Second EGRPRA Public Outreach Meeting Transcript March 6, 2025

Virtual Host (Brian Sullivan)

Hello everybody and welcome to today's presentation. On behalf of the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of Currency (OCC), and the Board of Governors of the Federal Reserve System (FRB), welcome to the second in a series of outreach meetings to hear from you, the public, regarding the agency's regulatory review required by Economic Growth and Regulatory Paperwork Reduction Act of 1996, also known as EGRPRA. Today's meeting will focus on the public's input on six categories of rules and regulations: Consumer protection, applications and reporting, powers and activities, international operations, directors, officers and employees, and finally money laundering.

Please note that this meeting is being recorded and will be publicly available on the Federal Financial Institution Examination Council or FFIEC website. For the audience listening and viewing today's meeting, your microphones are muted, and the camera and chat functions are disabled. Real-time translation or captioning services can be found in the lower right-hand corner of your screen. You will see the three dots in a corner and once you click on that, it will reveal a multimedia function, just click on that, and that will engage captioning. With that, I will turn the Public Outreach Meeting over to the FDIC's Acting Chairman, Travis Hill.

Acting Chairman Travis Hill

Hello everyone. It is my pleasure to welcome you here today on behalf of the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System and the Office of the Comptroller of Currency, as part of our efforts to reevaluate all our regulations pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996 also known as EGRPRA. Today's meeting is part of the comprehensive review to identify outdated, unnecessarily or unduly burdensome regulations imposed on insured depository institution. This review provides an opportunity for the agencies, and the public to work together to examine regulations, evaluate the cumulative effects from groups of related regulations and identify areas for burden reduction. This is the second outreach meeting the agencies are holding to hear from the public on opportunities to revise the regulations as part of this review. I encourage everyone on this call, including those not speaking today, to continue participating in these outreach meetings, and to continue submitting written comments as part of this process. We are especially cognizant that a one-size-fits-all approach does not work, and we must ensure our regulatory approach is well tailored for a diverse banking system with banks of many different sizes and business models.

While today's meeting is part of a joint agency effort to fulfill a statutorily required review of the regulations on insured depository institutions, I also expect the FDIC to comprehensively evaluate our rules, guidance and manuals outside of today's process, to see where there are additional opportunities to improve our regulatory approach, some of that work is already underway. Our objective in conducting these reviews should be to establish a regulatory framework that fosters economic growth while continuing to ensure the banks operate in a safe and sound manner. Today, the three federal banking agencies have joined together to gather public feedback on six categories of banking regulations. On behalf of the FDIC, we have Luke Brown, Associate Director for Supervisory Policy, and Tom Lyons, Associate Director for Risk Management Policy. From the Federal Reserve Board, we have Arthur Lindo, Deputy Director for Policy Planning and from the OCC we have Grovetta Gardineer, Senior Deputy

Comptroller for Bank Supervision Policy. Your role and participation in this review process are very important and we look forward to hearing the comments being shared today. Thank you again to everyone for participating in this process.

Virtual Host

Mr. Chairman, thank you. We ask that each commenter to make sure that when it is your turn to speak, you will be introduced and just to make sure that your camera and microphone is turned on. Commentors will have up to ten minutes to offer their remarks and as a help to you, and out of deference to our other speakers, a timer will appear on the screen to help you count down.

Our first panel of the day will focus on rules and regulations related to consumer protection. Following a short break, our second panel, we will hear from commenters interested in those five other categories of rules that were mentioned earlier.
And as we get ready to get underway let me first turn things over quickly to Luke Brown at the FDIC.

Luke Brown

Thank you, Brian and thank you Chairman Hill. Good afternoon or good morning depending on where you are. As Chairman Hill mentioned, I am Luke Brown from the FDIC. I welcome everyone here today to this virtual public meeting hosted by the FDIC. Our goal is to conduct a review of our regulations to identify outdated or otherwise unnecessary regulatory requirements imposed on financial institutions pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996. All of us at the three federal banking agencies are looking forward to hearing your suggestions and concerns as we continue our series of public outreach efforts. I will now pass the baton off to Brian to get us started. Thank you.

Virtual Host

Thanks Luke. I will introduce each of our speakers by name as well as the commenter next on deck to speak as a help, okay. So, with that, let me begin with Jeff Jacobson with Newmarket Bank. Jeff will be followed by Len Suzio with Geo Data Vision, LLC. Jeff if you can make sure your camera and microphone is on, the floor is yours.

Jeff Jacobson

I appreciate the opportunity to respond to the agencies regarding the EGRPRA process. My name is Jeff Jacobson. I am the Compliance and CRA Officer for Newmarket Bank. To provide a little background and perspective, Newmarket Bank is a family-owned bank serving the Southwest Twin Cities metropolitan area of Scott and Dakota counties of Minnesota. The communities we serve are on the fringe of the metropolitan area where the city meets the farm fields. One way that Newmarket Bank serves our community is providing employment opportunities to 45 team members. We have just under $187 million in assets as of February 28. And we are a state-chartered member, so FDIC is our primary regulator. As a second-generation community banker, I had the privilege of serving our communities as a teller, retail banker, consumer, commercial mortgage lender, and serving community banking roles and loan operations, mortgage servicing, and information technology, compliance, CRA and BSA. I have over 25 years of experience as a Compliance Officer with a strong focus in mortgage lending and servicing related regulation. With that said, there are several comments I would like to make to the agencies.

