



LSB FINANCIAL

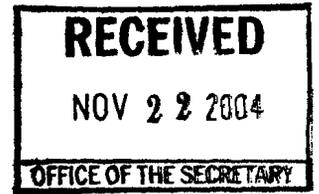
INSURANCE ♦ INVESTMENTS ♦ TRUST ♦ REALTY

57-26-04

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November 13, 2004

Jonathan G. Katz
Secretary
450 Fifth Street, N.W.
Washington, DC 20549-0609



Re: Proposed Regulation B

Dear Mr. Katz:

I am writing to express my concern about Regulation B that restructures the interim final rules relating to the functional exceptions to the definition of "broker" and "dealer" issued by the Commission in May 2001. The banking industry expressed its opposition at that time feeling strongly the rules did not comport with the plain meaning of the GLBA and its legislative history. In addition, the rules place significant new regulatory burdens on the banking industry.

I have worked as a trust officer in Iowa banks for more than 23 years. I am concerned that the regulations as purported operate far beyond, and contrary to, the legislative intent of the GLBA.

While several grandfather exceptions in the rules are helpful, others cripple the industry's ability to grow or even continue its traditional lines of business. This is especially true with respect to the Commission's refusal to allow banks to engage in order taking for any new custodial client that does not have an investment portfolio of \$25-\$50 million. Without the ability to grow, banks will be forced out of the business. This is clearly not what congress intended when it stated that the exceptions were intended to "facilitate certain activities in which banks have traditionally engaged."

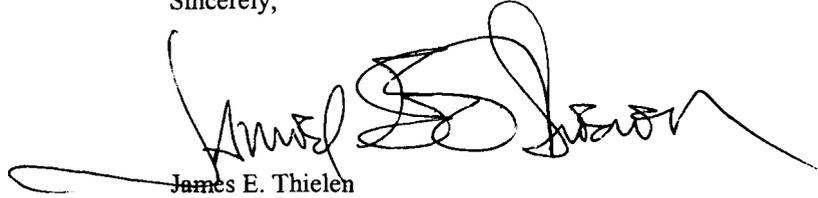
Bank bonus plans are also at serious risk under the Commission's proposal. All businesses set performance goals and objectives for their employees. There is no reason why banks should be prohibited from setting performance objectives to encourage employees to grow assets for our institutions.

While the Commission has made marginal improvements to the trust and fiduciary exceptions, there is still a great deal of concern about the regulatory burdens imposed by the Commission on the banking industry. The proposed rules do not comport with congressional intent, as was expressly communicated to the SEC in a recent letter sent by the members of the House Banking Committee. As the rules now stand, Regulation B would force banks to change their existing relationships with their traditional customers and would make serving those customers much more difficult.

At home in Iowa, at work for you!

I thank you for the opportunity to comment and hope you will give careful consideration to difficulties this creates for my institution particularly in light of the fact that GLBA was designed to modernize the banking industry and help make it remain competitive.

Sincerely,

A handwritten signature in black ink, appearing to read "James E. Thielen". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

James E. Thielen
1st Vice President and Senior Trust Officer
LSB Financial
319-233-1900