International Bancshares
Corporation

February 13, 2014

***Via email Rulemaking Portal: www.regulations.gov***

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
10th Street and Constitution Avenue, NW
Washington, DC 20551

Gary A. Kuiper, Counsel
Attention: Comments
Room NYA-5046
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

**Re: Federal Reserve: *Consolidated Reports of Condition and Income (FFIEC 031 and 041) FRS-2014-0014-0001; FDIC: Consolidated Reports of Condition and Income, 3064-0052.***

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 each bank having less than $10 billion in assets. 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 financial holding company. Due at least in part to IBC being headquartered on the Texas/Mexico border and the many IBC branches in Central and South Texas, IBC has strong consumer demand for foreign remittances. In addition, IBC has an extensive retail deposit account program with an active overdraft protection program. Thus, the additional disclosures will significantly affect IBC's data collection and operations. IBC believes the additional reporting burdens of this proposal are particularly unwarranted for smaller banks that do not have the information technology systems that would be necessary to generate the new information. The proposal would apply to banks with over $1 billion in assets while the banks that have the sophisticated technology systems that could currently generate this additional information would generally be the banks with over $50 billion in assets. We appreciate the opportunity to comment on this proposal.

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On February 21, 2013, the federal bank agencies, under the auspices of the Federal Financial Institutions Examination Council ("FFIEC"), requested public comment on a proposal to revise the Consolidated Reports of Condition and Income ("Call Report"), which are currently approved collections of information ("2013 Proposal").

After considering the comments received on this proposal, the FFIEC and the agencies announced their final decisions regarding certain proposed revisions on May 23, 2013, which took effect June 30, 2013; however, the agencies also announced they were continuing to evaluate certain other Call Report changes proposed in February 2013.

On January 14, 2014, the FFIEC and the agencies announced they completed their evaluation of the 2013 Proposal and the comments received thereto, and subject to further public comment, plan to implement certain additional Call Report changes in March 2014, including foreign remittance transfers, and other changes in March 2015, including the proposed breakdown of consumer deposit account service charges (for institutions with $1 billion or more in total assets that offer consumer deposit accounts) ("2014 Proposal"). Our comments will be limited to the consumer deposit service charges and foreign remittance reporting portions of the 2014 Proposal.

## I. Consumer Deposit Service Charges

Effective March 31, 2015, the agencies propose for institutions with $1 billion or more in total assets, and that offer one or more consumer deposit account products, to begin reporting a breakdown of their total year-to-date income from service charges on deposit accounts in Schedule RC-E, Deposit Liabilities.[1] More particularly, these institutions would itemize three key categories of service charges on such deposit accounts: overdraft-related service charges on consumer accounts, monthly maintenance charges on consumer accounts, and consumer ATM fees. In proposing these requirements, the FFIEC and the agencies stated their belief that the vast majority of institutions track individual categories of deposit account service charges as distinct revenue line items within their general ledger or other management information systems, which would facilitate the reporting of service charge information in the Call Report, and the agencies believe that overdraft-related, monthly maintenance, and ATM fees are of most immediate concern to supervisors and policymakers, the proposal called for the separation of these consumer deposit service charges only.

[1] Call Report Schedule RI, item 5.b, "Service charges on deposit accounts (in domestic offices)," currently requires reporting institutions to report all revenues from service charges on deposits in a single aggregate figure.

The agencies propose to revise Schedule RC-E (part I) further by adding a new Memorandum item 6 to follow a new Memorandum item 5 screening question inquiring whether the institution has $1 billion or more in assets. Specifically, new Memorandum item 6, "Components of total transaction account deposits of individuals, partnerships, and corporations," would be completed by institutions with total assets of $1 billion or more that responded "yes" to the screening question posed in new Memorandum item 5.

Proposed new Memorandum item 6 would include the following three-way breakdown of these transaction accounts, the sum of which would need to equal Schedule RC-E, (part I), item 1, column A: (i) in Memorandum item 6.a, "Deposits in noninterest-bearing transaction accounts intended for individuals for personal, household, or family use," institutions would report the amount of deposits reported in Schedule RC-E, (part I), item 1, column A, held in noninterest-bearing transaction accounts (in domestic offices) intended for individuals for personal, household, or family use; (ii) in Memorandum item 6.b, "Deposits in interest-bearing transaction accounts intended for individuals for personal, household, or family use," institutions would report the amount of deposits reported in Schedule RC-E, (part I), item 1, column A, held in interest-bearing transaction accounts (in domestic offices) intended for individuals for personal, household, or family use; (iii) in Memorandum item 6.c, "Deposits in all other transaction accounts of individuals, partnerships, and corporations," institutions would report the amount of all other transaction account deposits included in Schedule RC-E, (part I), item 1, column A, that were not reported in Memorandum items 6.a and 6.b. If an institution offers one or more transaction account deposit products intended for individuals for personal, household, or family use, but has other transaction account deposit products intended for a broad range of depositors (which may include individuals who would use the product for personal, household, or family use), the institution would report the entire amount of these latter transaction account deposit products in Memorandum item 6.c.