The first topic is regarding the EGRPRA process itself. The enrollment and communication process that we received is not conducive and or inviting for banks to participate. The following timelines that I can

share relate to this meeting. On December 3, of 2024, the FDIC emailed the third notice requesting comments and included in that was registration or requesting to speak today. On February 19 of 2025, at 3:26 pm we received an email notice from the FDIC, asking us to confirm that we still wanted to speak and required us to reply to the email within 24 hours in order to reserve our spot or to reaffirm that we still wanted to speak. Having only 24 hours to respond after the agency has had 78 days to get to that point is unacceptable and it demonstrates a practice that the agencies are going through this process with a rubberstamp instead of fairly and considerably asking for honest and productive feedback.

Again, we did not receive notice via email until February 28, last Friday, that we would have an opportunity, definitively to speak today and that we would have ten minutes, leaving again only four business days to formulate our plan to discuss this is unacceptable time. We ask that there be a more thought-out process for future meetings so that we can have more time to prepare appropriately. In regard to consumer regulations, I would like to talk about some—

Luke Brown

Mr. Jacobson, if I could just jump in for one second and I will add time at the end of your time if necessary. Thank you for raising that with us and that is really unfortunate, and I apologize on behalf of the FDIC. Certainly, there are other opportunities as we go forward. Actually, we are going to have some public meetings in person, so there are further opportunities. We will be happy to see anything in writing from you as well. That was really not intended as we had this process we really wanted to encourage as many panelists as possible, and to hear from as many people as possible. But we hear what you are saying in terms of the timeline, and so we will do better in the future but thank you for letting us know because we truly do want to get feedback and hear what we can do to reduce burden. Thank you. You are on mute, and I also want to apologize for interrupting you, but I also just want to make it clear that we do take this seriously. You still appear to be on mute unfortunately. I can't hear you, can anybody else hear you, Mr. Jacobson? We can't hear you.

Virtual Host

Mr. Jacobson, I do believe I hear you.

Jeff Jacobson

Would you like for me to continue talking?

Virtual Host

Please.

Jeff Jacobson

Next topic I would like to discuss is the HMDA filing platform inefficiencies. The submission process for filing our 2024 home mortgage disclosure act LAR changed this year. Instead of being able to use our existing login credentials and submitting our LAR through a third-party vendor, we were required this year to use our login.gov credentials which we already have, and we had to submit the LAR directly through the HMDA filing platform. In the spirit of embracing change, I logged into my login.gov account on January 7, I ensured that I have had access to the HMDA filing platform, I ensured that my account access was affiliated with Newmarket Bank, and I ensured that I had access directly to the 2024 filing platform.

After finalizing our HMDA LAR data, I then attempted to log back into the HMDA filing platform on February 13th with intentions of submitting our LAR. Unfortunately, at, that time my account was no longer affiliated with Newmarket Bank. I then immediately followed the processes on the screen to get that re-affiliated. The HMDA filing platform, only source of help is an email address. There is no phone number to call or contact for help when these types of situations arise. Over the next two weeks, I repeatedly responded and requested help from the HMDA filing platform and it was not until February the 27th, that I finally received the help that we needed. While I understand the agencies present aren't the CFPB, and directly involved with this process, I do ask you, however, as agencies requiring us to file our LARS to the CFPB, that you have a higher expectation for customer service and excellence. If our only means for responding to customer concerns or complaints were an email address, we would be deemed as sub-par when it comes to our complaint management process. I ask the agencies to hold themselves to the same standards that you hold your member banks.

Lastly, I would like to talk about the FDIC's regulatory compliance exam portal. In 2024, we had a regulatory compliance exam, and we utilized the new platform at that time for both the pre-exam questionnaire process for scoping of our exam and for completing our compliance information and document request also known as CIDR. In the past, we neatly organized all of the data that we needed to submit to the FDIC for our compliance exams. In a network folder, we would identify any files that needed to be submitted directly to the questions, we labeled them by the question number or letter and once we were done assembling all of our data, we simply uploaded one data file with many sub files and folders in it to the exam team. Unfortunately, the newly developed web portal required us to item-by-item upload as we were going through the questionnaire and/or CIDR. This drastically slowed us down and added onto our time to complete the exam process.

In addition, during the exam, when the examiners would ask for additional information or documents to be submitted based on their review and we gladly responded timely and uploaded them through the new web portal. Unfortunately, the examiners, the field examiners, did not have a way to receive any type of communication from the platform that the information was uploaded. We then, in order to be able to communicate to them, would have to send a separate email, or phone call and let them know that the information was available.

We are asking that the agencies, if you are spending millions of dollars to develop new technologies, we would ask that you think of these efficiencies, understand how they may have a negative impact on the banks that you represent and that may take us more time and in today's reality, time is money. In conclusion, Newmarket Bank request that the agencies carefully consider our comments and address our concerns. As a community banker, we pride ourselves in serving the needs of our communities, which includes embracing and following regulatory requirements. Redirecting our resources to meet the over burdensome and duplicative and contradictory regulatory requirements diverts us from fully meeting the community needs. We appreciate the opportunity to participate and to be involved in this oral discussion today and we intend to provide written comments. Thank you.

Luke Brown

Thank you, Mr. Jacobson, much appreciated and that's why we are here to step out of the Washington bubble and to hear your thoughts and feedback. I just want to say on the HMDA LAR, the agencies are aware that they have some technical challenges that institutions have experienced, particularly as they have been trying to meet the filing deadline. We are having discussions about that but thank you for

emphasizing that through this conversation directly. We also hear you about the pre-exam process at the FDIC. I will absolutely take that back and make sure that I share that feedback, and we will take appropriate action but thank you very much for your feedback and for joining us as part of this conversation. Brian?

