FNBB, Inc.
First National Bankers Bankshares, Inc.

February 5, 2009

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

RE: Proposed Amendments to Regulation D, Reserve Requirements of Depository Institutions
Docket No. R-1350

Dear Ms. Johnson:

First National Bankers Bankshares, Inc. appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System (the Board) proposal to change the Reserve Requirements of Depository Institutions by allowing the creation of limited-purposes accounts at the Federal Reserve Banks for the maintenance of excess balances of eligible institutions.

Background

First National Bankers Bankshares, Inc., headquartered in Baton Rouge, LA, is the holding company of four banks; First National Banker's Bank, Baton Rouge, LA, Mississippi National Banker's Bank, Ridgeland, MS, Alabama Banker's Bank, N.A., Birmingham, AL, and Arkansas Bankers Bank, Little Rock, AR. All four banks are chartered to provide correspondent banking services for community banks throughout the southern United States. Our service offerings include Agency Fed Funds, Cash Letter Clearing, Cash Management, Funds Transfer, ACH, Investments, Asset/Liability Management, as well as other products and services. We currently service an expanding customer base located throughout the southern United States.

Overview of Comments

FNBB supports the Federal Reserve System in its ongoing role as both payments regulator and provider of payment services, and is pleased with the proposal to create Excess Balance Accounts (EBAs) to allow a correspondent bank (as EBA Agent) to place excess funds from a respondent (as EBA Participant) at the Federal Reserve Bank and earn interest on these excess balances.

Between our four institutions, we currently provide overnight fed funds sales, as either Agent or Principal, for over $1.77 billion. Due to excess liquidity and historically low rates in the overnight fed funds market, placing these balances on behalf of our customers

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has been extremely difficult in the past 4-months. When historical purchasers of overnight fed funds have not been in the market, our four banks have purchased the excess balances, placing these funds on our books. While we have earned interest from the Federal Reserve Bank on these balances, it is viewed as our bank's funds under current Reg D requirements, and not the respondent customers' funds. This has a negative impact to us as it decreases our leverage ratio for capital adequacy, inflates our DDA balances, and increases our FDIC charges.

We agree with the proposal to establish EBAs that would allow a correspondent bank to aggregate respondent customer funds and place these at the Federal Reserve Bank, earning interest on the aggregated balance. Under the proposal, this would require over 520 respondent banks that are customers of our four banks to open an additional account at the Federal Reserve Bank. For account structure purposes, we respectfully request that the correspondent bank, acting as EBA Agent, would open the sole EBA for purposes of placing the excess balances. As the proposal calls for the EBA Agent to receive the interest payments and pass this on to the EBA Participant, we believe that requiring each individual respondent institution to open an EBA would be onerous to the respondent banks and the Federal Reserve Bank staff. Accounting for the amount held by any given EBA Participant also is the requirement of the EBA Agent, further negating the need for each EBA Participant to open an account. One possible solution to mitigate risk in this is that the correspondent and respondent complete the Federal Reserve Bank Appendix 5 of Operating Circular 10 Federal Reserve Bank (Tri-Party Agreement) indicating the correspondent as the EBA Agent.

Conclusion

First National Bankers Bankshares, Inc. is pleased by this proposal and believes that its adoption will provide us the opportunity to better service our respondent institutions and address temporary market issues resulting from excess liquidity. We respectfully request that only the EBA Agent be required to open an Excess Balance Account, and not require each EBA Participant to open an account if they are using an EBA Agent. We also ask that the Board adopt and implement this resolution in the earliest possible timeframe.

FNBB, Inc. appreciates the opportunity to comment on this proposal. Should you have any questions concerning our position on this issue, please contact me directly at (225) 231-5001, or via email at jquinlan@bankers-bank.com.

Sincerely,

Joseph F. Quinlan, Jr.
Chairman, President, and CEO

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