

May 3, 2024

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, SW
Washington, DC 20429-9990

The Honorable Michael J. Hsu
Acting Comptroller of the Currency
Office of the Comptroller of the Currency
Constitution Center
400 Seventh Street, SW
Washington, DC 20219

RE: Comments on Docket ID OCC–2023–0016, Regarding Regulatory Publication and Review Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996

Submitted electronically via regulations.gov

Dear Chair Powell, Chair Gruenberg, and Acting Comptroller Hsu:

The American Bankers Association (ABA)¹ appreciates the opportunity to comment on regulatory burden through the statutory review provided under the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA).²

As required by EGRPRA, the federal banking agencies (Agencies) must review their regulations at least every ten years to identify outdated or otherwise unnecessary regulatory requirements imposed on insured depository institutions. During this review, the Agencies must provide notice and solicit public comment on categories of regulations under scrutiny, then conclude the review by authoring a report to Congress. This report must summarize the major regulatory burden issues raised, the merits of those issues, and whether those issues are best addressed via regulatory or legislative action.

¹ The American Bankers Association is the voice of the nation's \$23.7 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard \$18.8 trillion in deposits and extend \$12.5 trillion in loans.

² Pub. L. No. 104-208.

In both the first and second decennial EGRPRA review, ABA provided numerous detailed recommendations ripe for regulatory review.³ Unfortunately, very few of these recommendations were ultimately acted upon by the Agencies.

With this history in mind, ABA is choosing to focus on the bigger picture: removing unnecessary burdens is a worthwhile goal shared by both regulators and the regulated.

The recommendations and examples discussed below are very much in need of being addressed—however they also serve as illustrations of a much broader problem. We encourage the Agencies to analyze these examples and use them to root out the much larger body of rules and requirements that remain much more harmful than helpful—and which hinder the ability of banks to best serve their customers.

1. ABA Supports EGRPRA’s Regulatory Burden Focus.

ABA supports the intent of EGRPRA and strongly encourages the Agencies to use this third decennial review to find ways to provide meaningful regulatory relief to banks and federal savings associations. ABA believes that doing so will facilitate the ability of banks to provide services to their customers.

ABA also believes that the EGRPRA process should encompass *additional* sources of regulatory burden, including the Bureau of Consumer Financial Protection and the Financial Crimes Enforcement Network.

2. Regulatory Burden Adversely Impacts All Banks and Bank Customers.

Banks of all sizes face considerable costs in complying with the plethora of regulations and requirements that have been promulgated both before and after the enactment of EGRPRA.

For instance, a 2015 report found that the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) *alone* resulted in “more than \$32 billion in compliance costs and saddled job creators with more than 63 million hours of compliance paperwork.”⁴ These compliance costs have only increased in subsequent years as additional banks, assets, customers, and employees are covered by the Dodd-Frank regime.

³ See ABA’s First 2014-2015 EGRPRA Comment Letter at Docket FFIEC-2014-0001-0034; <<https://www.regulations.gov/comment/FFIEC-2014-0001-0034>>; ABA’s Second 2014-2015 EGRPRA Comment Letter at Docket FFIEC-2014-0001-0077 <<https://www.regulations.gov/comment/FFIEC-2014-0001-0077>>; ABA’s Third 2014-2015 EGRPRA Letter at Docket FFIEC-2014-0001-0037 <<https://www.regulations.gov/comment/FFIEC-2014-0001-0037>>; and ABA’s Fourth 2014-2015 EGRPRA Letter at Docket FFIEC-2014-0001-0126 <<https://www.regulations.gov/comment/FFIEC-2014-0001-0277>>.

⁴ H.R. Rep. No. 114-96 (2015) (Conf. Rep.).

A recent International Monetary Fund study further found that the direct impacts of Dodd-Frank *alone* included immediate negative impacts to profits.⁵ The study further found that “regulation costs [of Dodd-Frank] triggered at the \$10 billion threshold are equivalent to a 0.41% tax on banks' average annual profits,” while “regulatory costs [of Dodd-Frank] triggered at the \$50 billion threshold are equivalent to a 0.11% tax.”⁶

The IMF study additionally noted that *indirect* costs of the regulatory requirements put in place under Dodd-Frank include decreases to the total assets of banks; decreasing lending rates and lending quantities; and decreases in the total output of bank-dependent firms.⁷

This IMF study on Dodd-Frank serves to illustrate a broader point: banks of all sizes are subject to an extensive web of burdensome regulatory regimes—and these burdens have notable knock-on effects to bank customers and the economy writ large. The current overly burdensome bank regulatory landscape hurts bank consumers, and hurts businesses of all sizes.

