INDEPENDENT COMMUNITY BANKERS of AMERICA®

June 11, 2018

The Honorable Jerome H. Powell, Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Joseph M. Otting
Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

The Honorable Jelena McWilliams, Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Implementing the Safety and Soundness Provisions of S. 2155

Dear Chairman Powell, Chairman McWilliams and Comptroller Otting:

Community banks are very excited about the enactment of S. 2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Act") which passed the House of Representatives and was signed into law by the president last week. This bipartisan Act contains numerous provisions that will put community banks in an enhanced position to foster local economic growth and prosperity in communities nationwide through greater consumer and small business access to credit. We hope that the Federal Reserve, the OCC and the FDIC (the "Banking Agencies") will act as quickly as possible to issue regulations implementing the new law so that community banks and their customers and communities can benefit from the regulatory relief provided by the Act as soon as possible.

While some of the of the safety and soundness provisions of Act, such as Section 201 entitled "Capital Simplification for Qualifying Community Banks," may take some additional time to be implemented since the Banking Agencies will need to confer and agree on such things as a new community bank leverage ratio before regulations can be issued, we believe that many of the other safety and soundness provisions can be implemented quickly by simply revising existing regulations to conform to the new law. Whether new regulations need to be issued or old ones need to be amended, we urge the Banking Agencies, where possible, to issue interim final regulations so that community banks do not need to wait until the end of a notice and comment period and issuance of a final rule to take advantage of the new law.

Volcker Rule Community Bank Exemption, Reciprocal Deposits Exception, HVCRE, Risk Committees and DFAST Stress Testing

Section 203 of the Act, which amends the Bank Holding Company Act by providing for a community bank exemption from the Volcker Rule, and Section 202 of the Act, which provides a limited exception for reciprocal deposits from the definition of funds obtained from a broker under the Federal Deposit Insurance Act, are examples of legislative changes made by the Act that community banks could take advantage of immediately. However, we believe many community banks will want to wait until the Banking Agencies amend their regulations so that they conform to the changes made by the Act. We urge the Banking Agencies to do this quickly and, if possible, by interim final regulations. The longer the Banking Agencies take to issue these conforming regulations, the more time and expense community banks will unnecessarily expend to comply with the old regulations.

Section 401 of the Act raises the asset threshold for the requirement that a publicly-traded bank holding company establish a risk committee from $10 billion to $50 billion or more in total consolidated assets. Section 401 of the legislation also exempts banking institutions with less than $250 billion in total consolidated assets from company-run Dodd-Frank stress tests (DFAST). For banking institutions with assets between $10 billion and $100 billion, Section 401 should be effective immediately. We hope that the Banking Agencies will quickly issue new regulations which would immediately exempt banking institutions with assets between $10 billion and $50 billion from the onerous DFAST requirements as well as the requirement to have a risk committee. These changes will go a long way in relieving these institutions that are not systemically important financial institutions or SIFIs from some of the more burdensome requirements of the Dodd-Frank Act.

With respect to the new restrictions in Section 214 of the Act on how high volatility commercial real estate or HVCRE is risk weighted under the current Basel III capital rules, we realize that the Banking Agencies will need to further revise their September 2017 proposal on HVADC exposures to conform with these new restrictions. This may take some time but we hope that the Banking Agencies will be able to issue a new proposal on HVCRE within the next three months that comply with the new restrictions of Section 214 of the Act.

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Less Frequent Exams and Changes to the Small Bank Holding Company Policy Statement

Well-managed and well-capitalized banks with assets between $1 billion and $3 billion are justifiably pleased about the prospect of being examined every 18 months as opposed to every 12 months pursuant to the changes in Section 210 of the Act. Fewer examiner visits will allow these banks to focus more on their customers and business and less on preparing for the next safety and soundness exam. We urge the Banking Agencies to change their exam procedures and implement this as quickly as possible.

In 2016, when the asset threshold was raised from $500 million to $1 billion to qualify for the 18-month exam cycle, the Banking Agencies issued interim final regulations within three months after enactment of the Fixing America's Surface Transportation Act (FAST Act) which amended the examination provisions of the Federal Deposit Insurance Act. We hope the Banking Agencies will act as expeditiously as they did in response to the FAST Act.

As the result of Congress enacting H.R. 3329 (Public Law 113-250) on December 18, 2014, the Federal Reserve proposed rules on February 3, 2015 raising the asset threshold under the Small Bank Holding Company Policy Statement from $500 million to $1 million. Some of the proposal was made effective immediately through an interim final rule (i.e., expanding the coverage of the rule to include savings and loan holding companies), but raising the asset threshold did not become effective until May 15, 2015, almost five months after the enactment of the law.

We hope that the Federal Reserve will act more quickly to implement Section 207 of the Act, which raises the asset threshold for the Small Bank Holding Company Policy Statement from $1 billion to $3 billion. Even though, under the Act, the Federal Reserve has 180 days to amend it, we would like to see it effective within three months of enactment through an interim final rule. There are more than 300 bank and savings and loan holding companies with assets between $1 billion and $3 billion and we believe many of these companies are very interested in taking advantage of the new law.

Capital Simplification, Short Form Call Reports, and Covered Savings Associations

Section 201 of the Act entitled "Capital Simplification for Qualifying Community Banks," Section 205 entitled "Short Form Call Reports," and Section 206 entitled "Option for Federal Savings Associations to Operate as Covered Savings Associations" all delegate to the respective Banking Agencies the authority to issue regulations to implement the new law. While we realize that capital simplification and short form call reports will generate considerable discussion and review among the Banking Agencies, we understand that some of that discussion has already taken place in anticipation of the enactment of the Act. Therefore, we urge the Banking Agencies to issue regulations as soon as possible but with comment periods of no less than 60 days to ensure that community banks have the opportunity to review and comment on these important

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proposals. Community banks have been waiting a long time for capital simplification and an effective short form call report that would significantly reduce unnecessary regulatory burden.

In conclusion, now that the Act has been signed into law, we urge the Banking Agencies move forward without delay in issuing regulations to implement the new law so that community banks can quickly take advantage of the significant regulatory relief provided by the Act.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

cc: The Honorable Randal Quarles, Vice Chair for Supervision, Federal Reserve Board
The Honorable Martin J. Gruenberg, FDIC

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