September 1, 2004

To Whom It May Concern:

In response to proposed Regulation B, we submit the following comments:

We are a relatively small trust department located in rural northcentral Pennsylvania, with approximately $350 million in assets under management. However, our commercial bank is in excess of $1 billion, therefore, we do not qualify under the small bank exemption. In our opinion, the assets under management within the Trust Department should be the determining factor when considering the small bank exemption of <$500,000. The asset size of the commercial bank is irrelevant. (In our case, for example, approximately 65% of our bank's size comes from deposits, the remainder from borrowings.)

Custody accounts represent approximately 8% of our assets. Under the proposed regulation, it is my understanding that, after July 30th, we will be exempted from registration as a broker to the extent that we accept orders to effect transactions in securities for "qualified investors" only. In our marketplace, the number of natural persons with a minimum $25 million investment portfolio is extremely small, therefore, for all practical purposes, new custody business will not exist. While, traditionally, custody has not represented a major portion of our overall business, we have recently entered the Williamsport market, which may provide more opportunity in this area. In addition, although custody presently represents only 8% of our assets, it should be noted that, in many instances these clients represent key relationships for our bank, and complement the other services available from our department. If we are unable to provide this service, our customers will be forced to secure it elsewhere. This would be in direct conflict with the spirit of competition envisioned by the Gramm-Leach-Bliley Act. The framework in which our custody business is conducted does not lend itself to abuse, since there is no monetary incentive to generate trades. Absent complaints from our existing clients, it is our opinion that such additional oversight is unwarranted.

Lastly, the issue of referral fees is of concern to us. Presently, each of our branches is given 10-12 branch goals annually. Of these goals, which include loan growth, deposit growth, past-due ratios on loans, etc., one goal is a revenue target for brokerage services. It is unclear whether such a goal would be acceptable under the strictest interpretation of the networking exception. In our case, no monetary award is directly linked to the brokerage service goal, however, it is a factor in determining the overall performance of the branch, which may impact the performance evaluation of the branch manager, and, ultimately, result in a larger bonus and/or salary increase for the branch manager or other key branch personnel. **Please provide clarification on this particular issue.**

Thank you for your consideration in these areas.

Sincerely,

Deborah E. Scott
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Senior Trust Officer
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