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Sent: Thursday, March 31, 2022 3:16 PM
To: Comments
Subject: [EXTERNAL MESSAGE] March 31, 2022 - Request for Information and Comment on Rules, Regulations, Guidance, and Statements of Policy Regarding Bank Merger Transactions; Comment Request (RIN 3064-ZA31)

This comment reflects my personal view and not necessarily that of my employer.

I agree with you that banking-industry consolidation is a problem. But instead of using your power to disapprove merger applications as a way to reduce consolidation in the industry, you should consider the reasons for the consolidation and address those instead. Disapproving applications may temporarily stop the bleeding, but it won't cure the patient. Small banks will still feel the same rational, economic pressures to sell, but they won't be able to do so if you refuse to allow it.

For instance, the regulatory burden on smaller institutions has increased significantly during the period of industry consolidation (Dodd Frank, USA PATRIOT Act, beneficial ownership, to name only a few). This has required smaller institutions to spend relatively more of their resources on compliance, giving their larger competitors greater advantages due to economy of scale. I realize that much of this problem is caused by Congress, rather than by the regulatory agencies. But where possible, you could use your discretion in rulemaking to create more exceptions for small banks. And you could highlight the regulatory challenges small banks face when you report to Congress.

During the same period, competition from tax-advantaged competitors (credit unions, Farm Credit, etc.) has increased significantly. I realize this problem needs to be addressed by Congress. But you could highlight the problem when you report to Congress.

And the FDIC and other regulatory agencies have refused to approve certain qualifying applications for de novo banks during the same period. Applications for de novo industrial banks seem to have been particularly disfavored (Wal-Mart's, John Deere's, and others). From 2000 to 2007, the FDIC approved 47% of the 57 applications for de novo industrial banks. From 2008 to 2010, however, just one of seven applications (14%) was approved—and from 2011 through July 2016, zero applications were filed with the FDIC for deposit insurance for a de novo industrial bank, apparently because of public statements by FDIC officials discouraging such applications. Former Chairman McWilliams' position on de novo applications was reasonable and appropriate, namely that the FDIC under her leadership would approve every de novo application that qualified, and it was the role of Congress to decide legislatively if certain types of applications should not be accepted. You should follow her lead.

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