

FNBB, Inc.

First National Bankers Bankshares, Inc.

June 11, 2008

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

RE: Policy on Payments System Risk; Daylight Overdraft Posting Rules
Docket No. OP-1310

Dear Ms. Johnson:

First National Bankers Bankshares, Inc. (FNBB)¹ appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System (the Board) proposal to change the posting time for commercial and government automated clearinghouse (ACH) debit transfers that are processed by the Federal Reserve Banks' FedACH Service.

We apologize for commenting past the deadline, but we were unaware of the proposed change until we were recently informed that it was being presented for comment by the Independent Community Bankers of America (ICBA). For future proposed changes that directly impact account aggregators such as ourselves, we suggest that a formal notice be sent to all the banker's banks and corporate credit unions.

Overview of Comments

FNBB supports the Federal Reserve System in its ongoing role as both payments regulator and provider of payment services, and asks that the Board carefully evaluate the proposal's impact on settlement aggregators such as ourselves, other bankers' banks, and the corporate credit unions who settle for community financial institutions across the U.S.

FNBB opposes the proposed posting time modifications as they would have adverse affect on bankers' banks and the community banks we serve. We suggest that the Board form a workgroup of both banker's banks and corporate credit unions to evaluate this proposal and make recommendations.

¹ First National Bankers Bankshares, Inc., headquartered in Baton Rouge, LA, is the parent company of First National Banker's Bank, Baton Rouge, LA, Mississippi National Banker's Bank, Ridgeland, MS, and Alabama Banker's Bank, N.A., Birmingham, AL. All three banker's banks are chartered to provide correspondent banking services for community banks in their respective markets in the Southeast. Our service offerings include Cash Letter Clearing, Cash Management, Funds Transfer, ACH, Investments, Asset/Liability Management, Loan Participations, as well as other products and services. We currently service an expanding customer base of over 360 community banks located throughout the southern United States.

Between our three institutions, we provide funds management and overnight investment services for over 360 community financial institutions. Our role as a settlement aggregator requires us to accommodate multiple payment strategies for our customer base, including the ability to support their decisions on ACH file processing. These customers may utilize the FedACH services directly, through a 3rd-party processor, or with FNBB. Regardless of the method chosen, FNBB is the settlement point for the transactions, allowing the customer to utilize our Cash Management and Fed Funds services. As our customer base is community-bank based, we generally are in a net debit position, as these customers historically receive a greater number of debit transactions than they originate.

While FNBB can use historical modeling to estimate the volume of debits that will be presented via ACH on any given day, current Federal Reserve account reporting systems do not provide actual information prior to the receipt of these files some of which occur after the close of Fedwire. This has the potential of creating issues for cash management, as an underestimation could lead to a daylight overdraft, while an overestimation results in a loss of overnight investment earnings.

Under this proposal, changing the posting of ACH debit transfers from 11:00 A.M. ET to 8:30 A.M. ET will require FNBB to hold substantially larger overnight balances at the Federal Reserve. Based on our analysis and projections, this change, if approved, would potentially force our three banker's banks to maintain four to five times the level of overnight Reserve balances than we currently do on certain days of the month. Given that the Federal Reserve is not expected to begin paying interest on overnight Reserve balances until October 2011, these are essentially increased "free" balances that the Central Bank would acquire at a significant expense to the banker's banks. The change would require FNBB to pursue additional overnight Fed Funds arrangements at reduced rates to guarantee an earlier return of overnight investments. This would result in lower yields on the overnight investments of our customers. Of note, most of the large financial institutions that purchase Fed Funds from the banker's banks on a nightly basis, some of which are also the large ACH debit originators that would benefit from this change, are unwilling or unable to return those funds the following day until mid to late morning. These circumstances have the potential to negatively impact the banker's banks and our customers, as this immediately lowers the amount of Fed Funds that can be sold in the overnight market.

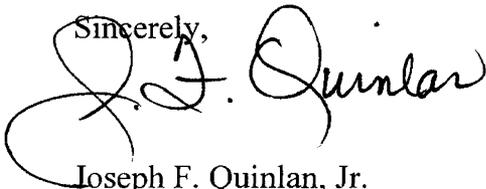
June 11, 2008
Page 3

Conclusion

FNBB and its affiliates are extremely concerned by the potential adverse affect this proposal may have on settlement aggregators and community financial institutions if implemented as drafted and, therefore, opposes the proposed posting time modifications. We respectfully request that prior to finalizing a ruling, that the Board further study the implications the proposed posting times have on the community bank market, and suggest that the Board convene a workgroup of both banker's banks and corporate credit unions in order to conduct this study.

FNBB 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) 231-5000, or via email at jquinlan@bankers-bank.com.

Sincerely,

A handwritten signature in black ink, reading "J. F. Quinlan, Jr.", written in a cursive style.

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