Virtual Host

Alright, our next commenter is Len Suzio, President of Geo Data Vision, LLC, who will be followed by Adebola Daramola with the University of Maryland, Baltimore County. Mr. Suzio, if you could make sure that your camera and microphone are on, you can begin at your convenience.

Len Suzio

Thank you for the opportunity to speak today. I have worked as a regulatory compliance consultant since 1994 regarding the community reinvestment act and fair lending issues. Specifically, today I wish to comment about the following five topics. First, the use of terms that are critical in regulatory enforcement but are not defined in any law or regulation. Second, certain changing and ambiguous terms used in the regulations that need to be clarified. Third, seriously flawed assessment area of delineation rules in the 2023 CRA rule that radically distort and undermine the performance ratings produced in the 2023 CRA rule. Forth, the failure to require a clear disclosure by examiners of the data they are using for statistical analysis and fifth, the use of a proprietary data source that effectively provides a monopoly on certain critical data used in regulatory enforcement.

First, regarding the use of undefined but critical regulatory terms and concepts, there are several good examples of what I'm talking about. The most glaring example is the term REMA or reasonably expected market area. The term is not defined nor even mentioned in law nor any regulations. But in the last four years, it has been the foundation of one of the hottest topics in regulatory compliance. Redlining. Every single redlining case since 2021 has used the REMA concept. This is because the basis of allegations of redlining has shifted from evidence of intent to discriminate, to statistical analysis. The significance of this issue cannot be overstated because the basis for redlining accusation using statistical analysis is predicated on the market circumscribed by the REMA. Who are the bank's peers? What are the peer groups penetration rate in the minority tracks? What are the demographics of the community? The answer to these questions can change dramatically based on how a market is defined or the REMA. Change the delineation of the REMA and you change not only a lenders minority tracks penetration rate, but you also change the benchmarks that are used to determine if the lenders distribution of residential mortgages is statistically significant. Accordingly, how a REMA is determined is of the highest consequence for the validity of any statistical analysis and unreasonable REMA can produce unreliable and misleading statistical results. Now the term REMA does not appear in law or regulation as I have already said. It first appeared in the examiner manuals in 2009. It was not defined in the manual, but the examiners were given a list of factors to consider when determining a REMA for a bank. Those factors included a bank CRA assessment area but added things like geographic dispersion of a bank's loan applications, and a bank marketing campaigns. Regulators also ran periodic webinars to educate banks about the new REMA concept. Now fast-forward to October 2021, when the Attorney General announced the combating redlining initiative, shortly after that, the examiners started giving presentations to bankers announcing a radical new approach to defining a REMA. Henceforth, REMA would be nothing less than an entire MSA metropolitan division or a non-MSA area, relative factors such as the bank's size and resources, its branch system, the competition in the market and the magnitude of the market, no longer mattered. When I pointed out to examiners that mandating MSAs or metropolitan divisions as the smallest area of a REMA could be very unrealistic and potentially generate meaningless if not misleading statistical analysis, I was

told that is just the way it is.

One bank that I have described in detail in my written testimony had no minority tracks within their CRA assessment area. In other words, it wasn't even possible to redline inside the traditional market. The examination team found no evidence of redlining in their CRA performance report. Nevertheless, the agency's Washington office, in contradiction to the examiner's report, alleged that the bank was redlining. The basis for the Washington's allegation was that the banks REMA was double the size of its CRA assessment area and added the city far removed from the bank's closes branch. The examination team itself said in writing that the city was too far removed to be considered as a part of the reasonable market. Nevertheless, that was the basis for the Washington allegation. This conflict between examination team and Washington, demonstrates the confusion about how to determine an appropriate REMA and the confusion and disagreement cost the community bank hundreds of thousands of dollars as it defended itself against the redlining accusation. It is critically important to clearly define in regulations, what a REMA is. As long as the concept of REMA is undefined, ambiguous and subject to change without notice, it is a real and unfair burden to supervised institutions.

Secondly, I want to speak to the serious implications the CRA assessment area rules, under the new 2023 CRA rule. The two new types of assessments areas, the retail lending assessment areas and the outside retail lending area, and the rigid restrictions on the facility-based assessment areas for large banks are disastrous because they no longer allow CRA assessment areas to be based on an area that a bank can reasonably be expected to serve. Moreover, the tailored performance benchmarks are not tailored to reflect the competitive disadvantages being evaluated in markets that might be 1,000 or more miles removed from a bank's nearest branch. A consequence of the assessment area rules is a whopping increase in the expected CRA exam failure rate. The preamble to the 2023 CRA rule proves that with tables showing an increase in CRA exam failure rates of ten times the historical rate when applied to exams conducted between 2018 and 2020. Because the 2023 CRA assessment restrictions have such profound implications for the legitimacy of CRA performance ratings, the 2023 CRA rules should be revisited, rescinded and replaced with a more realistic rule. I provided more detail in my written testimony regarding these points I am making.

Another critical concept and fair lending and redlining is how majority minority tracks and variations thereof are defined. I have seen a situation in which the bank was told it wasn't lending enough in minority tracks in its market. After reviewing the data, we couldn't reconcile the data being used by examiners to our data. We finally told the bank to ask the examiners how they define the minority tracks. Only then, did we learned that the examiners dropped the Asian population from inclusion in minority tracks, but it wasn't voluntarily disclosed by examiners and caused a lot of confusion wasting a lot of time and money trying to figure out what was going on, exacerbated the lack of clarity regarding tracks minority status is confusing about majority Black tracks. The FFIEC website defines the Black population demographic as not including Black Hispanics. We asked FFIEC if the majority of Black tracks were based on the Black population in the FFIEC website and did not include Hispanic Blacks. We couldn't get a clear answer. Once again, the lack of clarity about critical concepts is an intolerable regulatory burden that can easily be addressed by the agencies.

