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President and CEO

June 15, 2010

The Honorable Barney Frank
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Frank:

On behalf of the nearly 5,000 members of the Independent Community Bankers of America, I write to urge the conferees to support the effort of Representative Luis Gutierrez to include the House's prefunded, \$150 billion Systemic Dissolution Fund in the final version of the Wall Street Reform and Consumer Protection Act of 2010.

We believe that the recent financial crisis has demonstrated the urgent need for a new system to resolve large, interconnected firms before they create widespread damage to the financial system. A prefunded Systemic Dissolution Fund, as embodied in the House legislation, will facilitate and make practical the new resolution authority, which is the principal mechanism for ending the doctrine of too-big-too-fail. The Systemic Dissolution Fund will pay administrative and other expenses associated with resolving failing firms; it will not finance "bail outs," but will allow firms to be unwound safely.

There are many reasons to favor a pre-funded over a post-funded system. First, prefunding is vitally important to the speed with which resolution must be effected in order to prevent contagion. Second, only prefunding will allow failed firms to contribute to the cost of their own demise in advance. Without prefunding, the survivors will pay for the profligate. The fundamental fairness that can only be achieved through prefunding will lend it public support – the lack of which continues to hobble the TARP. Third, it is simply not practical to raise the necessary funds through assessments *during* a crisis when the surviving firms can least afford to pay them. Instead, the funds would have to be borrowed – if additional deficit borrowing is politically feasible – and then repaid over time by surviving large firms, possibly community banks, and even taxpayers. Finally, the prefunded assessments, if risk-

based, would force firms to internalize the risk they pose to the system, thus offsetting the too-big-to-fail subsidies they have long enjoyed.

For these reasons, we urge the conferees to support the House Systemic Dissolution Fund. Prefunding is not a new concept in bank supervision: It has always been the rule for the FDIC's Deposit Insurance Fund, and would be similarly appropriate for the Systemic Dissolution Fund.

Thank you for your consideration.

Sincerely,

/s/

Camden R. Fine
President and CEO

cc: Conferees to the Wall Street Reform and Consumer Protection Act of 2010