January 17, 2017

Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
Minneapolis, Minnesota 55401

Re: Federal Reserve Bank of Minneapolis Plan to End Too-Big-To-Fail

Dear Sir or Madam:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the plan put forth by the Federal Reserve Bank of Minneapolis to end Too-Big-To-Fail (TBTF). The Plan would (a) increase the minimum capital requirements for "covered banks" to 23.5 percent of risk-weighted assets, (b) force covered banks to be no longer systemically important—as judged by the U.S. Treasury Secretary—or face a systemic risk charge bringing their total capital up to a maximum of 38 percent over time, (c) impose a tax on the borrowings of shadow banks with assets over $50 billion, and (d) create a much simpler and less burdensome supervisory and regulatory regime for community banks. A "covered bank" would be a bank holding company in the United States with assets equal to or greater than $250 billion.

ICBA's Comments

ICBA commends the Federal Reserve Bank of Minneapolis for all of its research during the past year concerning the TBTF issue, its consultation with a range of experts, and the outreach meetings that were held to solicit public comment. ICBA attended several of the outreach meetings and found them very interesting and constructive.

ICBA supports enhanced prudential standards and higher capital requirements for the largest banks as well as further regulatory requirements on the shadow banks. We agree that, so far, the implementation of the Title I and Title II changes mandated by the Dodd-Frank Act has not ended TBTF. The five largest banks hold nearly half of U.S. industry assets which is higher than they held before the 2008 financial crisis. To address TBTF, we must both reduce the riskiness of megabanks to make it less likely they will fail in the

[1] The Independent Community Bankers of America®, the nation's voice for nearly 6,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

With 51,000 locations nationwide, community banks employ 700,000 Americans, hold $3.9 trillion in assets, $3.1 trillion in deposits, and $2.6 trillion in loans to consumers, small businesses, and the agricultural community. For more information, visit ICBA's website at www.icba.org.

first place, and, when an institution is failing, ensure that tools are available to implement an orderly liquidation of the institution without causing a destabilizing systemic impact.

While ICBA believes that the FRB of Minneapolis has presented some credible research to support its plan, more evaluation needs to be done before we can express an opinion on whether it would end TBTF. Furthermore, the Plan does not address orderly liquidation or how a large failing bank would be liquidated without having a destabilizing impact on the financial system. ICBA supports the imposition of Total Loss Absorbing Capital or TLAC requirements on globally significant banks as well as higher leverage capital, liquidity standards, concentration limits, and supplemental capital for the largest banks. Many of these requirements have not been fully implemented. ICBA is also reviewing legislation that will be introduced in Congress this year to determine how it would impact TBTF.

ICBA also commends the Federal Reserve Bank of Minneapolis for proposing a separate regulatory and supervisory solvency regime for community banks. ICBA strongly agrees that reducing unnecessary regulatory burdens on community banks is essential to foster the vitality of the community banking industry. In turn, the existence of strong, robust community banks promotes a stronger, safer and more secure financial system. As the Plan recommended, community banks should have a lower capital requirements than the large banks, and the requirement should be as simple as possible. Basel III capital rules are overkill and are far too complicated for the business model and risk profile presented by community banks.

We also agree that a much more focused supervisory solvency system on community banks could potentially produce the same benefits as the current system but at much lower cost. Community banks face a huge array of complicated and potentially unnecessary solvency supervisory expectations. A system that concentrated on just a few fundamental sources of risk would alleviate much of safety and soundness regulatory challenge that community banks face and would allow them to focus on extending credit to the communities they serve, thereby promoting economic growth and prosperity.

However, ICBA recommends that the FRB of Minneapolis go further with its proposal for a separate community bank regulatory regime and suggest a more tiered approach to compliance and other regulations. For instance, in the mortgage lending area, community banks need relief from some of the burdensome HMDA, escrow and appraisal requirements imposed by the Dodd-Frank Act as well as a safe harbor from the Act's onerous underwriting standards. Community banks would also benefit from measures to increase their access to capital, and reduce the burden of the examination and supervision process, such as through reduced data collection requirements and extended examination cycles.

In conclusion, ICBA commends the FRB of Minneapolis for its research during the past year to end TBTF and for its proposal for a separate regulatory and supervisory regime for community banks with simpler capital requirements.

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We appreciate the opportunity to comment on the Plan to End TBTF. If you have any questions or would like additional information, please do not hesitate to contact me by email at Chris.Cole@icba.org.

Sincerely,
/s/ Christopher Cole

Christopher Cole
Executive Vice President and Senior Regulatory Counsel

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