IBC
International Bancshares Corporation

AUGUST 30, 2016

Via email Rulemaking Portal: www.regulations.gov

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Mr. Robert Feldman, Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Board of Governors of the Federal Reserve System, Docket No. R-1543, RIN 7100 AE-55; Federal Deposit Insurance Corporation, RIN 3064-AE43; *Civil Money Penalties Interim Final Rules*

Ladies and Gentlemen:

The following comments are submitted on behalf of International Bancshares Corporation ("IBC"), a multi-bank financial holding company headquartered in Laredo, Texas. IBC holds four state nonmember banks serving Texas and Oklahoma. With over $12 billion in total consolidated assets, IBC is the largest Hispanic-owned financial holding company in the continental United States. IBC is a publicly-traded holding company. We appreciate the opportunity to comment on the interim civil money penalties interim final rules.

On or about June 29, 2016, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (collectively, the "Agencies"), announced the amendment of their rules of practice and procedure to adjust the maximum amount of each civil money penalty ("CMP") within its jurisdiction to account for inflation. This action is required by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 ("2015 Adjustment Act") which applies to all federal agencies. Under the 2015 Adjustment Act, the Agencies are required to (1) adjust the CMP levels with an initial catch-up adjustment through an interim final rulemaking and (2) make subsequent annual adjustments for inflation. The Agencies must publish an interim final rule with initial penalty adjustment amounts by July 1, 2016, and the new maximum penalty levels must take effect no later than August 1, 2016.[1]

[1] Under the 1990 Adjustment Act, the Agencies adjusted their CMP amounts every four years, most recently in 2012.

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I. Comments

A. Lack of Public Notice Period

We are disappointed the Agencies did not promulgate their interim final CMP rules pursuant to the normal administrative process, whereby interested stakeholders among the public have an opportunity to comment on a "Proposed Rule" before it is finalized. This rule was promulgated as an "Interim Final Rule" that, by its terms, goes into effect just one month after it was published in the Federal Register, and before the public comment period closes. This was mandated by Congress, and is allowed under the "good cause" exemption to the Administrative Procedure Act, the law that normally requires agencies to provide the public with an opportunity to review and comment on proposed rules, and further requires them to respond to all significant comment before finalizing a rule. Nevertheless, the Interim Final Rule process certainly begs the question of whether the public comments submitted will have any meaningful impact whatsoever.

B. Agencies' Discretion

In the Interim Final Rule, the Agencies note Congress has previously stated that CMPS play an important role in deterring violations of violations of law and regulations and regulations" and concluded that "the impact of many civil monetary penalties has been and is diminished due to the effect of inflation."[2] While this may be true in very egregious cases, we express great concern with many of the maximum amounts CMP amounts contained the Agencies' revised matrices.

Even though the Agencies have little discretion in implementing the Congressional mandate to revise their maximum penalties, they certainly retain discretion in how they apply their penalty policies, such as a history of compliance, and other factors. With these much higher penalty maximums, the Agencies have much more reason to withhold using its maximum penalty authority, and we strongly urge the Agencies to do so except in very egregious cases.

We note that although the 2015 Adjustment Act increases the maximum penalty that may be assessed under each applicable statute, the Agencies possesses discretion to impose CMP amounts below the maximum level in accordance with the severity of the misconduct at issue. When making a determination as to the appropriate level of any given penalty, the Agencies must ensure in all cases that they will adhere to all required factors including, but not limited to, the gravity and duration of the misconduct, and the *intent* related to the misconduct. If these factors are lacking, the Agencies should refrain from assessing any CMPs. The Agencies should also consider any and all mitigating factors in the assessment of CMPs.

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[2] Section 2 of the Federal Civil Penalties Inflation Adjustment Act of 1990 (1990 Adjustment Act). Public Law 101-410, 104 Stat. 890 (amended 2015) (codified as amended at 28 U.S.C. 2461 note).

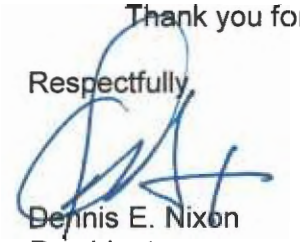
C. Regulatory Burden

The Interim Final Rule and its higher maximum CMPs will only serve to exacerbate the crushing regulatory burden that community and regional banks are already facing due to the numerous new regulations and changes required by the Dodd-Frank Act. Imposition of higher CMPs will further challenge the income levels of community and regional banks that are already dwindling due to the significant reductions in income related to interchange fees and overdraft courtesy fees as a result of Dodd-Frank Act changes.

The vast majority of community and regional banks in this country have neither the human nor financial resources to deploy toward compliance with all of the new regulations issued in the last few years. Unfortunately, with the continued spiraling of compliance costs, the ultimate losers in the continuing barrage of new, burdensome regulations are consumers who will face higher costs in obtaining banking services and products and the diminished availability of both credit and bank services.

Thank you for your consideration.

Respectfully,



Dennis E. Nixon
President