Finally, I call your attention to the agency's use of the business demographics generated by Dun & Bradstreet. Essentially the regulators have given them monopoly on a proprietary data base. The 2023 CRA rule implicitly admits this and the agencies have promised to include the business demographics in the public data base beginning in 2026 but why wait until then, why not do that now and provide

immediate regulatory relief to supervised institutions? And I will add one more quick comment. The late release of the CRA aggregate and disclosure data in late December of the following year is a big handicap when the bank is trying to self-evaluate its performance of its CRA responsibilities. The CFPB releases HMDA data annually in May, but it takes the FFIEC until December to release the CRA data? That is a big handicap for a bank trying to evaluate how it is performing under its CRA responsibilities, and it can't possibly know what the market data is until 12 months later, it renders it almost meaningless and certainly difficult to be able for a bank to determine if it is meeting the CRA responsibilities.

Once again, I want to thank you for the opportunity to present these important issues to you regarding regulatory enforcement as a consultant for 30 plus years now on these matters, to primarily community banks. I can tell you that these are important issues that need to be addressed, and the good news is, I think they can mostly be addressed quickly and easily by the agencies. Thank you once again.

Luke Brown
Thank you, sir for joining us and we really appreciate your feedback and willing to share your thoughts.

Len Suzio
My pleasure.

Virtual Host
Our next commenter is scheduled to be Adebola Daramola with the University of Maryland Baltimore County followed by Harvey Weiss with Harvey and Susan Weiss, LLC and I'm looking at the participant list now and I don't see either of those commenters available to us. Mitch, are you able to take a look and advise me?

Mitch Miller
I have looked myself and I don't see them. I did enact the raise hand feature, so if in fact he is there under another name, he can raise his hand.

Virtual Host
Okay. We can pause for just one moment. Also scheduled to speak a little bit later but if he is available, we could also go to Mr. Peter Nguyen.

Mitch Miller
Again, I don't see that our next three participants are in the attendee list. But again, if I am mistaken, Mr. Daramola, Mr. Weiss, or Mr. Nguyen, if you are there, please raise the hand feature.

Virtual Host
Those gentlemen were scheduled to speak and to offer comments in our first panel that focuses on consumer protection. I will defer to our panelist as to whether we want to take our break and allow for our other commenters to join on those other regulatory matters.

Luke Brown
The question is, do we need to take a break or maybe we should continue? But I would also suggest to the extent that one of those participants joins late, we allow them to give us their feedback later in the call whenever appropriate.

Virtual Host
Okay. At this juncture, I don't know if any of our panelist scheduled or rather any of our commenters scheduled for our second panel are yet online. And if that is the case, that might be argue for us to take an early very quick break. I do see one of our panelists from one of our commenters for our second panelist. So, without objection, perhaps we should take that short break now or do you argue to go straight into our second panel? I defer to…

Luke Brown
I would suggest that we continue, I'm not sure if others feel strongly one way or another. Tom, Art?

Arthur Lindo
Luke, I'm fine moving on if we have the next panel ready or panelist dialing in. I do think we should use the entire time allotted though so if somebody joins a little late, we don't mind.

Grovetta Gardineer
I agree with that.

Virtual Host
Yes, absolutely. If we can proceed, I do note that Anita Drentlaw is with us, and she was to scheduled offer comments in our second panel. I know that Tom Lyons with the FDIC was going to sit in on that panel. So, I would introduce Tom now. Tom, thank you for joining today. I don't know if you want to say quick hello to the assembled audience.

Tom Lyons
Hello everybody welcome. I'm Tom Lyons, Associate Director in our Division of Risk Management Supervision here at the FDIC. I have been listening to the comments so far and look forward to hearing additional comments that we receive from you. Back to you Brian.

Virtual Host
Okay very good, well Anita, I am sorry to through you a curve ball here if you would agree we will make you our next commenter. Anita Drentlaw with Newmarket Bank and I guess we will just take it from there. Anita if you are able to turn on your camera and make sure your microphone is unmuted, the floor is yours.

Anita Drentlaw
Great thank you. Can everyone hear me, okay?

Virtual Host
Yes, we can.

Anita Drentlaw
My name is Anita Drentlaw, I am the President, CEO, and CFO of Newmarket Bank so you get to hear from two of us from the same bank today. I will not go through everything that Jeff mentioned already but we are on average about $185 million in assets and again located in the South Metro Twin Cities area

of Minneapolis Saint Paul in Minnesota. We are almost 120 years old this year we will be celebrating that, and I am actually the fourth generation, banker in my family to have the honor of running our community bank. I also see some familiar faces on the call because I was also honored to be able to serve on the Community Bank Advisory Council for a few years. Still hopeful that maybe that gets reinstated at some point. Our primary area of focus is small business lending, and we also do a lot of secondary mortgage lending. I appreciate the opportunity to be able to speak to you today. I think that the EGRPRA process is extremely important it allows us to really share our thoughts on the burdens of regulations that we comply with. Hopefully, we can share experiences and assist you in helping to eliminate or enhance the rules that gives relief on outdated and unnecessary or overly burdensome regulations.

I understand a lot of regulations are often dictated by statute, but I encourage where there is ability to interpret or apply the regulation and in a different way, that minimizes the burdens to community bankers. It is very important because we are able then to spend more time with our customers. The first area that I would like to be able to focus on is BSA.

