



November 21, 2009

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

RE: Docket No. R-1334
Reserve Requirements of Depository Institutions

Dear Ms. Johnson:

Thank you for giving us the opportunity to comment on the Reserve Requirements of Depository Institutions Interim Rule. We are one of 20 bankers' banks in the nation. In the aggregate, bankers' banks serve over 6,000 of the nation's community banks.

As a bankers' bank, we have a robust Agent Fed Funds program which allows Bankers' Bank to place respondents' excess overnight funds under explicit contractual arrangements in various regional or money center banks. Our capacity to act "as agent" allows the transactions to be conducted as off-balance sheet transactions. Respondents receive an acknowledgement from us, as agent, which discloses the amount of Fed Funds sold to each end buyer.

The desire and need of the Federal Reserve to stabilize a lower band on the trading range of overnight Fed Funds sold and to expand Reserve Bank's balance sheets as needed to implement monetary policy is clearly understood. Many respondent banks do not hold accounts with their Reserve Bank, instead choosing to utilize a pass through arrangement with their correspondent. As bankers' banks, we are in a unique position to place balances from our respondent accounts with the Federal Reserve.

In order to utilize the proposal to its best advantage, without unduly affecting our balance sheet or reducing liquidity in a tightening Fed Funds market, we propose that the Federal Reserve allow a correspondent to deposit overnight deposits on behalf of its respondents in co-mingled and off-balance sheet form in a specially designated account held at the Federal Reserve Bank. Funds would be deposited and returned on an overnight basis, similar to the overnight Agent Fed Funds programs established at many bankers' banks and other correspondent banks. Interest on those funds would be paid according to the market rate and returned with principal on a daily basis.

We understand that the Federal Reserve already acts as "Agent" in other sweep programs albeit not for Fed Funds purposes. Efficiencies could be created by returning co-mingled funds to a correspondent who has the responsibility to then forward the funds to its participating respondents. Records and acknowledgements would also be the responsibility of the correspondent implementing the agent program.

We feel that consideration of this suggestion will encourage interbank lending by banks of all sizes, while allowing the Federal Reserve to expand its balance sheet as necessary to provide sufficient liquidity to support financial stability and implement monetary policy appropriate to the current economy. Thank you for allowing us to comment.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ronald L. Slater', is written over a light blue horizontal line.

Ronald L. Slater
President & CEO

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