American Bankers Association
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Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20551

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

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

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

Dear Sir or Madam:

The American Bankers Association[1] (ABA) appreciates the opportunity to provide comments on the joint interim final rule issued by the Office of the Comptroller of the Currency, the Federal Reserve Board of Governors, and the Federal Deposit Insurance Corporation (Agencies) expanding eligibility for the 18-month examination cycle.[2] The Agencies' rule implements Section 210 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, (EGRRCPA) enacted on May 24, 2018.

Current law generally requires the Agencies to conduct full scope, on-site examinations of insured depository institutions (IDIs) no less frequently than every 12-months.[3] However, the Agencies are legally permitted to conduct examinations no less than every 18-months for small IDIs that meet five eligibility requirements.[4] The EGRRCPA increased asset-based ceilings found in two of these eligibility requirements.

[1] The American Bankers Association is the voice of the nation's $17 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard $13 trillion in deposits, and extend nearly $10 trillion in loans.
[2] See Expanded Examination Cycle for Certain Small Insured Depository Institutions and U.S. Branches and Agencies of Foreign Banks. 83 Fed. Reg. 43,961. (August 29, 2018).
[3] See 12 U.S.C. § 1820(d)(1).
[4] See 12 U.S.C. § 1820(d)(4). Before the EGRRCPA, those five requirements were that the small IDI must have (1) no more than $1 billion in assets, (2) be well capitalized, (3) be well managed with a composition condition of outstanding or good, in the case of an insured depository institution with total assets of not more than $200 million, (4) not currently be subject to a formal enforcement proceeding by the Agencies, and (5) not be recently acquired. However, a provision in the Fixing America's Surface Transportation (FAST) Act permitted the Agencies to move the $200 million threshold described above. The FAST Act enabled the agencies to adjust the threshold, but not to exceed $1 billion in assets, which the Agencies elected to do in an interim final rule in February 2016. *See 81 Fed.*

First, the EGRRCPA increased the asset threshold for banks eligible for the 18-month exam cycle for well managed banks whose composite condition was found to be outstanding when the institution was most recently examined. Previously, the 18-month exam cycle for such banks was only available to institutions with less than $1 billion in total assets. EGRRCPA expanded this asset threshold to apply to institutions with less than $3 billion in total assets.

Second, EGRRCPA gave the Agencies discretion to increase the asset ceiling for institutions found to be well managed with a composite condition found to be good. This threshold has moved from where it was currently set at $1 billion or less in total assets to $3 billion or less in total assets.

ABA supports the Agencies' interim final rule implementing EGRRCPA consistent with Congressional intent to provide the fullest available relief to community banks. Further, ABA agrees that the current off-site monitoring activities of the Agencies and continued discretion to examine IDIs more frequently, as necessary, make this change consistent with the principles of safety and soundness.[5]

Recognizing that the Agencies plan their examinations well in advance, there may be transitional issues that stem from EGRRCPA's enactment. Banks previously on a 12-month exam cycle yet newly eligible for the 18-month exam cycle may face uncertainty about their upcoming exams. ABA encourages the Agencies to adjust their current scheduling of exams as much as they are able to provide newly eligible institutions the option to extend their examination cycle in this transitional period.

ABA appreciates the work of the Agencies to give full effect to the relief measures enacted in the EGRRCPA 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. Should you have any questions, please do not hesitate to contact the undersigned at skern@aba.com or (202) 663-5253.

Sincerely,

[redacted]

Shaun Kern
Senior Counsel
Office of Regulatory Policy

Reg. 10,063. The EGRRCPA's enactment gave the Agencies further discretion to adjust this threshold, but not to exceed $3 billion in assets.

[5] See 83 Fed. Reg. at 43,963.