ICBA
INDEPENDENT COMMUNITY
BANKERS *of* AMERICA®

February 18, 2014

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Obama:

As you know, the Federal Reserve not only plays a key role in our economy by promoting employment and stable prices, but also is an important regulatory body for the United States and for global finance, particularly since the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act. For that reason, ICBA strongly believes that it is critical that the Board of Governors of the Federal Reserve System include a member with a community banking background or community banking supervision experience.

Since community banks serve a vital role in the nation's economy, particularly with respect to small businesses and rural communities, it is important that there be someone on the Board who understands the community bank perspective and can communicate that perspective when important economic, banking, or payment system issues are considered. For instance, a recent FDIC study confirmed that even though community banks account for just 14 percent of the U.S. banking assets in our nation, they hold 46 percent of all the small loans to businesses and farms made by FDIC-insured institutions. Community banks still hold the majority of bank deposits in rural and micropolitan counties. In 629 U.S. counties (almost one-fifth of all U.S. counties), the only banking offices operated by FDIC-insured institutions are those operated by community banks. It is important that the concerns and perspectives of this vibrant part of our financial system be represented on the Board.

The Board would also gain from having someone with community banking experience who could assist with its supervisory responsibilities over state member community banks and holding companies. This would be particularly true if the Board needs to consider further modifications to Basel III capital requirements or when it considers further Dodd-Frank rulemaking. The crushing burden of regulation that community banks now experience makes it imperative that all the banking regulators consider how best to tier regulation so that regulatory objectives are met but community banks are not disproportionately impacted.

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Additionally, since the Federal Reserve now has the ultimate responsibility for determining what constitutes or does not constitute a "systemic risk" as well as for developing enhanced prudential standards for the largest banks, the Board should have a representative with community bank experience to ensure that all interests of the banking industry are adequately considered. For instance, having community banking expertise on the Federal Board could have prevented the unexpected compliance problems that some community banks experienced when the final Volcker Rule was issued late last year.

Recently, Federal Reserve Governor Elizabeth Duke, a former community banker, stepped down from the Board in August 2013. And Governor Sarah Bloom Raskin, former Maryland commissioner of financial regulation, has been nominated to serve as deputy secretary of the Treasury. These departures will leave the Board without sufficient community banking or supervision experience and perspective.

ICBA urges you to nominate to the Board of Governors of the Federal Reserve System someone with a community banking background or experience who understands and appreciates the importance of small businesses and rural communities to our economy and our diversified financial system. In the future, when the Board considers such important large bank regulatory issues such as the supplemental leverage ratio, final liquidity rules, and unsecured debt requirements for large bank holding companies, or when it considers regulatory and supervisory issues that could significantly impact community banks, it will be important that the community bank perspective be represented.

I would be happy to discuss any of these issues further with you or members of your administration.

Sincerely,

Camden R. Fine
President and CEO

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