

December 21, 2021

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

The Honorable Richard H. Clarida
Vice Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC, 20551

The Honorable Michelle W. Bowman
Governor
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC, 20551

The Honorable Lael Brainard
Governor
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC, 20551

The Honorable Randal K. Quarles
Governor
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC, 20551

The Honorable Christopher J. Waller
Governor
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC, 20551

Re: Bank Merger Decision Process

Dear Chair Powell, Vice Chair Clarida, and Governors Bowman, Brainard, Quarles and Waller:

The American Bankers Association¹ appreciates last week's unanimous actions on several long-pending applications for bank and holding company mergers and acquisitions. In recent weeks some policymakers have signaled an interest in a multi-agency review of bank merger policy, and others have even suggested a moratorium be imposed pending the outcome of that review. Friday's approvals send a welcome signal about the Federal Reserve's resolve to follow established guidelines and restore clarity to this process.

The Federal Reserve Board plays a key leadership role in preserving the American banking system as one of the most vibrant and competitive in the world. In particular, the Board's review of and decisions on bank merger transactions and acquisitions pursuant to the Bank Merger Act and the Bank Holding Company Act (Transactions) help to maintain a safe and sound financial system, promote competitive financial markets, and preserve the health of those banking institutions and their ability to innovate and support their communities. The Board's timely and transparent decision process for merger applications and similar requests provides confidence to all stakeholders.

ABA is aware of delays in Transactions that are awaiting Board approval. Though ABA does not become involved in the details of individual Transactions, we understand that Transactions, like those recently approved involve significant investments of time and other resources by bank boards, management, and staff. Without suggesting a specific outcome in any individual case, ABA urges the Board to consider all applications for Transactions in due course and to finalize its decisions on the merger applications in accordance with its existing processes and requirements.

¹ The American Bankers Association is the voice of the nation's \$23.3 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$19.2 trillion in deposits and extend nearly \$11 trillion in loans.

Like those recently approved, pending and future Transactions undertaken in reliance on existing and well-established regulatory requirements promulgated by the Board, the other Federal banking agencies, and the U.S. Department of Justice and with prior notice and consultation with the Board and other appropriate Federal banking agencies. These requirements were developed according to the proper rulemaking procedures set forth in the Administrative Procedure Act. As an industry, it is important that banks and other industry participants be able to rely on the regulatory requirements adopted and published in the normal course.

This framework, including customary competitive analysis, has been the basis for the substantial work performed and expense incurred by the Transaction parties and their employees. Their customers, employees, and other community stakeholders are negatively affected by the uncertainty resulting from these delays. A protracted decision process inhibits strategic planning, raises risks of employee attrition, and further complicates organization and systems integration planning processes. Delays can thus elevate risks to the institutions involved, and the resulting uncertainty may create the false impression of instability in the system or a lack of confidence in the institutions. Therefore, it is essential for the Board to evaluate all transactions in due course and to bring these matters to appropriate conclusions.

Furthermore, as a general matter, individual Transactions should not be delayed because the Federal banking agencies and the Department of Justice are debating whether to undertake a broader review of bank merger policy. Such a review is almost certain to result in a protracted process, given the need for interagency coordination and the expectation of further appointments to agency leadership.

Those considerations also make a Transaction moratorium, particularly one based on an arbitrary asset threshold, inappropriate, and some industry participants believe it would raise potential legal questions. A moratorium would certainly inflict serious damage on many institutions' long-term strategic planning, their ability to meet their strategic goals, and their ability to serve their communities. These are exactly the sort of forward-looking efforts that the Board and other Federal banking regulators continually encourage.

ABA does not advocate a particular result for any Transaction, nor do we suggest that any banking institution consider or decline to pursue a Transaction. As a practical matter, however, a certain amount of merger activity in the U.S. banking sector is a long-standing historic and economic reality and reflects the economics of the banking and financial services sector. Such activity allows banks, and especially community banks, to achieve scale in technology and services to meet the needs of consumers and their communities. It also promotes a strong, competitive financial system. The related review and decision process for pending and future Transactions, giving due consideration to the relevant factors Congress has specified, should lead to reasonably prompt decisions under transparent standards and in accordance with the current rules.

Sincerely,

A handwritten signature in black ink that reads "BOB NICHOLF". The signature is written in a cursive, slightly stylized font.