We are concerned that the agencies do not recognize that internal accounting and recordkeeping practices vary across institutions and that disaggregating all types of fees will be burdensome, particularly for smaller institutions. Many smaller institutions utilize general ledger systems that have only one aggregated deposit fee line item for all fee and depository types. Furthermore, most regional and community banks do not have the financial resources and time to develop or purchase internal systems, including the potential hiring of additional personnel to complete the new Call Report criteria. Furthermore, most community and regional banks do not have sophisticated information technology systems with robust data fields comprehensively maintained to obtain the financial data required to conduct the proposed stress tests. The large complex banking organizations have vast resources; however, we, and most community and regional banks, do not have the scale to spread high compliance costs over a broad base and are required to bear these costs more disproportionately than the large complex banking organizations.

We believe the requirements contained in the Proposal will impose additional staffing and operational costs to the already burdened U.S. banking industry which is currently struggling to comply with the numerous and complex Dodd-Frank Act mandated regulations being promulgated by the federal agencies. At a minimum, we believe the agencies should increase the applicable threshold from $1 billion to $50 billion. After all, these are the institutions that control the great bulk of consumer deposits in the United States. In fact, these large entities control over 80 percent of the U.S. banking industry's assets.

Call report data has traditionally been utilized to serve safety and soundness purposes related to the reporting banks. However, in the 2014 Proposal, the agencies state that it is appropriate that the requested consumer deposit service charge data may serve purposes other than safety and soundness and that the agencies and the FFIEC have long recognized that the Call Report can include data for safety and soundness and "other public purposes," and they have interpreted "public purposes" to mean public policy purposes. However, we strongly disagree and believe that Call Report data should be used to collect data related to institutional safety and soundness only, and not for compliance or "public purposes."

The agencies statement of an undefined "public policy" purpose is too broad, dangerous, and pushes banks down a very "slippery slope" of unknown regulatory scrutiny. What could the "public policy" purpose of the 2014 Proposal be? The reporting of the fee income information will almost certainly result in blind criticism of the amount of the fees by certain parties. Instead of just isolating and reporting the fee income, perhaps more detailed information on the context and use of the fee income should also be reported. The additional information could explain that community banks in particular use the fee income to provide an array of free bundled banking services to consumers that would often otherwise be underserved and that many banks use the fee income to help offset huge fraud costs related to widespread credit card security breaches, such as the recent breaches at Target and Neiman Marcus. Also, If the amount of the service charges to consumers relates to the agencies' stated "public purposes," we genuinely hope that the regulators will consider expenses related to deposit generation as reported in Schedule RI, item 5.b--that would be only fair and reasonable. We also note that banks are already undergoing comprehensive and intense safety and soundness examination by their primary and secondary regulators. Surely, this examination process is a much stronger and thorough process than attempting to utilize abstract consumer deposit service charge data obtained from Call Reports.

It is imperative that the Call Report not become a tool for other governmental agencies to extract detailed information from the banks that they could not otherwise obtain. The Call Reports dig deeply into confidential financial operating data that individual banks consider proprietary to the operation of the bank and should remain confidential. The Call Report data also may reveal business strategies that should be protected versus disclosing them to the market place. In addition, using the Call Report to disclose fee income of banks would invite misuse of the data and encourage unwarranted litigation. The fee income data would serve as easy fodder for opportunistic plaintiff's lawyers who have been filing an increasing number of expensive class action lawsuits against banks. These lawsuits are often settled for amounts that ultimately only really benefit the plaintiff's lawyer after unreasonably distracting and draining the resources of the banks over extended periods of time.

Finally, we are very concerned with confidentiality related to the requested consumer deposit service charge information. Federal regulators treat the information contained in Call Reports as public. As such, the newly-required consumer deposit service charge information will be utilized by competitors of reporting institutions.

