senate
Washington, D.C. 20510

The Honorable Evan Jenkins
502 Cannon House Office Building
United States House of Representatives
Washington, D.C. 20515

The Honorable Shelley Capito
172 Russell Senate Office Building
United States Senate
Washington, D.C. 20510

The Honorable Martin J. Gruenberg, Chairman
Federal Deposit Insurance Corporation
550 17th St., NW
Washington, DC 20429