



IBC

International Bancshares
Corporation

July 27, 2015

Via www.regulations.gov

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

Re: [RIN 3064-AE33](#); Large Bank Deposit Insurance Determination Modernization; Federal Deposit Insurance Corporation ("FDIC") Advance Notice of Proposed Rulemaking

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 FDIC's Proposal.

I. Overview of Proposal

On April 28, 2015, the FDIC published an advance notice of proposed rulemaking (the "ANPR") proposing new recordkeeping standards and deposit insurance calculation requirements for certain FDIC-insured depository institutions that have a large number of deposit accounts (each, a "Covered Institution"). The ANPR requests comment on whether and how Covered Institutions (*i.e.*, financial institutions with more than two million deposit accounts) should be required to (1) enhance recordkeeping by maintaining substantially more accurate and complete data on each depositor's ownership interest by right and capacity for all or a large subset of their deposit accounts, and (2) develop and maintain the capability to calculate the insured and uninsured amounts for each depositor by deposit insurance category for all (or a substantial subset of) deposit accounts at the end of any business day. The ANPR indicates that the proposed enhancements are necessary to facilitate the FDIC's statutory responsibility to pay deposit insurance "as soon as possible following the failure of an insured depository institution."

Any ultimate proposal would supplement a rulemaking adopted by the FDIC in 2008 (the "2008 Rule") to facilitate prompt deposit insurance determinations at large insured depository institutions.

The 2008 Rule requires certain insured financial institutions to maintain processes that would provide the FDIC with standard deposit account information promptly in the event of the institution's failure and to maintain the technological capability to automatically place and release holds on deposit accounts. The 2008 Rule contemplates that a failed institution will transmit standardized-format data to the FDIC for the FDIC to determine specifically which amounts are insured and which are not.

Based on the FDIC's experience during the 2008 financial crisis and the possibility that a bank with a large number of deposit accounts could fail with little advance warning, the ANPR provides that "further changes are needed to ensure that the FDIC can maintain the public trust in the banking system and can fulfill its statutory obligation to make insured depositors whole 'as soon as possible.'"

II. Comments

The Proposal's deposit insurance calculation requirement would represent a fundamental shift in practice and the outsourcing to insured depository institutions of a function that historically has been performed by the FDIC. While it may be efficient for the FDIC to do so, it puts the onus and the costs on financial institutions to make that determination. As proposed, the plan would require banks to maintain more complete data on depositors and develop systems to be able to calculate and separate insured and uninsured amounts. That is a role the FDIC has always played in a bank failure and now the FDIC desires to put that burden back on financial institutions to do that. That also goes beyond what is required under the 2008 Rule, which mandated a new standard data format designed to help the FDIC link multiple accounts from a single account holder quickly. To date, neither the FDIC nor any insured financial institution has known or been able to calculate the exact amount of deposits covered by deposit insurance, except on or following an actual date of an insured financial institution's failure, when calculated by the FDIC.¹

While preliminary, the proposals outlined in the ANPR if ultimately adopted, would impose significant and costly operational and information technology-related requirements on Covered Institutions. New computer systems would need to be developed or purchased by the Covered Institutions to comply with the Proposal. These requirements could also be difficult to implement, especially for institutions with a number of "legacy" records systems resulting from previous mergers or acquisitions. We note that there have been increased post-Dodd-Frank Act bank mergers due to institutions having to consolidate to cope with astronomical compliance costs; therefore, the number of banks with "legacy" records has significantly increased. We also do not understand the point of putting financial institutions through all of the expense of trying to maintain the new proposed system, trying to link all associated accounts when the probability of it being utilized (*i.e.*, bank failure) is extremely remote for the 37 mega and regional banks affected by the Proposal.

¹ Deposit insurance assessments are currently calculated by the FDIC and paid by the insured financial institution generally based on estimates of insured deposits.

State law adds a layer of complexity to determining the “capacity” issue with regard to deposit accounts. For example, the Texas legislature recently amended chapter 113, Texas Estates Code with regard to multi-party accounts. These account types, such as joint accounts with rights of survivorship and POD accounts, qualify for additional FDIC insurance. However, the framework for such accounts is found in state law.

With branches in both Texas and Oklahoma, IBC must keep up with different account categories under different legal regimes. But other affected institutions have a significantly larger burden in tracking the laws of additional states. Adding the recordkeeping contemplated by this proposal is a significant burden.

Furthermore, we believe the FDIC’s Proposal is premature as it has not given the 2008 Rule sufficient time to determine whether it is sufficient or requires modification. The 2008 Rule is too new to be changed already. The FDIC’s Proposal is also a costly fix to a nonexistent problem. Additionally, since 2008, financial institutions’ systems have become more developed and the FDIC has more access to financial institutions’ examination data. Therefore, there is no need for the FDIC to rush to impose new, costly deposit account recordkeeping requirements on financial institutions.

In the Proposal, the FDIC is suggesting that the proposed new expansive recordkeeping requirements would only apply to Covered Institutions (*i.e.*, financial institutions with more than two million deposit accounts—currently, 37 mega and regional U.S. banks). Also, although the FDIC states in its ANPR that community banks will not be affected, we remain concerned that the FDIC will over time impose the proposed expansive recordkeeping requirements on all financial institutions currently subject to the 2008 Rule (12 C.F.R. Section 360.9; “Large-bank deposit insurance determination modernization”) (*i.e.*, more than \$2 billion in insured deposits and 250,000 deposit accounts), including regional and community banks. These banks currently number 151. This type of “creeping regulation,” which we’ve seen in other areas, would have the unintended effect of imposing one-size-fits-all deposit account requirements on the 151 large regional and community banks currently subject to 12 C.F.R. Section 360.9. One-size fits all scenarios or requirements will be detrimental to regional and community banks already struggling with significantly increased compliance costs as a result of passage of the Dodd-Frank Act and its implementing regulations.

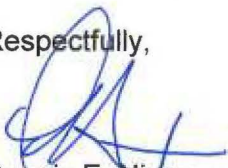
Regional and community banks have recently been overwhelmed with the ongoing barrage of changes mandated by the Dodd-Frank Act. The vast majority of regional and community banks in this country have neither the human nor financial resources to deploy toward compliance with all of the new regulations 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.

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Based on the foregoing, we respectfully request that the FDIC withdraw its proposed plans to amend 12 C.F.R. Section 360.9 to expand the deposit account recordkeeping requirements for Covered Institutions.

Thank you for your consideration.

Respectfully,



Dennis E. Nixon
President