Independent Banker

October 2019

From the Top by Preston Kennedy

[pull quote]“I look forward to the compliance and regulatory achievements to come.”

**Back in the 1980s** in my home state of Louisiana, we were faced with a lending crisis that coincided with an oil bust, real estate declines and bank closings. Regulators took a hardline approach back then, which led to very contentious relationships.

But that low point led to new beginnings. Today, community bankers have built a working relationship with regulators and legislators based on dialogue. Because of that, bankers benefit from a better appreciation of regulatory and legislative responsibilities, and regulators and lawmakers gain deeper insights into what we face on a daily basis.

This open communication has landed us critical victories. Just look at the success we’ve had in working with Congress to roll back excessive regulatory burdens through S.2155 and procure significant tax relief for both C corporation and S corporation community banks via the Tax Cuts and Jobs Act.

But our work continues as we explore today’s most challenging compliance topics. Take cannabis banking. With the U.S. legal cannabis market valued at $11.9 billion in 2018 and anticipated to expand at a compound annual growth rate of 24.1% from 2019 to 2025, the market is vastly outpacing financial services regulation and compliance. Community banks face significant hurdles in banking the legitimate businesses that are involved, and there needs to be a clear path for community banks to service these businesses—one without restrictive, arduous reporting protocols.

Community Reinvestment Act (CRA) modernization is another critical area of interest. We’re working with a 42-year-old regulation that feels unnecessary to community bankers. If we don’t reinvest in our communities, we don’t exist! As years have passed, this regulation’s fine print has created a lot of red tape and gray areas. ICBA is advocating revisions that would provide greater transparency during the examination process and consistency in examination and supervision.

Finally, Bank Secrecy Act (BSA) and anti-money laundering (AML) reform is also atop the priority bucket. While community bankers see these topics as of utmost importance, the weight of excessive reporting needs to be lifted. Our hope is to work with policymakers and law enforcement to find a solution that reduces bank burdens but also increases the effectiveness of our efforts.

As I peruse this month’s issue, these themes pervade, and I read it with a renewed sense of optimism fueled by our recent successes. Together, we will spark change, and I look forward to the compliance and regulatory achievements to come.

**My Top Three**

The most significant regulatory and compliance advocacy priorities for community banks include:

1. Cannabis banking

2. CRA modernization

3. BSA/AML reform

Connect with Pres **@BankPres**