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17TH DISTRICT, TEXAS

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June 21, 2023

Dear Chairman Gruenberg,

I would like to express to you my concern that the FDIC has picked a problematic date as the cutoff for determining the assessment on "larger" banks to replenish the insurance fund, and **respectfully ask that the FDIC consider using March 31, 2023 as the cutoff date for determining the assessment** instead. As you know, December 31, 2022 has been chosen as the date to assess the deposit level of each bank and will be used to determine what the assessment for each bank will be. My concern is that the massive movement of deposits from regional banks to money center banks occurred <u>after the current December 31, 2022 cutoff date</u>. Therefore, the banks that experienced outflow of deposits after December 31, 2022 will be assessed on a level of deposits that they not now have, and those banks that experienced inflows will be assessed on deposits that they did not have on December 31, 2022, which seems unfair.

Chairman, I understand concerning the assessment you have stated the proposal applies to the types of banking organizations that benefitted most from the protection of uninsured depositors, while ensuring equitable, transparent, and consistent treatment based on amounts of uninsured deposits, and that the proposal also promotes maintenance of liquidity, which will allow institutions to continue to meet the credit needs of the U.S. economy. However, I believe using December 31, 2022 as the base period unfairly assesses banks (particularly regional banks) for uninsured deposits they may no longer have, which to me seem contrary to the FDIC Act requirements mandating assessments consider the beneficiary of FDIC actions.

That's because between December 31, 2022 and March 31, 2023, 10 banks that face special assessment charges saw their uninsured deposits drop below the $5 billion threshold described in the proposed rulemaking (after Call Report amendments made in Q1 2023 – notably, these Call Report amendments are continuing). Excluding those 10 banks, an additional 31 banks (or 28% of the remaining population) would have declines greater than 15% of their assessment expense due to uninsured deposits which they no longer held on March 31, 2023. The impact among these 41 banks is a combined assessment of $475 million more than if the assessment was based on reported uninsured deposits as of March 31, 2023 rather than December 31, 2022.

Furthermore, use of the December 31, 2022 date ignores recent acquisition activity. Interestingly, two of the largest beneficiaries of the proposed December 31, 2022 assessment date are the banks which purchased SVB and SBNY on favorable terms from the FDIC. If the proposed assessment date was changed to March 31, 2023, we estimate that

First Citizens and New York Community Bancorp would pay an additional $109 million and $32 million, respectively, toward the FDIC special assessment. As proposed, these resolution costs would be being distributed across all banks. **A more equitable system may be to adjust the quarterly assessment based on a bank's uninsured deposit levels at each quarter-end.**

Thank you for taking the time to consider my request that the assessment cutoff date be changed from December 31, 2022 to March 31, 2023, and I very much look forward to your response, Chairman Gruenberg.

Sincerely,

[redacted]

Pete Sessions
Member of Congress

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