Michigan Bankers Association

Our Mission:
Advocating for and supporting banking.

Our Purpose:
Empowering the voice of banking through connections, growth, dreams and innovations for communities to thrive.

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July 21, 2023

James P. Sheesley
Assistant Executive Secretary,
Federal Deposit Insurance Corporation,
550 17th Street NW
Washington, DC 20429

RE: RIN 3064-AF93, Special Assessment Pursuant to the Systemic Risk Exemption

Dear Mr. Sheesley:

The Michigan Bankers Association (MBA) appreciates the opportunity to comment on the proposed rule imposing a special assessment to cover losses to the Deposit Insurance Fund (DIF) as a result of the systemic risk determinations and subsequent closures of Silicon Valley Bank and Signature Bank. The proposal as set forth would impose eight quarterly special assessments of 12.5 basis points on institutions' uninsured deposits held as of December 31, 2022, exempting the first $5B of deposits. We deeply appreciate this exemption. Subjecting community banks to the assessment, in addition to the myriad of additional market pressures would be untenable. We also appreciate the ability for larger community banks to mitigate, to some extent, the assessment liability.

The MBA represents 104 banks, ranging in size from a small de novo just opening its doors to the largest banks in the country. They all manage risks in their businesses, while complying with laws and regulations, submitting to examinations, and mitigating and resolving issues that may pose risk to their viability. They do this while serving their customers and communities, ensuring access to technologically safe banking transactions, protecting savings and retirement funds, and providing means to purchase a car or a home and to start and run a business.

In the days and weeks following the failures of SVB and Signature, many of our members learned of supervisory failures that were essentially unfathomable for them as members of the same system. Every banker we have spoken with since March 12 has shared the certainty of what should have been clear as a train leaving the tracks. The damages of unacceptable business models, assumption of risk and other factors that led to significant profits for a few are now being paid for by that vast majority of banks who follow a more prudent path. Those who have been in compliance realized smaller profit margins and returns for their stock and are now being asked to foot the bill. We recognize that the Federal Deposit Insurance Corporation (FDIC) was established to protect taxpayers from the need to cover failures such as this and, thus, resolution as members of the FDIC must move forward. However, the regulator's failure to appropriately supervise those operating on the fringes is a major missing piece of the proposal. As the FDIC shores up the DIF, will the agency create accountability and equal application of compliance requirements going forward?

Many of our members have also shared issues with the December 2022 deposit calculation. In the six to nine months before March 12, 2023 many of our banks experienced fluctuations in deposits as a direct result of historic interest rate increases and the need to manage interest rate risk. We believe that a date of June 30, 2023 would better reflect appropriate depository figures. Further investigation needs to be done to ensure the most accurate and/or appropriate timing on this issue.

We agree with a number of sentiments shared by our trade association partners at the American Bankers Association. While swift work and determinations are often important to reduce market stress and equity pressures, greater transparency is needed in the bank resolution process to promote understanding, equity, and confidence in the system. We concur that a principle-based framework identifying the conditions and circumstances evident in a systemic risk determination and specific methodology is imperative to future events or actions. The MBA also asks for a delay in the final rule until the end of the year to allow the FDIC to understand the final assessment number and allow assessment paying banks the opportunity to assess and adjust for the negative impacts of the assessment.

Sincerely,

[redacted]

T. Rann Paynter
President & CEO

[redacted]

Patricia Herndon
Chief Policy Officer