GEORGIA BANKERS ASSOCIATION
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February 9, 2024

Via Electronic Submission

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Attention: James P. Sheesley, Assistant Executive Secretary

Re: FDIC Guidelines Establishing Standards for Corporate Governance and Risk Management for Covered Institutions with Total Consolidated Assets of $10 Billion or More

Ladies and Gentlemen:

The Georgia Bankers Association (the "GBA") respectfully submits these comments in response to the "Guidelines Establishing Standards for Corporate Governance and Risk Management for Covered Institutions with Total Consolidated Assets of $10 Billion or More," RIN 3064-AF94 (the "Proposal") recently proposed by the Federal Deposit Insurance Corporation's ("FDIC").

These comments are submitted by the GBA on behalf of its membership, which is comprised of 144 banks headquartered in Georgia plus 25 others headquartered elsewhere and doing business in Georgia.

General Comment

A number of well-supported comment letters have been submitted by various other trade associations representing banks and the business community more generally, including the letter[1], dated February 9, 2024, led by the American Bankers Association and cosigned by GBA and a number of other state bankers associations. These previous comment letters point out the many substantive issues with the Proposal that will place the boards of directors of banks subject to the rule in an untenable position. We agree with these substantive comments; however, we want to highlight two other issues we see in the rule as it would be applied to banks doing business in the State of Georgia.

The Danger of Prescriptive Risk Management Programs

The Proposal represents a largely prescriptive approach to risk management at the board level. A benefit of the diverse banking system in the U.S. is allowing banks to develop unique approaches to doing business and managing risk, some of which will prove more resilient in the face of latent or emerging risks that cannot be adequately anticipated. We need to look no further back than to March 2023 to see that some risk management models fared better than others when confronted with unique economic and market circumstances.

By prescribing a "one size fits all" methodology for managing risk, the Proposal discourages innovative approaches that could prove invaluable as conditions evolve over time. The potential for unintended consequences when prescribing a particular approach to risk management across a wide range of banks is tremendous. We believe that using existing supervisory tools to evaluate risk management represents a more prudent approach to monitoring risk management in banks. While the existing approach certainly requires more of exam teams as they must review individual circumstances, the proposed prescribed approach is unlikely to be the optimal approach for any individual bank. In collaboration with their examiners, banks should be allowed to develop their own risk management practices, particularly at the board level, to fit their business models.

[1] The February 9, 2024 ABA letter is available at: https://resources.gabankers.com/PDFs/ABA%20+%20State%20Alliance%20-%20Comment%20-%20FDIC%20Proposed%20Corporate%20Governanace%20Guidelines%20RIN%203064-AF94.pdf

Hindrance of Growth of Banks Due to Low and Arbitrary Asset Threshold

Georgia has a thriving economy that is built on a diverse array of companies choosing to operate in Georgia, running the gamut from sole proprietorships and other small businesses to multinational conglomerates. The ongoing success of these businesses is supported by a diverse banking system ranging from the vast majority that are community banks serving one or more communities to regional in-state and multi-state banks to large, globally active banks.

A vibrant segment of banks doing business in Georgia is a class of growing community banks with assets of more than $1 billion but less than $10 billion. This segment of community banks plays a pivotal role in our economy, and 29 are headquartered in or are doing business in Georgia. These institutions continue to bank many individuals and small businesses but have also developed the capital footings and expertise to serve middle-market businesses effectively. While we do not suggest that there would be no other banking options for the individuals and businesses served by this class of banks if they withdrew from the market, there can be no doubt that their success benefits from banks in this size range.

We believe the Proposal, if adopted as a final rule, will have a chilling effect on the growth initiatives of these banks. By introducing a rule that would require these banks to overhaul their governance practices when they reach $10 billion in assets, and possibly sooner depending upon their activities, the Proposal creates an artificial barrier to their future growth. As banks grow toward the $10 billion asset threshold, many banks will choose strategies to delay or avoid growth, just as they do now to avoid the existing impacts of reaching the $10 billion threshold. The rule will also create further reasons for banks to prematurely exit the market by merging with a larger bank. Regardless, the Proposal, if finalized, will diminish the capacity of banks in this size range to serve their customers.

We believe that banks in this asset range serve an important role in supporting the growth and prosperity of businesses in Georgia. Therefore, we request that the Proposal be abandoned to avoid harming this vital segment of our state's economic ecosystem.

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Georgia is consistently ranked as the number one state in which to do business[2]. This success is the byproduct of focused efforts to make Georgia an attractive state for businesses, which efforts include the Georgia General Assembly's efforts to pass laws that balance the benefits of economic growth with other relevant factors to promote a safe and prosperous environment for Georgians, a pragmatic regulatory regime, appropriate support for major engines for economic growth such as the metro Atlanta area served by Hartsfield-Jackson Airport and the ports in Savannah and Brunswick, and the promotion of more rural areas as attractive and affordable areas for businesses from all over the world to locate or expand their U.S. operations.

GBA's mission is focused on supporting Georgia banks so that those banks can support the variety of businesses that drive our state's economy. The proposed rule, as applied across the industry, will reduce the ability of Georgia banks to provide such support.

Respectfully submitted,

[redacted]

Joe Brannen
President and Chief Executive Officer

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[2] *See* https://www.georgia.org/competitive-advantages/pro-business-environment