ICBA
INDEPENDENT COMMUNITY BANKERS of AMERICA®

January 18, 2019

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

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

The Honorable Randal K. Quarles
Vice Chairman for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551

Dear Chairman McWilliams, Comptroller Otting and Vice Chairman Quarles,

I am writing today to express my strong concerns with regard to the recent agency proposal, *Reduced Reporting for Covered Depository Institutions*. This proposal is the banking agencies' response to Congress' recent mandate to establish a short-form call report for the first and third quarters for community banks with total consolidated assets of less than $5 billion.

As you may be aware, the Independent Community Bankers of America for many years has advocated for the prudential banking regulators to reduce the scale and breadth of data items that need to be reported on the quarterly call report, most notably through a large reduction in call reporting during the first and third quarters of each reporting year. In our opinion, this unchecked data gathering tool has created harmful regulatory burdens for smaller community financial institutions forcing them to reallocate limited, valuable resources to completing this out-of-control document every three months. Community banks that are straightforward, common sense, Main Street lenders known best as serving growing local economies have been forced to engage in ever increasing government reporting that costs money and provides no real benefit to

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anyone. ICBA has been at the forefront of encouraging bank regulators to significantly scale back quarterly reporting in both the first and third quarters so that community banks can spend more time serving their communities. Yet regulators have failed to respond adequately to community banks' call for help.

Congress responded this past legislative session by passing the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Act"), which directs the banking regulators to establish a short-form call report for most community banks in the first and third quarter. However, the recent proposal fails to adhere to the intent of the Act.

The agency response to this and other past mandates for a short-form call report has been to implement targeted, isolated, and benign call reporting reductions that either shrink reporting items by an irrelevant number or remove reporting items that community banks do not complete. In one encouraging move in 2016, your agencies introduced a community bank call report that was designed to reduce reporting specifically for community banks. However, that form simply removed reporting items that are generally not applicable for community banks.

The current agency proposal calls for the removal of certain reporting items centered around troubled debt restructurings, fiduciary and related activities, and reporting for regulatory capital balances. These areas represent reporting that is either not completed by most community banks or will be phased out pursuant to other changes in regulatory capital or accounting standards. Whether by accident or intentionally, this latest proposal does not meet the objective of Congress and fails to follow what is now law.

According to the preamble to the proposed rule, the proposed "short-form" call report results in a relatively insignificant reduction in quarterly reporting burden of 1.18 hours on average for most community banks. This de minimis time savings is nowhere near what is needed to bring community banks the kind of regulatory reporting relief that is needed to assist these small but vital banks.

I urge you to immediately institute a true short-form call report to be completed in the first and third quarters consisting only of the balance sheet, income statement, and statement of changes in shareholders' equity. Full call reports would be completed at mid-year and year end. By publishing these key financial statements in the first and third quarters, the very same core set of financial statements that shareholders and other stakeholders of non-regulated firms have come to rely upon to gauge financial health of the organization, the agencies' will be able to gain a solid understanding of any material changes in asset balances, earnings changes, adequacy of retained earnings, or other financial anomalies that would give pause to a bank examination team concerned with safety and soundness metrics. Regulatory officials could easily reach out to a member depository institution and inquire further if questions or concerns had arisen.

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Community banks are important local lenders in rural and underserved communities across the United States that in some cases represent the only local banking services available in the area. But community banks do not present systemic risk to the domestic and global banking system, which makes the current level of reporting in each and every quarter unnecessary for these small banks.

Please feel free to contact me at Rebeca.RomeroRainey@icba.org or (202) 659-8111 if you have any questions.

Sincerely,

R. Romero Rainey

Rebeca Romero Rainey
President & Chief Executive Officer

cc: Martin J. Gruenberg, Director, Federal Deposit Insurance Corporation

Jerome H. Powell, Chairman, Board of Governors of the Federal Reserve System

Richard H. Clarida, Vice Chairman, Board of Governors of the Federal Reserve System

Michelle W. Bowman, Member, Board of Governors of the Federal Reserve System

Lael Brainard, Member, Board of Governors of the Federal Reserve System

Kathleen Laura Kraninger, Director, Consumer Financial Protection Bureau

Chad Davis, Deputy to the Chairman for External Affairs, Federal Deposit Insurance Corporation

Ralph DeLeon, Director of Banking Relations, Office of the Comptroller of the Currency