Within the BSA realm, beneficial ownership has become something that has in the news obviously, lately, with the requirement having originally been passed on to our business owners to be able to file their beneficial ownership information directly with FinCen, starting last year. Obviously, that was put on hold but now looks to be reinstated again with some ability for the businesses to have a little bit longer of a time period to be able to file as well as fewer penalties if they choose not to. I do hope though that with some of these requirements for businesses to file their own beneficial ownership information that there is some relief that is given to community banks or banks in general. We are already required to obviously verify and collect information on all signers per the CIP rules and the beneficial ownership rule we also have to do that to verify all owners that are at least 25% owners of the business which sometimes can be significantly hard to do since they are not always on the account.

Not only do we have to collect that information which isn't, that is one piece that is a burden but also having to re-certify each time a business establishes a new account or products, has become extremely burdensome to us and to our customers. For example, we have had loan customers who come in one week later to open another loan or get a deposit account we are having to certify that nothing is changed within one week. Customers don't really understand why we are asking them for that information especially being a community bank, we know our customers and so it seems to them like an extra step so that they don't get why we have to do it. So, it is also a burden on our team to have to remember to do that every single time plus monitoring as well so that we ensure that we are not missing anything, so that we are compliant during our exams. So, I guess the request for that would be to really look at what the requirements were for banks for beneficial ownership, and either reduce our standards of having to maybe look at it only once a year and recertify on a less regular basis or have us be able to get the information in from FinCen so we don't have to do that piece at all.

Second area of BSA is the currency transaction reporting area. I just saw that a legislation may have been introduced in these area as well as SARs through house file 17, or House resolution 1799, just recently but I would like to still speak to this. I think outdated filing thresholds particularly for these rules, CTR filings were set almost 55 years ago in 1970. In the last 14 months, we as a small bank, $185 million, have filed 208 CTRs, 201 of which were under $30,000, 109 of those under 30,000 were for tax exempt charitable organizations that do charitable gambling, and they are not allowed to be exempted. Another 26 were businesses that file tax returns as well but they don't have enough instances that we can actually exempt them during the year. The threshold clearly hasn't kept up with inflation and I think causes a lot of

over filing reports, which really dilutes their importance. My request would be to really look at increasing the threshold to $30,000 and/or allow an exemption of charitable gambling 501(c) tax-exempt organizations since they really aren't giving a lot of necessary information to law enforcement.

Third area is suspicious activity reports. Again, the threshold was set over 30 years ago at $5,000. The last 14 months, our bank has filed 20 non-marijuana related business SARs, ten of which were under the threshold of $5000. Unfortunately, we have been criticized in the past for not filing SARS even if they are under the filing threshold during our exams. So that has really caused us to defensively file a lot more than the regulation really requires. At times, I think in the history that I have been at the bank, over 20 years, I maybe have received one inquiry that I can maybe tieback to a SAR. So, I think that sometimes bankers feel like they are going into a blackhole and not having the feedback that they are really being helpful to law enforcement.

The request would be to really look at that threshold and to adjust it to a $10,000 or $20,000 threshold and really encouraging field examiners to understand that if we don't file because they are under a filing threshold that is okay. Otherwise, I guess eliminating any threshold would be more beneficial because having one tends to make you think that you are okay if you don't file it, if you're underneath the threshold but then getting feedback, that's not always, what we feel like is the case in the field. And then I think having some sort of notification from law enforcement that the information was used in an investigation, would be helpful so some banks understand that they are really an actual part of the law enforcement that they are following through on it.

One other part not related to BSA but more under reporting is called report simplification. I know that in 2019, a short form was made, FFIEC 051 for smaller community banks and although there was a 37% reduction in fields, unfortunately many weren't really completed by community banks anyways. Right now, it takes three of our team members out of 45 total team members about 35 hours to complete each quarter. It would be nice if highly rated and well-capitalized banks could file a much-reduced short form for the first and third quarters which would only include an income statement, balance sheet and statement of change in equity. But then for the second and fourth quarter having a more streamlined version of the FFIEC 051 report would also be helpful.

I really appreciate again the opportunity to be able to speak to you about these suggestions. And I am always willing to be a resource if anybody ever has questions in the future. Thank you.

Tom Lyons
Thank you, Ms. Drentlaw.

Virtual Host
Okay our next commenter will be Joshua Smith with the Bank Policy Institute. Since we are a little out of order, our next speaker our next commenter will be Stephanie Webster with Institute of International Bankers. And so, for Joshua if you can make sure that your camera is on and your microphone unmuted, the floor is yours, sir.

Joshua Smith
Hello, can you all hear me?

Virtual Host

We can, yes.

Joshua Smith

Good afternoon and thank you for the opportunity to speak today. I am Joshua Smith, Vice President and Assistant General Counsel at the Bank Policy Institute. BPI represents universal, regional and major foreign banks operating in the United States. I want to thank the agencies for hosting other public outreach session on their EGRPRA review. We really appreciate it. BPI has emphasized in its letters and in the public outreach session last September, that the overall compliance burden on banks continues to grow, at what we think is an unsustainable rate. At the last session, I noted that BPI survey revealed that since 2016 the time spent on compliance which we included both regulatory and supervisory obligations by our member bank's management and boards had increased by 75% and 63%, respectively, from 2016 to 2023. That means basically today our member banks senior leadership spends nearly half its time, 42% for the CEO suite level, and 44% for the Directors level on compliance rather than on addressing what should be the primary concern, which is addressing material financial risk. The survey specifically kind of carved that out versus on matters that management was doing in response to some supervisory direction or regulatory direction. And so, it is critical to note that it is driven by not just regulation but supervisory overreach. Examiners frequently impose interpretations that go beyond the original rules, which causes banks to divert time, resources and personnel from more critical matters. We believe the current misallocation actually weakens risk management instead of strengthening them. At the last outreach session, I highlighted some of the key technical changes BPI seeks to regulations under review. Today, I want to share with you some of the recommendations that are forthcoming in EGRPRA comment in response of the agency's review of safety and soundness for regulations, our forthcoming letter and long-standing BPI advocacy priorities that we believe would help right size the agencies approach to supervision.