3. Call Report Requirements Should be Simplified.

Banks are required to submit Consolidated Reports of Condition and Income (Call Reports) each quarter so the Agencies may monitor their condition, performance, and risk profile—as well as to assess the industry as a whole and price deposit insurance, among other things. Call Report data is also widely used by policymakers, academics, bank counterparties, and other stakeholders.

While this data is useful, the seemingly never-ending stream of additional information that the Agencies continually mandate banks include in their Call Reports reinforces the fact that the Agencies should undergo a thorough examination of the benefits of these varied items of Call Report data weighed against the considerable costs these items impose on banks.

Further, while ABA and its members clearly understand the value of Call Reports—it is impossible to ascribe that value to *every* item in the reports.

Call Reports have essentially become complicated and extensive forms that require collection of information from virtually every area of the bank regardless of the utility of the information. We urge the Agencies to remove obsolete or low-value items from the Call Report and be reluctant to make additions unless they serve important supervisory purposes that cannot be otherwise met at lower cost.

For example, in the last *six months alone*, the Agencies have proposed a plethora of additional Call Report reporting requirements, including: expanding and adding several disclosures related to loans to, and other receivables from, non-depository financial institutions; adding a

⁵ Adrien Alvero, et al., *Watch What They Do, Not What They Say: Estimating Regulatory Costs from Revealed Preferences*, International Monetary Fund (2022).

⁶ *Id.*

⁷ *Id.*

requirement to disclose amounts for the consolidated bank that are currently only reported for domestic offices; and adding an additional *non-GAAP* requirement to include financial difficulty “for a minimum period of 12 months and until an institution performs a current, well documented credit evaluation to support that the borrower is no longer experiencing financial difficulty, unless the loan is paid off, charged-off, or sold.”

Additionally, data requested in call reports is often inconsistent with other regulatory reporting requirements. For example, many inconsistencies in definitions exist between items in the call report and other reporting requirements. This requires separate and distinct reporting systems, processes and controls for data that appear to serve similar use for the Agencies. For example, the definition of uninsured deposits varies across a variety of regulatory reporting requirements.

ABA submitted comments on these proposals, generally explaining that many of these additions and amendments would be unnecessarily costly, potentially confuse other users of the information—including investors—and could lead to cross-reporting inconsistencies.⁸

Again, these recent Call Report proposals serve to illustrate a broader point. While the historical and overarching purpose of the Call Report is to provide the Agencies information necessary to assess bank condition, structure, and risk profile, the Agencies continue to propose changes to the Call Report that do not directly contribute to the assessment of a bank’s safety and soundness, and simultaneously impose significant compliance costs on financial institutions.

We urge the Agencies to thoroughly examine the Call Report requirements and to seek to streamline Call Report requirements to the extent feasible.

Conclusion

Over the next two years, ABA looks forward to working with the Agencies to find ways to reduce regulatory burden consistent with the shared goal of ensuring bank operations are conducted in a safe and sound manner while enhancing the ability of banks to serve their customers. Thank you for your attention to our concerns and for considering our recommendations.

Please feel free to contact me (JConnor@aba.com; 571-275-4096) if you would like to discuss this further.

⁸ See ABA Letter on Call Report and FFIEC 002 Revisions – OMB Control No: OCC 1557-0081, (Feb. 26, 2024), <https://www.aba.com/-/media/documents/comment-letter/ltrffiec20240226.pdf?rev=e92e25e8080745fab15ee496e0928ac7>, and ABA Letter on Call Report and FFIEC 002 Revisions OMB Control No: OCC 1557-0081, FRB 7100-0036, FDIC 3064-0052, 7100-0032, (Nov. 27, 2023), <https://www.aba.com/-/media/documents/comment-letter/clcallreportffiec20231127.pdf?rev=b9ea413a299e44fa930681621aeb23f1>.

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Sincerely,



Joey Connor