**Remarks by FDIC Chairman Martin Gruenberg to the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) Outreach Event**

**Federal Reserve Bank of Chicago, Chicago, IL**

I would like to thank all of you for being here today for what is now our fifth outreach event under the Economic Growth and Regulatory Paperwork Reduction Act, or EGRPRA. And a special thank you to President Charles Evans and the Chicago Fed for offering the use of their facilities today. Our previous outreach sessions in Los Angeles, Dallas, Boston, and Kansas City featured a range of participants, including bankers, representatives from consumer and community groups, and regulators, and were very informative. 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.

The agencies have issued three Notices of Proposed Rulemaking to solicit comments, and the fourth and final notice will be released in the near future and will cover Rules of Procedure, Safety and Soundness, and Securities. These notices are available on our websites and on the agencies' EGRPRA website, and I encourage you to submit a written comment, either through our websites or through one of the comment forms we have here. We plan to carefully review the written submissions received during the open comment period as well as the comments we hear at our outreach sessions. I also want to point out that we are expressly inviting comments on newly implemented rules as well.

The regulatory review process is one we take very seriously. A particular interest of the FDIC is the impact of our regulations on community and rural banks. As the regulator of state non-member banks, the FDIC supervises most of the community banks in the United States. It is worth noting that community banks are vitally important to our overall financial system. In the FDIC's comprehensive Community Banking Study, we showed that while community banks account for 14 percent of the banking assets in the United States, they account for approximately 45 percent of all the small loans to businesses and farms made by all banks.[1]

In addition, nearly one in five U.S. counties—including small towns, rural communities, and urban neighborhoods—would have no physical banking presence if not for the community banks operating there. The core business model of community banks—defined around well-structured relationship lending, funded by stable core deposits, and focused on the local geographic community that the bankers know well—actually held up quite well during the crisis. This important role of community banks underscores why we need to conduct a comprehensive regulatory review.

Thus far, several themes are emerging through the EGRPRA process, such as an interest from participants that regulators consider whether laws and regulations based on longstanding thresholds should be changed—for example, dollar thresholds requiring an appraisal or asset thresholds on the size of the institutions eligible for longer examination intervals. Commenters also have asked that we ensure that supervisory expectations intended for large banks are not applied to community banks, and that regulators 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.

As the EGRPRA process is unfolding, we are not waiting to take

[1] FDIC, "Community Bank Study," December 2012. https://www.fdic.gov/regulations/resources/cbi/study.html

action.  For example, the Federal Financial Institutions Examination Council, or FFIEC, has established a multistep process for identifying how some Call Report requirements can be streamlined.  Just last month, the federal banking agencies put a proposal out for comment that includes eliminating or revising several Call Report data items.

We also announced that we will accelerate the start of a statutorily required review of the continued appropriateness of the data collected in the Call Report and are evaluating the feasibility and merits of creating a streamlined version of the quarterly Call Report for community banks.  We are talking with community institutions and their trade associations to get their views on reducing reporting burden. This will include visits to several institutions to get a better sense of the report preparation process.  Finally, we are reaching out to banks and savings associations through teleconferences and webinars to explain upcoming reporting changes and to clarify technical reporting requirements.  For example, we held a teleconference earlier this year regarding the capital schedules in the Call Report.

It also may be worth mentioning three initial actions the FDIC has taken in part in response to comments received on the first EGRPRA request for comment.  First, we issued Q&As to aid applicants in developing proposals for federal deposit insurance and to provide transparency about the application process.  The Q&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, and experience with them was limited.

As another example we issued a 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.

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

We have a full day today, so I'm keeping my remarks short. We have one final outreach session in the Washington, D.C., area on December 2nd. We will include input and suggestions from these outreach sessions in the final EGRPRA report we present to Congress in 2016. Again, thank you very much for your participation.