For example, we argue that examiners should not use supervisory examinations and communications as a way to create new requirements, not currently reflected in existing laws and regulations. This is something that we have heard from multiple banks, is a true issue and a major driver of the increased time that banks are spending on compliance matters. The agency should eliminate the "M" component of the current camels rating system. Our views of the "M" rating is entirely subject and not tied to empirical standards or financial metrics and is also superfluous as management considerations are already embedded in the other CAMELS components. The agencies should also be mindful of the risk associated with horizontal supervision. We found at times that the examiners might impose a best practice across different banks without considering each banks unique circumstance. We strongly emphasize that examiners should avoid one-size-fits-all mandates. Bank specific conditions should be considered to prevent regulatory monocultures that will stifle innovation. Additionally, the agency should rescind all guidance establishing non-statutory penalties for examination criticisms and should revert to using congressionally enacted sanctions like cease and orders and capital directives. And sanctions should be based on clear legal authority and not examiner discretion. The agencies should also revise semi-annual reports to clearly explain regulatory activities, decisions and areas of concern. More transparency will increase trust and ensure effective oversight, and you know we know our members want to be able to look at those to get a sense of different supervisory trends that they can stay ahead of.

Finally, all exam findings and ratings should be appealable to a neutral fact finder and judge. We really strongly emphasize that the agencies need to revise and adopt, bona fide due process rights and enforce actions to address at times, extreme unfairness in agency proceedings. I also want to reiterate the need to

include additional agencies in EGRPRA review process to ensure that this review captures the actual compliance burdens on banks. Regulations from Consumer Financial Protection Bureau and the Financial Crimes Enforcement Network significantly affect banking compliance but are not part of this review. We believe that these other relevant agencies should voluntarily participate as the National Credit Union Administration has done.

Our previous letters outlined many specific regulatory changes that we suggest under the categories of review for the first six and the forthcoming three, but we wanted to take this time just to stress that supervisory and examination reform is equally critical. The agencies should address the cumulative burden imposed by evolving supervisory practices and not just the regulations from which they stem. Thank you for your time. We really appreciate all the outreach the agencies are doing, and I'm available for any follow-up at Joshua.smith@BPI.com. Thank you again.

Arthur Lindo

Thank you, Joshua.

Virtual Host

Our next commenter will be Stephanie Webster with the Institute of International bankers followed by David Schroeder with the Community Bankers Association of Illinois. Stephanie, if you can make sure your video is on, and microphone unmuted, you may begin at your convenience.

Stephanie Webster

Thank you and good afternoon, everyone. I'm Stephanie Webster, the General Counsel of Institute of International Bankers. The IIB represents internationally headquartered financial institutions operating in the United States. Our members are important participants in the US financial system injecting billions of dollars each year into state and local economies across the country through direct employment, capital expenditures, foreign, direct investment, among many other contributions. So, given their significance to the U.S. economy, and the cross-border nature of their activities, our members bring an important perspective as you consider how to improve the effectiveness and efficiency of the regulatory requirements related to anti-money laundering and suspicious activity report rules. Thank you for the opportunity to speak to you today.

Since time does not permit me to cover all the ways this regime could be improved, I would like to highlight several key areas that are of unique interest to our members that would enhance the effectiveness of their AML and CFT programs while also reducing unnecessary burdens and promoting opportunities for innovation. So, each institution faces unique risks and operates under different circumstances. This is particularly true for financial institutions operating on a global scale that are internationally headquartered, such as IIB members. Given the dynamic nature of financial crimes, it is imperative to emphasize the need for financial institutions to have the flexibility to establish and maintain effective, risk-based and reasonably designed AML/CFT programs. This allows institutions to tailor their efforts according to the specific risk they face rather than adhering to a one-size-fits-all model.

With a true risk-based approach, institutions could allocate resources more efficiently, focusing on higher risk areas, while maintaining, you know, minimum controls on lower risk areas. While this is a general comment, there are two areas where it is particularly important to apply this principle.

For many internationally headquartered financial institutions, AML/CFT risk management processes,

operational processes and control functions involved and depend on staff functions outside of the United States. Coordination, information sharing, and centralized efficient processes involving non-US resources are critical for these institutions to ensure regulatory compliance and supervisory expectations and avoid sort of a siloed approach that would diminish their ability to manage and mitigate financial crimes risk on an enterprise-wide basis. We recognize the duty to establish, maintain and enforce AML programs should remain the responsibility of persons in the United States. However, this does not mean in our opinion, that all of those functions must be conducted within the United States. We would like to see our institutions have the flexibility to leverage global resources and expertise while ensuring that oversight and accountability are maintained within the US. This will benefit the efficiencies of global operations while meeting U.S. regulatory requirements. And so, we would urge the agencies as they are working through any changes to this regime, to work with FinCen to confirm an interpretation of the duty prescribed in Section 6101(b)(2)(c) of the AML Act that aligns with this reality and allows them to have a flexibility to leverage global resources.