At a minimum, the agencies should grant confidential status to this information so that reporting institutions are not placed in a competitive disadvantage as to other banks, credit unions that will not be subject to the 2014 Proposal's requirements, and non-banks. In the 2014 Proposal, the FFIEC and the agencies state they do not believe that the data that would be collected as part of the new Memorandum item 15 in Schedule RI needs be kept confidential because the combination of the current reporting structure and the itemized fee schedules that institutions disclose today provides competitor data. However, these sources do not yield the same information and insight as would be achieved via this new reporting requirement because the former two items do not provide any sense of volume by type of fee. This view completely ignores the reporting bank's ongoing concerns regarding the harm they may incur as a result of the new consumer deposit service charge requirements and fails to address these concerns.

## II. Remittance Transfers

Under the 2014 Proposal, effective March 31, 2014, institutions would begin to report information about international remittance transfers (including certain questions about remittance transfer activity and, for institutions not qualifying for the CFPB's safe harbor, certain data on the estimated number and dollar value of remittance transfers) on an initial basis and semiannually thereafter as of each June 30 and December 31. More specifically, the agencies propose to add to the Call Report the one-time question and the ongoing question largely as proposed previously in the 2013 Proposal. However, the ongoing question in item 16.a would be collected as of March 31, 2014, on an initial basis and semiannually thereafter as of each June 30 and December 31, rather than quarterly, as earlier proposed.

The one-time and ongoing questions also would reflect several modifications and clarifications that respond to the comments received to the 2013 Proposal.

First, item 16.a would be narrowed to exclude transfers that are outside the scope of the remittance transfer rule. The revised draft instructions would direct institutions to focus on the regulatory definition of remittance transfer, as if it had been in effect during 2012, and to report only on whether they did offer or currently offer transfers to consumers that fall into two categories: (a) Those that are "remittance transfers" as defined by subpart B of Regulation E, or (b) those that would qualify as "remittance transfers" under subpart B of Regulation E but that are excluded from that definition only because the provider is not providing those transfers in the normal course of its business.

Second, the agencies would modify the options listed in the proposed one-time and ongoing questions in item 16.a. As modified, the options would include four of the categories proposed earlier: International wire transfers, international ACH transactions, other proprietary services operated by the reporting institution, and other proprietary services operated by another party. The revised caption and draft instructions for item 16.a would reflect several clarifying changes, including that for international wire and international ACH transactions, institutions should only reflect services that they offer as a provider.

Similarly, the revised caption and draft instructions for item 16.a would clarify that "other proprietary services operated by the reporting institution" are those services other than ACH and wire services for which the reporting institution is the remittance transfer provider (rather than, for example, an agent of another provider). The revised caption and draft instructions for this item would clarify that "Other proprietary services operated by another party," in contrast, are those for which an entity other than the reporting institution is the provider. The reporting institution may be an agent, or similar type of business partner, that offers the services to the consumer. The proposed "other" option would be eliminated from item 16.a.

While we appreciate the modifications made by the agencies in response to comments made regarding the 2013 Proposal, unfortunately, they do not go far enough. We continue to have concerns that if the 2014 Proposal is adopted, institutions will require significant time, manpower, and financial resources to change their accounting and reporting systems to collect the type of data that will be required under the Proposal. From an operational standpoint, the 2014 Proposal's requirements will still require a much greater degree of analysis and a much higher cost to administer. This will lead to the imposition of additional operational costs for financial institutions that are currently struggling to comply with an ever-increasing sea of additional and burdensome requirements emanating from passage of the Dodd-Frank Act. The 2014 Proposal's requirements that community and regional banks accumulate and report more data will merely increase the compliance costs of regional and community banks.

Most regional and community banks do not have the financial resources and time to develop new internal systems capable of collecting the type of data required under the 2014 Proposal. We continue to believe that many regional and community banks may be forced to make the difficult business decision to exit the foreign remittance transfer market, thus, harming consumers, the intended beneficiaries of the CFPB's foreign remittance rule and the agencies purported "public purposes" relating to Call Reports.

A simple report of a financial institution's approximate total number of foreign remittance transfers during the quarterly reporting period would provide the agencies with the information needed to monitor compliance with the CFPB's foreign remittance rule, including the 100 transfer safe harbor exemption for small institutions. We are aware that many smaller community banks in our trade territories have simply exited the foreign remittance business due to the extra regulatory cost. Further, the dollar value of the international transfers is simply not relevant to compliance with the CFPB's foreign remittance rule. We note that Section 1073 of the Dodd Frank Act does not appear to mandate the level of detailed foreign remittance information sought by the agencies in their 2014 Proposal.

Thank you for your consideration.

Respectfully,

Dennis E. Nixon
President