International Bancshares Corporation

October 26, 2018

Via Federal eRulemaking Portal: www.regulations.gov
Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, SW., Suite 3E-218
Washington, DC 20219

Via Email: regs.comments@federalreserve.gov
Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Via Email: comments@fdic.gov
Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW.
Washington, DC 20429

Re: OCC-Docket ID OCC-2018-0014, RIN 1557-AE37; FRS-Docket No. R-1615, RIN 7100-AF09; FDIC-RIN 3064-AE76; Expanded Examination Cycle for Certain Small Insured Depository Institutions and U.S. Branches and Agencies of Foreign Banks

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 five state nonmember banks serving Texas and Oklahoma. With approximately $12 billion in total consolidated assets, IBC is one of the largest independent commercial bank holding companies headquartered in Texas. IBC is a publicly-traded holding company. The federal bank agencies' expansion of 18-month examination cycle for certain small insured depository institutions is very important to several of IBC's five subsidiary banks. We appreciate the opportunity to comment on this proposal.

On August 29, 2018, the FDIC, FRS and OCC issued joint interim final rules amending the examination cycles for certain institutions which implements Section 210 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (Economic Growth Act). Section 210 of the Economic Growth Act increased the total asset threshold to qualify for a 18-month exam cycle from $1 billion to $3 billion. Additional criteria used to determine an institution's eligibility for the expanded exam cycle includes: (i) CAMELS composite rating of "1" or "2"; (ii) Being well-capitalized; (iii) Being well-managed; (iv) Have not undergone any change in control during the

previous 12 months; and, (v) Not subject to a formal enforcement proceeding or order. The interim final rules make parallel changes to the agencies' regulations governing the onsite examination cycle for U.S. branches and agencies of foreign banks. Previously, the Federal Deposit Insurance Act permitted solely "qualified" depository institutions to be examined on an 18-month cycle. In all cases, the agencies reserve the right to examine more frequently if they deem it necessary.

Comments

Generally

As discussed further herein, IBC supports the agencies' joint interim final rules increasing the asset threshold from $1 billion to $3 billion for insured depository institutions eligible for 18-month on-site examination cycles. IBC appreciates the work of the federal bank agencies to give full effect to the relief measures enacted in the Economic Growth Act and is encouraged by the decisions of the agencies to use their discretion in a way consistent with providing better tailored supervision to our nation's community banks. The implementation of these rules reduces regulatory burden on small, well-capitalized and well-managed institutions, particularly community banks, while allowing the agencies to better focus supervisory resources on financial institutions that may present supervisory concerns.

Increasing the asset threshold from $1 billion to $3 billion for insured depository institutions eligible for 18-month on-site examination cycles would significantly reduce the resources required to deal with yearly examinations by the regulators. Former Comptroller of the Currency, Thomas Curry, previously testified before Congress that such a change would reduce burdens on well-managed community institutions and would also allow the agencies to focus their efforts on institutions that may present supervisory concerns[1].

Regulatory Burden and Removing Impediments to Serving Customers

Rules and requirements surround every bank activity. When it works well, bank regulation helps ensure the safety and soundness of the overall banking system. When it does not, it constricts the natural cycle of facilitating credit, job growth, economic expansion, and lead to increased community bank consolidation. Finding the right balance is key to encouraging growth and prosperity as unnecessary regulatory requirements lead to inefficiencies and higher expenses which reduce resources devoted to lending and investment.

The key to changing the foregoing negative trends is to stop treating all banks as if they were the largest and most complex institutions. Financial regulation and examination should not be one-size-fits-all. All too often, regulation intended for the largest institutions becomes the standard that is applied to every bank. Such an approach only layers on unnecessary requirements that add little to improve safety and soundness, but add much to the cost of

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1 Testimony of Thomas J. Curry, Comptroller of the Currency before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, June 6,2012, https://www.occ.treas.gov/news-issuances/congressional-testimony/2012/pub-test-2012-86-written.pdf.

providing services—a cost which customers ultimately bear. Instead, IBC has urged for years that a better approach to regulation is to tailor bank supervision to take into account the charter, business model, and scope of each bank's operations. This would ensure that regulations and the examination process add value for banks of all sizes and types. One-size, fits all regulations threaten the future viability of community banks to lend and provide liquidity in their local market. Increased regulatory burden, particularly since the passage of the Dodd-Frank Act in 2010, make the community bank business model unattractive for current or potential investors. Many of these institutions have been forced to consolidate in order to manage the combined effect. Clearly, Congress did not intend to apply one-size, fits all financial regulations to *all* financial institutions in the United States.

By eliminating unnecessary impediments to the natural credit cycle, Congress can help stem the tide of community bank consolidation driven by these unnecessary impediments which negatively impacts every community across the United States. Community banks were not responsible for precipitating the 2008 financial crisis and they have demonstrably different risk profiles than the nation's largest banks. Community banks play a key role in lending and providing liquidity in their local markets. Community banks should not be subject to the same 12-month exam cycle applicable to the nation's largest banks. Fewer examiner visits for more community banks will allow these banks to focus on their customers and their business.

Thank you for your consideration.

Respectfully,

Dennis E. Nixon
President
International Bancshares Corporation