

From: Independent Bankers Association of Texas, Karen M. Neeley
Subject: Reserve Requirements

Comments:

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Proposal: Regulation D - Reserve Requirements of Depository Institutions
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Comments:

The Independent Bankers Association of Texas greatly appreciates the action taken to address the unintended consequences resulting from implementation of payment of interest on reserves. The impact on correspondent banking in Texas has been significant as banks moved their funds to the Federal Reserve Banks rather than deposit overnight funds with local correspondent banks, which provided significant services to local institutions. The proposal will allow correspondent banks to continue serving their community bank respondents through the establishment of an Excess Balance Account (EBA). However, there is one aspect of the amendments that creates concerns for IBAT. Under this change to Regulation D, participants in the EBA would be required to authorize only one institution to manage the EBA. Typically, Texas community banks utilize the services of multiple correspondent accounts (including the bankers bank and one or more traditional correspondent banks). IBAT strongly urges that the proposal be fine tuned to permit banks to use more than one institution for their EBA participation. IBAT represents over 500 community banks domiciled in Texas. Its members will be significantly affected by this proposal. Thank you for this opportunity to comment.