



August 12, 2015

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Federal Deposit Insurance Corporation Notice of Proposed
Rulemaking (RIN 3064-AE37)

Dear Mr. Feldman:

We represent Champlain National Bank, a \$272 million community bank headquartered in Willsboro, NY. We participate in a reciprocal deposit placement network and find reciprocal deposits to be an important source of funding. Further, our participation in the reciprocal deposit network provides a service to our customers by allowing them to maximize their deposit insurance coverage while dealing with only one local bank. As we are the only bank in many of our service areas, loss of this service would be detrimental to our customers.

We welcome the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking (NPR) proposing changes to the FDIC's deposit insurance assessment regulation for small banks. In particular, we would like to comment on how this proposal would affect reciprocal deposits.

In short, we strongly urge the FDIC to continue to separate the treatment of reciprocal deposits from that of traditional brokered deposits in setting assessments. Reciprocal deposits are in essence core funding provided by our local businesses, households and municipalities. As such they do not present the risks and other characteristics of traditional brokered deposits. The separate treatment of reciprocal deposits from that of traditional brokered deposits in the current assessment system recognizes that difference. We are concerned that a change in the treatment of reciprocal deposits will negatively impact the availability of funds through the network, and thus will have a negative impact on our customers.

The FDIC recognized the difference between reciprocal deposits and traditional brokered deposits in 2009 when it established the current system; stating that reciprocal deposits "may be a more stable source of funding for healthy banks than other types of brokered deposits and that they may not be as readily used to fund rapid asset growth." The nature of reciprocal deposits has not changed since that time. Reciprocal deposits come from local customers with whom we

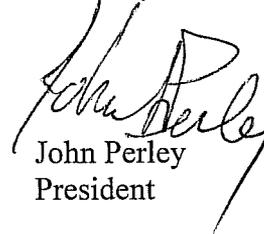
have relationships far beyond merely accepting deposits. We set reciprocal deposit interest rates based on local rates and in our experience reciprocal deposits “stick” with the bank. For all these reasons, they add to our bank’s franchise value and provide an added service to our customers.

In its proposal the FDIC gives no justification for treating reciprocal deposits as traditional brokered deposit: no facts, no figures, and no analysis. Rather, it arbitrarily lumps the two together. In doing so, it would penalize banks that use them by and would certainly reduce the availability of this product to all consumers. The FDIC’s proposal would punish our bank for using one of the few tools we have to compete against the mega-banks doing business in our area, and negatively impact the customers that rely on us.

Again, we strongly urge you to retain the current system’s exclusion of reciprocal deposits from the definition of “brokered” for assessment purposes.

So that we do not have to revisit this issue later, we also strongly urge the FDIC to support legislation to explicitly exempt reciprocal deposits from the definition of brokered deposit in the Federal Deposit Insurance Act.

Sincerely,



John Perley
President



Steve Cacchio
Executive Vice President



Charles Hughes
Chief Financial Officer

cc:

The Honorable Charles Schumer
322 Hart Senate Office Building
United States Senate
Washington, D.C. 20510

The Honorable Kirsten Gillibrand
478 Russell Senate Office Building

United States Senate
Washington, D.C. 20510

The Honorable Elise Stefanik
512 Cannon House Office Building
United States House of Representatives
Washington, D.C. 20515

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th St., NW
Washington, DC 20429