FNBB, Inc.
FIRST NATIONAL BANKERS BANKSHARES, INC.

7813 Office Park Boulevard • P. O. Drawer 80579 • Baton Rouge, LA 70898 • www.BANKERS-BANK.com

OFFICE (225) 924-8015 TOLL-FREE 1-800-421-6182 FAX (225) 952-0899

September 4, 2009

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

Via Email:
Via Fax: (703) 518–6319

RE: Docket No. OP–1362
RE: Proposed Interagency Guidance – Funding and Liquidity Management

This letter is in response to the request for comment on the Proposed Interagency Guidance - Funding and Liquidity Risk Management.

First National Bankers Bankshares, Inc. and its subsidiary banks, which include Arkansas Bankers' Bank in Little Rock, Arkansas, First National Bankers Bank in Baton Rouge, Louisiana, First National Bankers Bank, Alabama in Birmingham, Alabama, and Mississippi National Banker's Bank in Ridgeland, Mississippi, are fully committed to funding diversity as a safe and sound banking practice. We do, however, respectfully request modification and/or clarification of two items contained in the aforementioned interagency proposal.

As currently proposed, the two statements, if applied literally by the regulatory agencies, now or in the future, could result in adverse unintended consequences for correspondent banks that rely upon core respondent bank customer funds for a large portion of their funding. Our concerns specifically involve items #25 and #26 which essentially state that: "funding concentrations shall be avoided" and "funding shall be diversified in terms of sources and tenor".

Many correspondent banks, to include bankers banks, fund a portion of their balance sheets with overnight fed funds purchased from respondent bank customers. Under the literal interpretation of the proposal, the purchase of fed funds from respondent bank customers could potentially result in a funding concentration that could, according to the proposal, be considered lacking in diversity of "sources" and "tenor". Such treatment could assume fed funds purchased are the result of trading funding activities in the national fed funds market which may have characteristics which are volatile, overnight and unreliable. However, these types of fed funds purchased are not the primary source of fed funds for many correspondent banks, like bankers banks. Fed funds purchased at bankers banks are the result of excess balances in respondent bank customer accounts that are swept to fed funds purchased for payment of interest instead of account analysis credit at the conclusion of each business day. As a result, these fed funds purchased behave more like commercial deposits at a commercial/traditional bank, than any other type of instrument. Moreover, respondent banks have strong, established relationships at bankers banks because of other services provided, which are similar to the strong relationships commercial deposit customers have with traditional/commercial banks.

Given the nature of these deposits, fed funds purchased from respondent bank customers should be treated as a "Category" of funding, perhaps similar to the treatment and consideration of demand deposit accounts or money market accounts of commercial customers at traditional/commercial banks. In turn, "Sources" of funding for determining concentrations should be a sub-set of the "Category" and potentially consist of groupings such as: length of relationship, number of services used, geographic diversification, etc. Fed funds purchased from respondent bank customers should be treated as long-term, variable-rate funding, as opposed to overnight, volatile funding such as those obtained in the national fed funds market.

Furthermore, it is critical that the definition of "sources" of liability funding and any regulatory standards for funding diversification that may be established in the final rule for Interagency Guidance for Funding and Liquidity Management be clear and provide examples to ensure consistency in interpretation by both regulators and financial institutions.

We appreciate the opportunity to respond to the Proposed Interagency Guidance for Funding and Liquidity Management and your consideration of our comments.

Sincerely,

Joseph F. Quinlan, Jr.
Chairman, President, and Chief Executive Officer