Another area of potential improvement is the current SARs regime, and I know some of the other speakers have already addressed this, but these rules are obviously essential for identifying and reporting suspicious activities, but they also include significant operational burdens on financial institutions. The IIB suggests several amendments to modernize these rules. The first relates to SAR confidentiality. Current rules do not permit the sharing of SARs or information that would reveal the existence of a SAR within a non- U.S. affiliate. This restriction creates unnecessary operational burdens, particularly for financial institutions that operate globally. Allowing SAR sharing with non-US affiliates under appropriate safeguards would enhance their ability to detect and mitigate financial crime risk. A key aspect of facilitating the identification of suspicious activity and thus managing financial crime risk effectively is the ability to share SARs within an institutions organizational structure. Incorporating information as to the existence of the SAR and the suspicious activity at issue in a financial institution system, facilitates risk mitigation allowing firms to more quickly, efficiently and comprehensively form a view as to the risk presented by customer and investigate that potential suspicious activity. Where SAR confidentiality rules prevent non-US affiliates from seeing SARs or information that would reveal their existence, the non-US teams that are responsible for transaction monitoring a suspicious activity detection processes are unable to incorporate SAR data points into the work, which may cause them to miss important red flags. For this reason, greater flexibility to share SAR's, or at least information that would reveal a SARs existence with non-US affiliates would significantly enhance their ability to detect, report on new threats and risk arising globally and to manage risk comprehensively.

Now, we recognize that there are concerns with sharing SARs outside the United States. But those concerns can be effectively managed with appropriate safeguards. For nearly two decades, financial institutions have been able to share SARs with head offices or controlling entities located outside the United States or even jurisdictions that may be considered to pose high risk. This sharing is subject to written confidentiality agreements, arrangements in place to protect SAR confidentiality through appropriate internal controls. In line with this long-established approach for head offices and controlling entities, the IIB suggests that extending similar SAR sharing permissions to other non-US affiliates under similar controls would be reasonable and warranted and would help financial institutions to implement more effective controls and perhaps bolster the effectiveness of the regime, as a whole.

Some of the other speakers mentioned other areas of SAR regime that could benefit from review including continuing activity SARs which often duplicate efforts without adding significant value, documentation of no SAR decisions, increasing SAR filing thresholds to reflect inflation and reduced

unnecessary filings, and examining areas where the agencies SAR rules do not align with FinCen SAR rules.

Finally, I would like to emphasize the need for consistent regulatory and supervisory expectations. This includes providing clear guidance on how supervisors will interpret AML/ CFT program rules and ensuring examiners are well-trained to understand the nature of the institutions they are examining. This is particularly important for internationally headquartered financial institutions that have unique and varied structures as compared to their US counterparts.

We also just want the agencies to consider reviewing, updating examiner handbooks. Any changes to the handbooks, we would hope would include input from the industry before and after putting pen to paper. But we believe it is essential to engage with industry stakeholders so that the actual results will be aligned with the realities of the financial industry.

Ultimately, the goal is to promote effective AML/CFP programs that enable financial institutions to focus on higher-risk areas and provide valuable information to law enforcement. The recommendations that I've mentioned today, along with those that are in the IIB's comment letters, including modernizing the SAR rules, avoiding a one-size-fits-all approach, addressing redundant regulations, those will not only reduce unnecessary burdens on financial institutions but also create a regulatory environment that supports both compliance and innovation, ultimately contributing to a safer and more secure financial system. So, thank you for your attention, and your commitment to this important issue.

Arthur Lindo
Thank you, Stephanie.

Tom Lyons
Thank you.

Virtual Host
Our next commenter is David Schroeder with the Community Bankers Association of Illinois. And, following David, we will take stock of who else is in attendance among our pre- registered commenters. David, if you could make sure your video is on, and your microphone unmuted. You can begin when you are ready.

David Schroeder
Thank you very much, good afternoon. My name is David Schroeder, I am the Senior Vice President and Head of Federal Government Relations with the Community Bankers Association of Illinois. CBAI is proud to represent over 250 Illinois community banks which are located throughout the state of Illinois. I appreciate the opportunity to speak to you today about regulations concerning applications and reporting, more specifically about applications concerning de novo banks, and also about applications concerning industrial loan companies, or ILC's, special purpose banking charters, including those seeking Federal Reserve master account and access to the nation's banking systems, which I will collectively refer to as non-banks.

Concerning de novo banks, newly chartered community banks are vitally important to maintaining a strong, growing, evolving, and vibrant banking profession. Tragically, new bank formation came to a screeching halt after the great financial crisis. From 2000 to 2009 there was an average of 132 de novos

per year. That number plummeted to six per year from 2010 to 2022. In 2022 there were 14 newly chartered banks, but that number shrank to 9 in 2023. The FDIC has periodically tried to get back on right track but the daunting regulatory approval process and unreasonable capital raising hurdles remain significant deterrents. CBAI strongly recommend that community banks should not have to prove that they are failure proof to be approved for FDIC insurance in a state or national banking charter. CBAI is not alone in our beliefs. We strongly associate ourselves with the comments of Federal Reserve Governor, Miki Bowman, who in February 2025, just last month, said the de novo formation has essentially stagnated. Governor Bowman continued, we should consider whether the application process itself has become an unnecessary implement to de novo formation. Further, a few steps like developing specialized regulatory expertise, streamlining the application process, and improving transparency, can yield significant improvements. Governor Bowman correctly concluded that we should also be comfortable with the uncertainty that accompanies any new business which includes the risk that some de novo's will not succeed. The cost of eliminating failure of de novo banks, she said, or really any bank at any time is simply too great. From CBAI's perspective and based on my own experience in helping organize two de novo banks, a constructive approach and a positive attitude by the regulators is vitally important to successfully chartering new banks. If the regulators want this to happen, it will, and if they don't, it most certainly will not. CBAI is greatly encouraged by the statement of Travis Hill upon his becoming acting chairman of FDIC regarding the matters that he expects the FDIC to focus on, including and I quote, “encouraging more de novo activity, so there's a healthy pipeline of new entrants in the banking sector”. CBAI is ready to assist the FDIC and the other banking regulators to make this focus a reality. Hand in hand with renewed de novo bank formation is the importance of maintaining a dual banking system which has served our nation well for more than 150 years. CBAI’s long-standing position is that community banks should be able to choose a state or federal banking charter that best fits their unique and or preferred business model. A banking system with multiagency federal regulators, FDIC, OCC and the Federal Reserve, together with chartered choice, avoids a concentration of regulatory authority through necessary checks and balances and the immense power of a regulator, as well as improved rulemaking is the benefit of each agency's expertise and experience is brought to bear on complex issues.

