March 27, 2019

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW
Suite 3E-218
Washington, DC 20219

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

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

Re: Thresholds Increase for the Major Assets Prohibition of the Depository Institution Management Interlocks Act Rules

Dear Ladies and Gentlemen:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the proposed rule *Thresholds Increase for the Major Assets Prohibition of the Depository Institution Management Interlocks Act Rules*. This proposed rule is being issued to raise the major assets prohibition thresholds to $10 billion in order to account for the changes in the United States banking market since the establishment of the thresholds in 1996. The proposed increase would be a major change from the current cap, which prevents a management official of a depository organization with total assets exceeding $2.5 billion from serving at the

[1] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than $4.9 trillion in assets, $3.9 trillion in deposits, and $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

same time as a management official of an unaffiliated depository organization with total assets exceeding $1.5 billion.

The proposal also outlines three alternative approaches to calculating the changes to the major asset thresholds. ICBA supports the efforts by the banking agencies to adjust outdated regulations, especially those that contain predetermined thresholds that are not indexed to rates of growth or changes in asset sizes of financial institutions. ICBA fully supports the proposed major assets prohibition threshold of $10 billion, as well as efforts by the agencies to further increase the thresholds to account for inflation. In addition, ICBA appreciates the agencies suggesting three alternative approaches to adjusting the asset thresholds.

The Proposal

The Depository Institution Management Interlocks Act (DIMIA) is designed to preserve competition by prohibiting a management official of a depository organization from serving as a management official of another depository organization at the same time when such a management interlock could be considered anticompetitive in nature. The banking agencies enforce DIMIA by imposing three restrictions on depository institutions. The first restriction, the community prohibition, prohibits a management official of a depository institution from serving at the same time as a management official of an unaffiliated depository institution if the two have offices in the same community. The second restriction, the relevant metropolitan statistical area prohibition, prohibits a management official of a depository institution from serving at the same time as a management official of an unaffiliated depository institution if the two have offices in the relevant metropolitan statistical area and each depository institution has total assets of $50 million or more. The third restriction, the major assets prohibition, prohibits a management official of a depository institution with total assets exceeding $2.5 billion from serving at the same time as a management official of an unaffiliated depository institution with total assets exceeding $1.5 billion regardless of the institutions' locations.

Under the proposal, the banking agencies would raise both of the major assets prohibition thresholds from the current $2.5 billion and $1.5 billion to $10 billion for each. The large rise is designed to prohibit interlocks that could occur between larger depository institutions that could generate anticompetitive behaviors at the national banking market level while providing an exemption for smaller banks, which generally would not generate the same level of anticompetitive behaviors.

The agencies believe that the $10 billion threshold is consistent with past delineations that Congress has made to separate small financial institutions from large financial institutions. For example, recently Congress passed legislation enacting a community bank leverage ratio, a capital simplification effort that is available to depository institutions with total consolidated assets of $10 billion or less. The Dodd-Frank Wall Street Reform and Consumer Protection Act created a $10 billion threshold to distinguish small banks from large banks that would be subject

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
PO Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

to supervision by the Consumer Financial Protection Bureau. The agencies note that the number of depository institutions with total assets of more than $1.5 billion and $2.5 billion as of December 31, 2017 totaled 1,021 and 698, respectively. The number of depository institutions with total assets greater than $10 billion as of December 31, 2017 was 257. By greatly reducing the number of depository institutions subject to the major assets prohibition, the agencies would allow smaller depository institutions to form management interlocks without having to endure the burden of seeking a general exemption from the appropriate regulator. This threshold increase would increase the number of persons eligible to serve as community bank management officials. If this proposal is finalized, the agencies would make further adjustments to the thresholds to account for inflation.

As an alternative to the $10 billion major assets prohibition threshold change, the agencies are offering three alternative approaches to adjust the asset thresholds. The first alternative would adjust the major assets prohibition threshold to ensure that the same percentage of depository institutions are covered by the threshold as were covered in 1996 when the major asset prohibition thresholds were established. Using this methodology to increase the major assets prohibition threshold would raise the $1.5 billion and $2.5 billion thresholds to $7.9 billion and $11.8 billion, respectively. The second alternative would adjust the major assets prohibition threshold based on the rate of asset growth for depository institutions between 1996 and 2017. Because the rate of growth during this period results in an increase of 350 percent, this alternative would raise the major assets prohibition thresholds of $1.5 billion and $2.5 billion to $5.3 billion and $8.8 billion, respectively. The third alternative would adjust the major assets prohibition threshold based on the year-to year change in the Consumer Price Index for Urban Wage Earners and Clerical Workers. This methodology would raise the major assets prohibition thresholds of $1.5 billion and $2.5 billion to $2.3 billion and $3.9 billion, respectively.

ICBA's Comments

ICBA would like to thank the agencies for reviewing the major assets prohibition under DIMIA and proposing amendments to the thresholds that better reflect bank asset sizes. By working to make changes to outdated regulations, regulators are sending a strong message that they are focused on the viability and success of the nation's community banks under a regulatory framework that encourages growth and innovation. The major assets prohibition under DIMIA clearly contained thresholds that failed to reflect the growth in the size of community financial institutions since its initial implementation.

ICBA supports the proposed increase in the asset threshold to $10 billion. Community banks particularly in rural areas have had difficulty finding and retaining qualified directors and senior officers. By raising the asset threshold, many more community banks both now and in the future will be able to take advantage of the management talent available across the spectrum of community banks in a more reasonable fashion without the need to seek a general exemption from their prudential regulator. ICBA also believes that the agencies should have the flexibility

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
PO Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

to make further adjustments to the thresholds in the future to account for changes in bank asset size as a result of inflation without public notice and comment.

When comparing the agency proposed action of raising the thresholds to $10 billion to the three proposed alternatives, ICBA believes that proposed course of action is the right one, generally because it does not differ greatly from the alternative approaches and it provides simplicity to determining the prohibitions in place under DIMIA. As the agencies effectively point out in the proposal, the $10 billion threshold is consistent with other banking thresholds enacted by Congress when determining the difference between small institutions and large institutions.

ICBA appreciates the opportunity to comment on this proposal. If you have any questions or would like additional information, please do not hesitate to contact me at (202) 821-4364 or james.kendrick@icba.org.

Sincerely,

[redacted]

James Kendrick
First Vice President, Accounting and Capital Policy