"Your Path To Success"

February 4, 2009

Ms. Jennifer J. Johnson, Secretary
Board of Governors
of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

Re: Amendments to Regulation D, Establishment of Limited Purpose Accounts
Docket No. R-1350

Dear Ms. Johnson:

Nebraska Bankers' Bank, (NBB)[1] appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System (the Board) proposal to amend Regulation D, to authorize the establishment of limited purpose accounts referred to in the proposed rule as "Excess Balance Accounts" EBAs.

NBB is supportive of the Board's efforts to address the unintended consequences associated with the acceleration of the payment of interest on required and excess reserves. The bank **fully supports** the concept of Excess Balance Accounts as a means to mitigate the dislocations that have recently developed in the federal funds market. In the absence of the EBA concept; market configurations, current pass-through rules and the adverse impact these can have on leverage ratios could significantly limit a correspondent's ability act in the best interest of their respondents. The proposed modifications to Reg D will allow correspondent banks, including bankers' banks, to continue serving the critical liquidity needs of their respondent bank partners.

[1] Nebraska Bankers' Bank is a Bankers Bank that provides correspondent banking services to over 140 community banks of all sizes and charter types throughout the Nebraska. The mission of NBB includes acting as an aggregation facilitator for the institutions it serves. Liquidity aggregation is one of the important aggregator services provided by NBB.

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As the proposed rule accurately states, Regulation D currently requires that the balance in a pass-through account at a Reserve Bank held by a correspondent bank on behalf of a downstream respondent be treated as liability by the Reserve Bank exclusively to the pass-through correspondent. The correspondent is deemed to be the sole owner of the balance and must record the transaction accordingly on its books. In many cases respondents may, by agreement with their correspondent bank, direct them to maximize earnings on excess balances by selling them into the federal funds market or by holding them in a reserve account at a Reserve Bank under a pass-through agreement. These two alternatives have significantly different implications for the balance sheet of the correspondent. The former is structured as an off balance sheet transaction and, as such, is balance sheet neutral. The latter however is treated as an on-balance sheet obligation of the correspondent which can, in the presence of large pass-through balances, adversely impact capital adequacy by diluting the leverage capital ratio.

Many respondent banks had historically chosen federal funds as the preferred alternative for excess balance investment. The recent dislocations in the funds market have made this option significantly less desirable to respondents and correspondents alike. This correspondent bank (NBB) is being frequently directed by its respondents to hold all or a majority of their liquidity in excess balances. NBB and our respondents share common concerns about the instability of the federal funds market. We have been advocates of an alternative that would permit these balances to be held in a Reserve Bank account where ownership passes "through", instead of to, the correspondent. This arrangement is not objectionable to the respondent, mitigates the leverage ratio pressures at the correspondent and in certain respects advances the monetary policy objectives of the Board.

Nebraska Bankers' Bank supports the establishment of EBAs, along with the mechanical attributes as described in the proposed rule change, as a viable solution to the excess balance dilemma. The proposed account structure would allow correspondent banks to deposit on an overnight basis, the aggregate excess balances of their respondents at a Reserve Bank under what effectively amounts to an as agent arrangement. NBB further states that the mechanical aspects of the proposal can be implemented as described with minimal difficulty.

Again, Nebraska Bankers' Bank appreciates the opportunity to provide comments on this proposal. We look forward to approval of the new rule.

Sincerely,

David A. Ochsner

David A. Ochsner
President /CEO