FDIC Chairman Martin J. Gruenberg remarks at the Economic Growth and Regulatory Paperwork Reduction Act Outreach Meeting, at The Federal Reserve Bank of Boston; Boston, Massachusetts

May 4, 2015

Good morning. I also want to welcome each of you to the third outreach session under the Economic Growth and Regulatory Paperwork Reduction Act. Our first two outreach sessions in Los Angeles and Dallas were very informative, and I know I speak for all of us when I say that I very much look forward to hearing directly from today's panelists and audience members as you give us your suggestions about ways we can streamline our regulations.

We take the regulatory review process very seriously. Of particular interest to the FDIC is the impact of our regulations on community and rural banks that serve areas that otherwise would not have access to banking services. As the regulator of state non-member banks, the FDIC supervises most of these community banks.

The agencies have issued two Notices of Proposed Rulemaking to solicit comments. Comments on the second notice--which addresses the Banking Operations, Capital, and Community Reinvestment Act categories of regulations--closes on May 14. These Notices of Proposed Rulemaking are available on our websites and on the FFIEC's EGRPRA website. We plan on carefully reviewing all of the written submissions received during the open comment period as well as the comments we hear today.

We also wanted to point out that we will be expressly inviting comments on newly implemented rules as well.

Thus far, several themes are emerging through the EGRPRA process, such as looking at whether laws and regulations based on longstanding thresholds should be changed – for example, dollar thresholds requiring an appraisal or a currency transaction report. Along these same lines, commenters have expressed an interest in increasing the size of the institutions eligible for longer examination intervals. Commenters have also asked that we ensure that supervisory expectations intended for large banks are not applied to community banks and that we have open and regular lines of communication with community bankers. We have also heard concerns about burdens and costs related to Call Reports and suggestions for improving the process, especially for community banks.

It also may be worth mentioning recent actions the FDIC took in part in response to comments received on the first EGRPRA request for comment. In November, the FDIC issued two Financial Institution Letters:

- First, we issued Qs & As to aid applicants in developing proposals for Federal deposit insurance and to provide transparency to the application process. Some EGRPRA commenters – and others – indicated that there was some confusion about our existing policies and that a clarification would be helpful to those seeking to apply for deposit insurance. The Qs & As address four distinct topics: pre-filing meetings; processing timelines; initial capitalization; and business plans.
- Second, we issued new procedures that eliminate or reduce applications to conduct permissible activities for certain bank subsidiaries organized as limited liability companies, or LLCs, subject to some limited documentation standards. (The prior procedures dated back to the time when the LLC structure was first permitted for bank subsidiaries. In the past ten years, the FDIC processed over 2200 applications relating to bank activities; the vast majority of these involved subsidiaries organized as LLCs. We are confident that the new procedures will result in a more streamlined process for state banks – especially our community institutions – without compromising the FDIC's safety and soundness standards.)

It is our intention to keep looking for ways to reduce or eliminate outdated or unnecessary requirements as we move forward with this review, rather than wait until the end.

In fact, at the FDIC, we are continuously looking for ways to streamline and clarify our processes and rules, and we don't need to wait for the EGRPRA review to be completed before we take action.

As another example, last July – while the first NPR was still out for comment – we issued a Financial Institution Letter (or FIL) to the banks we supervise describing how the FDIC will consider requests from S-Corp banks to pay dividends to their shareholders to cover taxes on their pass-through share of the bank's earnings when those dividends are otherwise not permitted under the new capital rules. We told banks that unless there were significant safety and soundness issues, we would generally approve those requests for well-rated banks. We issued this guidance because of feedback we received from concerned S Corp banks and their shareholders.

Additionally, working through the FFIEC, we have engaged with the industry – through EGRPRA outreach and other means - about ways to improve the Call Reports and the reporting process, and we will pursue several actions in the near term. For example, we plan to propose certain burden-reducing changes this year and implement a more robust process for bank agency users to justify retaining or adding items to the Call Report.

We have a full day today, so I'm keeping my remarks very brief. I want to thank all of you who are here in person and those of you who are listening to our livestream webcast. I would note that this is the third of a number of EGRPRA outreach sessions we have scheduled in different regions of the country, and I'm sure we will learn a great deal in these sessions. Upcoming outreach sessions will include a session in Kansas City focused on rural bank outreach on August 4; Chicago, October 19; and Washington, D.C., on December 2. We will include input and suggestions from these outreach sessions in the final EGRPRA report we present to Congress in 2016. Thank you very much.