

December 6, 2023

The Honorable Jerome H. Powell
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: The Value of Collaborative Rulemaking and the Importance of the Subcommittee on Smaller Regional and Community Banking

Dear Chair Powell:

We, the undersigned state bankers' associations, write to express our appreciation for the dedication to collaborative decision-making that you have consistently demonstrated throughout your tenure. Your emphasis on building consensus and seeking the "broad support" of the Board in rulemakings is crucial to maintaining the stability and effectiveness of bank regulation. It underscores the importance of diverse perspectives in shaping regulatory policies. Your commitment to inclusivity is vital, particularly as the financial and regulatory landscape continues to evolve and we face new challenges.

As you know, considering a diverse range of perspectives and views from fellow Board members is essential to creating a balanced regulatory framework. Failure to consider views from all Board members may result in a regulatory pendulum effect, where rules change rapidly with changes in leadership and political winds. For instance, if regulations are formulated without thorough consultation with the full Board, there is a risk of overlooking unintended consequences to regulated entities and to the broader economy. This oversight can lead to regulatory imbalances, creating an environment where subsequent administrations feel compelled to swing the pendulum back and forth in an attempt to "correct" for previous rulemakings, implementing drastic changes in response to emerging issues and leading to greater instability.

We firmly believe that rulemakings must have broad support of the Board to make durable rules that endure the inevitable political swings. Without broad support, the regulatory pendulum could become its own destabilizing risk to the banking system.

Statutory authority gives the Vice Chair of Supervision powers to develop and recommend regulatory proposals to the Board. While this power is broad, there is significant discretion in how it has been implemented. It is self-evident that the Vice Chair of Supervision should actively seek out views of his fellow Board members and make changes to rulemakings to accommodate their concerns in order to avoid the regulatory pendulum. At the same time, the responsibility of ensuring a clear, collaborative and consistent governance process clearly lies with the Chair.

Particularly important is consultation with the Subcommittee on Smaller Regional and Community Banking, the body established by the Federal Reserve to provide leadership and oversight on matters related specifically to those institutions. The subcommittee has included notable community bankers and state banking commissioners, including Governor Duke and

Governor Raskin, and is currently chaired by Governor Bowman, who is both a former community banker and state banking commissioner. The traditional role of this subcommittee is to review policy proposals to better understand the effect that these policies and their implementation could have on smaller institutions, both in terms of safety and soundness and potential regulatory burden.

Community banks play a vital role in local economies reinvesting local savings back into the community creating financial security, opportunities, and jobs. Their unique challenges must be considered in regulatory decision making. We therefore urge you to ensure that the subcommittee continues to generate and formulate policy options for smaller institutions and the subcommittee's recommendations are carefully considered in the rulemaking process.

We understand the challenges faced by the Federal Reserve in striking a balance between various interests and priorities. Fostering an environment of collaboration, consensus and trust will ensure durable rulemakings and avoid the regulatory pendulum becoming a metronome. Thank you for your attention to these important matters. We appreciate your leadership and the tireless efforts of the Federal Reserve in maintaining the stability and integrity of the U.S. financial system.

Sincerely,

American Bankers Association
Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
DC Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association
Mississippi Bankers Association
Missouri Bankers Association

Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association

cc: Vice Chair Jefferson
Vice Chair Barr
Governor Bowman
Governor Cook
Governor Kugler
Governor Waller