

## **Bankers' Bank Council**

September 6, 2006

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

Re: Docket No. R-1262; Reserve Requirements of Depository Institutions; Notice of Proposed Rulemaking

Dear Ms. Johnson,

The Bankers' Bank Council appreciates the opportunity to offer comments on the Federal Reserve's proposal to revise its 1980 interpretation of Regulation D (Reserve Requirements of Depository Institutions) that sets forth criteria for bankers' banks to be exempt from reserve requirements under Federal Reserve Act section 19(b).

Membership in the Bankers' Bank Council represents the interest of 19 of the 21 recognized bankers' banks in the United States. Nearly 3000 community banks and bank holding companies have equity interests in these institutions which provide correspondent banking services to and on behalf of over 5,300 community banks. The Bankers' Bank Council recognizes the important role its' members provide in delivering critical financial services to community banks and on behalf of the members and their shareholder banks is committed to supporting and preserving the original purpose of the bankers' bank charter.

Bankers' banks came into existence for the purpose of providing community oriented financial institutions a non-competing institution with which they could conduct correspondent and other financial business. In order to assure that this institution would never become a competitor, it was to be owned by client banks with no single client bank holding a controlling interest. The National Banking Act was amended to allow banks to invest in such an institution and Federal Reserve regulations were adopted that supported the concept of a non-competing "bankers bank". Numerous state banking statutes have since been enacted or amended to support the bankers' bank mission. The Bankers' Bank Council believes that this business model remains a valid and viable one and opposes any changes in regulations or interpretations of existing regulations that would jeopardize it.

The Council recognizes that the delivery of more complex modern services to financial institutions may sometime appear to conflict with strict interpretation of Regulation "D".

It is necessary for regulators to have flexibility to give bankers' bank the ability to provide community banks the competitive tools they need to compete but also the ability to prevent inappropriate activity. This is a slippery slope however, and changes to existing regulations that would significantly broaden permitted entities that may do business directly with bankers' banks could put the bankers' bank franchise at risk by allowing bankers' banks to compete directly with their client banks.

The Bankers' Bank Council does not support the effort of any institution that seeks to expand permitted activities to the point whereby client/shareholder banks view such activities as competing with their own interest. Institutions that seek such authorities should be granted them as a full service commercial bank and thereby relinquish bankers' bank status. Such institutions should also disclose to all clients that they are no longer recognized as a bankers' bank under Federal Reserve regulations.

Submitted on behalf of the Bankers' Bank Council.

Sincerely,

William H. McFaddin  
President & CEO  
Community Bankers' Bank  
Midlothian, Virginia

Members:

Jimmy Thomason, President/CEO, Arkansas Bankers' Bank, Little Rock, AR  
Thomas Evans, President & CEO, Pacific Coast Bankers' Bank, San Francisco, CA  
Roger R. Reiling, President/CEO, Bankers' Bank of the West, Denver, CO  
Peter J. Sposito, President/CEO, Bankers Bank Northeast, Glastonbury, CT  
James H. McKillop, III, President /CEO, Independent Bankers' Bank of Florida,  
Lake Mary, FL  
John D. Schneider, Jr., President & CEO, Independent Bankers' Bank, Springfield, IL  
Bruce Schriefer, President/CEO, Bankers' Bank of Kansas, N.A., Wichita, KS  
William L. Fallon, President/CEO, The Bankers' Bank of Kentucky, Frankfort, KY  
Joseph F. Quinlan, Jr., Chairman and CEO, First National Bankers' Bank,  
Baton Rouge, LA  
William Rosacker, President/CEO, United Bankers' Bank, Bloomington, MN  
L.D. McDonald, President, Midwest Independent Bank, Jefferson City, MO  
Charlotte Martin, President/CEO, Great Lakes Bankers' Bank, Gahanna, OH  
Don Abernathy, President/CEO, The Bankers Bank, Oklahoma City, OK  
Jon Evans, President & CEO, Atlantic Central Bankers' Bank, Camp Hill, PA  
William H. McFaddin, President & CEO, Community Bankers' Bank, Midlothian, VA  
Ron Slater, President & CEO, Bankers' Bank, Madison, WI