

August 11, 2023

Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation (FDIC)
550 17th Street NW
Washington, DC 20429

RE: Special Assessment Pursuant to the Systemic Risk Exception

Chair Gruenberg,

We write to urge you to consider the impact on mid-size and regional banks of the FDIC's notice of proposed rulemaking regarding special assessments pursuant to the systemic risk determination (Notice) announced on March 12, 2023, following the closures of Silicon Valley Bank and Signature Bank.

It is important to note the proposed rulemaking is not occurring in a vacuum, as Federal bank regulators are contemplating significant changes to the current regulatory framework, including increased regulatory capital requirements on an already well-capitalized system, imposition of a long-term debt requirement, and increased stress testing requirements.

Combined, those anticipated changes and the special FDIC assessment will have disproportionate and lasting repercussions on borrowers, depositors, and communities served by regional banks. Those banks will be faced with difficult choices of where and how to deploy fewer resources for consumers and customers, and reduced credit opportunities will result.

This is not a time to use regulations and the assessment in ways that would reinforce a barbell banking system, with a small number of Too-Big-To-Fail on one end, a scattering of community banks on the other, and little in between to provide needed financial services to communities across the country.

Regional banks play a vital role in the national economy and are valued partners in our communities. They possess local marketplace knowledge and expertise, which results in more efficient lending and greater financial opportunities by putting deposits to work in communities.

The Notice states that: "*Section 13(c)(4)(G) of the FDI Act provides the FDIC with discretion in the design and timeframe for any special assessments to recover the losses to the DIF as a result of the systemic risk determination.*"

As such, the FDIC should consider the following for the proposed rulemaking to ensure the final rule is fair and does not disproportionately impact mid-sized and regional banks.

The special assessment base should be based on a date no earlier than March 31, 2023, to ensure an accurate and fair reflection of balances in uninsured deposits that existed at the time of

the systemic risk determination. The Notice establishes an assessment base date of December 31, 2022. Yet the failures of both Silicon Valley Bank and Signature Bank occurred in March 2023.

The proposed date fails to account for movement of deposits from regional banks to other institutions in the days and weeks following the failures and invocation of the systemic risk determination. Therefore, for the proposed rule to apply to those banks that benefitted the most from the assistance provided under the system risk determination, a date closer to the systemic risk determination date should be applied to better account for the movement of deposits to larger institutions that occurred contemporaneous to and in the aftermath of the determination.

The FDIC's proposed special assessment date will disproportionately impact mid-sized and regional banks. Now is not the time to make it more difficult for these mid-sized banks to continue supporting the economy. Instead, regulators should be implementing policies that maintain and promote a diverse banking system.

If you have any questions, please do not hesitate to reach out to Megan Guiltinan (Megan.Guiltinan@mail.house.gov) in Rep. Barr's office.

Sincerely,



Andy Barr

Chairman

Subcommittee on Financial Institutions
and Monetary Policy

House Committee on Financial Services



Pete Sessions

Member of Congress



Bill Posey

Member of Congress



Ann Wagner

Chairman

Subcommittee on Capital Markets

House Committee on Financial Services



Roger Williams

Member of Congress



Alexander X. Mooney

Member of Congress



William R. Timmons, IV
Member of Congress



Monica De La Cruz
Member of Congress



Dan Meuser
Member of Congress



Scott Fitzgerald
Member of Congress



Young Kim
Member of Congress



Mike Flood
Member of Congress



Mike Lawler
Member of Congress