Turning now to industrial loan company charters, CBAI has consistently supported the long-standing American policy of prohibiting the mixing of banking and commerce, which ILCs represent. However, ILCs are permissible financial institutions. ILC's are nevertheless the functional equivalent of full-service banks and should properly be regulated. The risk posed by ILC's is a regulatory loophole that allows their holding companies, which must serve as a source of strength for the underlying ILCs to escape consolidated federal supervision and regulation. Completely closing this loophole will be an important safeguard for consumers, the financial system, our economy, and the Deposit Insurance Fund, and American taxpayers in times of economic stress. Closing the loophole is particularly important now with a large e-commerce, big data, social media, and financial technology companies are eyeing ILC charters as a way to enter the banking industry and enjoy its many benefits, without their holding companies being subject to consolidated federal supervision. These big commercial companies not only present significant safety and soundness concerns but also extend an ominous reach into individuals’ economic lives with personal, privacy and conflict of interest concerns. Policymakers should not allow the mixing of banking and commerce and closing the loophole will prevent harming the financial system and consumers.

And finally, special-purpose banking charters, at the state and national level, Federal Reserve master accounts, and access to the nations payment systems. Several State and Federal banking regulators appear to be interested in issuing special-purpose banking charters to a variety of non-banks and providing them with the access to the Federal Reserve master account and direct access to the nation's payment system.

CBAI's consistent position is that anyone who wants to act like a bank and enjoys its many benefits needs to be a bank. These non-bank charter applicants must sufficiently prove that they are fully able and completely prepared to comply with all banking laws and regulations, and they must be held to the same rigorous, safety and soundness standards, including supervision, regulation and enforcement that are currently being required of community banks and their bank holding companies. These non-banks cannot have all the advantages of being a bank and have access to a Fed master account in the payment system with limited regulatory requirements, responsibility, and liability. An unlevel playing field harms community banks, by hindering their ability to serve their customers and the communities and that is just not acceptable. Thank you very much for this opportunity to provide our observations and recommendations and we look forward to our continued engagement with all of you through the remainder of the EGRPRA process and beyond. Thank you again.

Grovetta Gardineer
Thank you, Mr. Schroeder.

Virtual Host
Mr. Schroeder, thank you. At this junction we had always imagined that we would take a short break. There are a number of commenters from our first panel, related to consumer protection, Mr. Adebola Daramola, Peter Nguyen, and Lori Walton with the Nielson Report. If you are among our attendees and are not in the participant room, we will give you just a moment and till we will sort this out. In the interim, perhaps without objection, we will take that very brief break, and I will defer to Tom to you or to any of the other panelists when we should we reconvene?

Tom Lyons
I think we are set for a ten-minute break. Does that work for you Arthur and Grovetta?

Arthur Lindo
That works.

Grovetta Gardineer
That's fine with me.

Virtual Host
How about a little bit slightly, longer than ten minutes so we will reconvene at 20 minutes past the hour. So, with that we will see you at 20 minutes past the hour.

Virtual Host
Welcome back to today's EGRPRA Public Outreach Meeting. Thank you all for attending today. We had a number of commenters who had arranged to speak in our first segment and on the off chance they may have logged into among all of our general attendees. I would invite those commenters: Adebola Daramola, Peter Nguyen, Lori Walton to raise your hands or raise the hand feature and we will wait for just one moment and see if anyone will join us.

Again, today's program invited individual commenters to register with the agencies in advance. They were notified that they would be among those speaking today. We had a number of commenters not present themselves. And if there are none in queue right now Mitch, among our general attendees ...

Mitch Miller

I don't see any Brian; nobody is raising their hands, and I don't see any of those that were previously selected.

Virtual Host

At this juncture, I want to invite Tom Lyons, Luke Brown with the FDIC or any of our other interagency partners to offer any final remarks they might have.

Tom Lyons

Sure, and thanks Brian. This is Tom Lyons, I want to thank you everybody, the participants today, and those that dialed in and especially to those that joined us and shared their remarks. We really do appreciate all the feedback. We take that all into consideration as we move forward, and we look forward to receiving all the written comments as well. So, I want to say thank you to everybody for spending some time with us today and sharing your perspectives.

Virtual Host

All right, and if you did not register to speak or did not get a chance to share all of your thoughts, we would encourage anybody really to submit written comments to EGRPRA, that is "EGRPRA.ffiec.gov" and even if you did speak and you would like to submit additional comments today in written form, you may also do that at the same website. So, this concludes the second in the series of EGRPRA public outreach meetings. Thank you everybody for joining us today and have a wonderful day. You may now disconnect.