

From: Frank H Roach
Subject: Reg D, Q, & DD

Comments:

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Proposal: Regulation D, Q, and DD - Prohibition Against Payment of Interest on Demand Deposits
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Comments:

Gentlemen: I am the CFO of a community bank in Atlanta GA. Our Bank is primarily a business bank with 15% of our deposits in DDA. We, like every other community bank, are struggling to maintain a net interest margin large enough to allow us to continue to be profitable. Like over 85% of the community banks in Georgia we are under a Regulatory Order. The FDIC, in order to assist smaller banks in maintaining liquidity and business relationships has given DDA an unlimited guarantee. But if we pay so much as a penny in interest on a commercial DDA account it will become a NOW account and will not be eligible for the FDIC unlimited coverage. That situation makes this change, at this time, a serious threat to the liquidity of smaller community banks. Our commercial DDA depositors are going to want to be paid interest on their accounts, thus removing them from the FDIC protection. They will not keep their accounts at a small bank (especially as most of us are under Regulatory Orders) without protection. That leaves only one option for the community bank; convert the account to a Sweep Retail Repurchase Agreement, assuming the customer agrees. But many smaller community banks do not have the systems or enough dollars in securities to offer Repurchase Agreements. The loss of the commercial DDA accounts will lead to an immediate liquidity drain on those banks and even if the bank can offer the Repurchase Agreements, they tie up free securities that serve as Liquid Assets, again pushing the community banks toward possible liquidity crisis that might lead to an unnecessary bank failure. The elimination of Regulation Q, at this time, is a serious risk to the safety and soundness of substantial majority of America's "Main Street" institutions. Thank you for your consideration of my comments.