November 23, 2009

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System

Re: Proposed Correspondent Concentration Risk
Docket No. OP-1369

Dear Ms. Johnson:

Atlantic Central Bankers Bank (ACBB) appreciates the opportunity to comment on the Proposed Guidance on Correspondent Concentration Risk as set forth by the Agencies (FDIC, Board of Governors, OCC, and OTS). We also appreciate your extension on the comment period through 11/27/09. Our bank is headquartered in Camp Hill, PA, and provides correspondent services to over 300 community banks in Pennsylvania, New Jersey, Maryland, Delaware and New York.

We would like to take this opportunity to respond from the viewpoint of ACBB, as well as an observatory comment on the effect of the industry itself.

First, from the viewpoint of Atlantic Central Bankers Bank. Currently ACBB takes in over $1 billion in funds from its client banks daily, almost half of which is either agented to Excess Balance Accounts maintained with Federal Reserve Bank or to upstream banks who are typically regional up to and including the "too big to fail" banks. This type of funding (federal funds) typically accounts for two thirds to three fourths of our total funding sources.

Since last fall, and with the inception of FDICs TAG program under the TLGP, we have had to place limits on the amount of fed funds and DDAs any one bank can sell and maintain with ACBB. This is primarily due to the highly liquid positions of our respondent banks and our capital constraints. Our shareholder banks continually ask us to help them diversity their funds in a safe manner.

When our bank was incorporated as a bankers bank in 1983, one of the main benefits we provided to our shareholder banks was protecting and diversifying their excess overnight funds. We have done this for 26 years and believe we have a process which benefits everyone. If you add in the benefits we provide as a settlement aggregator, the cost savings and reduced staffing expenses we save our shareholder banks has been significant.

Currently 15% of our shareholders who fund us with principal fed funds and DDAs maintain positions with us in excess of 25% of their Tier 1 Capital. There are times, however, when the majority of our banks become very liquid and their excess cash position with us increases for short periods. These normally occur after Social Security payments arrive each month, and during tax return season.

We would hope that if a hard percentage number was adopted, that a limitation of 50% of a bank's Tier 1 capital would be a fair number. We would also concur that any bank whose exposure exceeded 25% of their capital should perform added due diligence, which would be more comprehensive than required under Regulation F. ACBB is developing a template to assist its shareholder banks in assessing their exposure and risk which could be mitigated by financial analysis of the aggregator. Each bank will have to determine their interbank limitations as part of the process.

We also do not believe that loan subparticipations should be included as a component of the interbank exposure. This is a separate decision which must be justified on the determination of the credit worthiness of the transaction.

Finally, a comment with an industry perspective.

Our fed funds money desk receives more and more offers from larger banks seeking term fed fund purchases for 29 days. Those bankers indicate that they would rather settle their liquidity positions longer term and are quite satisfied with a very liquid balance sheet. When we ask those same bankers what's one of the biggest differences they see now versus eighteen months ago, they respond as follows: We used to leverage fed fund trades, especially later in the day when funds were cheaper, and invest in short term commercial paper or other short term vehicles. Now we pass on those opportunities.

The federal funds market is an indicator of trust amongst bankers and that trust is severely strained. We believe a healthy federal funds market is one sign of a healthy financial system.

While the 50% limitation acceptable to ACBB, it might be in the best interest of the industry to consider a higher amount. Given the advantages of a healthy federal funds market we believe a limitation of 100% should be considered. If we put too many limitations within the federal funds market it will become that much tougher to return to a healthy, liquid market.

No matter what limitation is chosen, the appropriate due diligence on the agent banks purchasing our funds must be performed. Relying solely on the bank rating agencies is not timely enough, or thorough enough. As agent, aggregators have a fiduciary responsibility to monitor, evaluate, and disseminate information to their customers in an expeditious manner. In the final analysis, each bank must evaluate the appropriate risks for their institution while diversifying and have the necessary information to make those decisions.

Again, we thank you for the opportunity to respond and hope you'll find their information helpful.

Sincerely,

Jon S. Evans
President & CEO
Atlantic Central Bankers Bank