NAIB
National Association of Industrial Bankers

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Legislative and Regulatory Activities Division
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Via Email to: regs.comments@occ.treas.gov

Re: Docket ID OCC–2017–0018

To Whom It May Concern:

We appreciate the opportunity to submit comments on the Notice of Proposed Rulemaking (NPR) on Simplifications to the Capital Rule, and applaud the OCC, Federal Reserve Board, and FDIC for their ongoing commitment to reducing regulatory burdens for community banks. Stakeholders have been invited to provide feedback on numerous simplifications to compliance requirements for banking organizations not subject to the advanced approaches capital rule. We are submitting the following comments on behalf of the National Association of Industrial Bankers (NAIB).

First chartered in 1910, the industrial banks engage in consumer and commercial lending on both a secured and unsecured basis, and provide a broad array of products to consumers and small businesses nationwide, including some of the most underserved segments of the US economy. Industrial banks, like all federally-insured depository institutions, are subject to rigorous regulation and supervisory oversight; industrial banks are also subject to oversight by the state and FDIC. This ensures a robust regulatory system that enables industrial banks to operate in a safe and sound manner while serving the needs of their customers.

NAIB commend the agencies for their proposals to reduce regulatory burden and focus on simplification, and share the goal of a prudent, targeted regulatory environment that preserves post-crisis advances and improves the quality and quantity of banks' regulatory capital. We submitted comments during the Economic Growth and Regulatory Paperwork Reduction Act regarding issues that would reduce unnecessary regulatory burden on our member institutions. We appreciate the agencies following through on their commitment to simplify capital regulations and encourage the agencies to propose additional regulatory changes outlined in the March 2017 report to simplify regulation and reduce unnecessary and outdated regulations.

NAIB supports the proposed amendment to 12 CFR § 324.101 of the NPR that addresses community development projects, exempting all credit facilities financing community development projects from the HVADC exposure category. Industrial banks can provide critical financing and support for property acquisition and construction that serves a community development need. While NAIB's business concentrations typically fall outside the HVADC exposure category, we agree with any intent to ease barriers to community development financing and would endorse further proposals in this vein.

NAIB also supports new 12 CFR § 324.22)d)(1)(i) that addresses MSA's, Temporary Difference DTA's and Investments in the Capital of Unconsolidated Financial Institutions. Specifically, NAIB strongly supports the replacement of the current treatment of MSA's, Temporary Difference DTA's and Investments in the Capital of Unconsolidated Financial Institutions with the simplified 25 percent common equity tier 1 capital deduction threshold. We are concerned, however, that this approach may need reevaluation in light of the elimination of the ability of banking organizations to carry back Net Operating Losses in the recently enacted Tax Cuts and Jobs Act of 2017. Given this elimination, the agencies should consider increasing the threshold to 35 percent or higher. We believe this remains consistent with prudent banking regulation, especially considering that Temporary Difference DTAs not disallowed will be risk weighted at 250% starting in 2019.

In response to questions 14 and 15 posed in the Supplementary Information accompanying the rule, NAIB strongly encourages the agencies to continue to simplify the risk based capital rules for small and medium-sized banks. The proposed rule is a solid first step and the agencies should build on this effort to bring even greater simplicity and clarity to the risk based capital requirements for small and medium-sized banks. We are not yet in a position to opine on the specific issues raised in questions 14 and 15. However, we stand ready to work with the agencies to explore these and other approaches to simplify capital regulation of non-GSIB institutions.

NAIB shares the agencies' goal of a prudently regulated banking industry, and appreciates the agencies' awareness that its safety and soundness depends on a targeted, flexible regulatory approach. We look forward to working with the agencies to continually strengthen and improve our banking system.

Sincerely,

[redacted]

Frank R. Pignanelli
NAIB Executive Director