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October 29, 2018

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

Re: Small Bank Holding Company and Savings and Loan Holding Company Policy Statement and Related Regulations; Changes to Reporting Requirements (Docket No. R-1619 and RIN 7100 AF 13)

Dear Ms. Misback:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to comment on the interim final rule issued by the Federal Reserve that raises the asset size threshold for determining applicability of the Board's Small Bank Holding Company and Savings and Loan Holding Company Policy Statement (Regulation Y, appendix C) (Policy Statement) to \$3 billion from \$1 billion of total consolidated assets.

As a result of ICBA's advocacy, on May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Regulatory Relief Act") was enacted. Section 207 of the Regulatory Relief Act directs the Board to revise the Policy Statement to raise the consolidated assets threshold from \$1 billion to \$3 billion within 180 days of the enactment of the Regulatory Relief Act. The Board last raised the asset limit in 2015 when it increased it from \$500 million to \$1 billion. The final rule applies to small savings and loan holding companies to the same extent as the small bank holding companies, by operation of Federal Reserve Regulation LL.

¹ The Independent 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.

ICBA's Comments

ICBA commends the Board for issuing an interim final rule revising the Policy Statement and making conforming revisions to Regulation Q and Regulation Y to apply the statutorily mandated threshold of \$3 billion to qualifying holding companies consistent with the Regulatory Relief Act. We agree with the Federal Reserve that without such action, qualifying holding companies that cross the \$1 billion threshold during the pendency of the proposal would be required to incur unnecessary costs to implement regulatory capital and financial reporting systems that would cease to be necessary upon issuance of the final rule. We believe it was appropriate for the Board to allow holding companies with total consolidated assets of \$1 billion or more but less than \$3 billion to immediately become subject to the rule to reduce regulatory and reporting requirements.

Currently, the Policy Statement applies to bank holding companies with *pro forma* consolidated assets of less than \$1 billion that: (i) are not engaged in significant nonbanking activities either directly or through a nonbank subsidiary; (ii) do not conduct significant off-balance sheet activities (including securitization and asset management or administration) either directly or through a nonbank subsidiary; and (iii) do not have a material amount of debt or equity securities outstanding (other than trust preferred securities) that are registered with the Securities and Exchange Commission (the foregoing hereafter referred to as “qualitative requirements”).

The Policy Statement provides that small bank holding companies that meet the qualitative requirements may have a debt-to-equity ratio of up to 3:1 provided that the holding company (1) reduces its debt such that all debt is retired within 25 years of the debt being incurred; (2) reduces its debt-to-equity ratio to .30:1 or less within 12 years of the debt being incurred; (3) ensures that each of its subsidiary insured depository institutions is well capitalized; and (4) refrains from paying dividends until such time as it reduces its debt-to-equity ratio to 1.0:1 or less. The Policy Statement also provides that a qualifying small holding company may not use the expedited applications procedures or obtain a waiver of the stock redemption filing requirements applicable to bank holding companies under Regulation Y unless the bank holding company has a *pro forma* debt-to-equity ratio of 1.0:1 or less.

A number of reporting, filing, and other provisions in Regulation Y are triggered by the consolidated asset threshold established by the Policy Statement. In connection with revising the threshold under the Policy Statement, the Board is making technical and conforming amendments to these provisions to provide that qualifying small holding companies may take advantage of the streamlined informational, notice, and other requirements embodied in these rules. ICBA commends the Federal Reserve for making these technical and conforming amendments which will provide needed regulatory burden relief to most holding companies with less than \$3 billion of consolidated total assets.

In particular, ICBA commends the Board for aligning the requirements for using the small holding company call report (i.e., the FR Y-9SP) with the changes to the Policy Statement.

These changes should be consistent with the final rule changes to the Policy Statement and will substantially reduce regulatory reporting burden for these small institutions. Since most bank holding companies and savings and loan holding companies with less than \$3 billion in total consolidated assets have limited activities outside of their subsidiary banks, relying on the summary parent-only financials from the FR Y-9SP and detailed depository institution financials from the subsidiary bank call report should be sufficient for supervisory purposes.

Conclusion

We commend the Federal Reserve for issuing an interim final rule revising the Policy Statement and making conforming revisions to other regulations to apply the statutorily mandated threshold of \$3 billion to qualifying holding companies consistent with the Regulatory Relief Act. We also commend the Federal Reserve for making conforming regulatory changes so that these holding companies can use the small bank holding company call report on the FR Y-9SP.

ICBA appreciates the opportunity to comment on the interim final rule concerning the Small Bank Holding Company and Savings and Loan Holding Company Policy Statement. If you have any questions or would like additional information, please do not hesitate to contact me by email at Chris.Cole@icba.org.

Sincerely,
/s/ Christopher Cole

Christopher Cole
Executive Vice President and Senior Regulatory Counsel