

May 19, 2014

The Honorable Blaine Luetkemeyer
U.S. House of Representatives
2440 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Luetkemeyer:

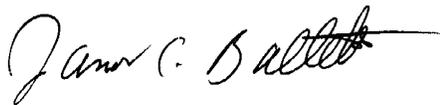
On behalf of the members of the American Bankers Association (ABA), I am writing to commend you and express our support for your legislation H.R. 4060, the Systemic Risk Designation Improvement Act of 2014. This bipartisan legislation eliminates the automatic designation of financial institutions as “systemically important” solely based on asset size. H.R. 4060 would remove this regulatory short cut and require the Financial Stability Oversight Council to establish a process, similar to its process for non-banks, to formally designate individual financial institutions as “systemically important” based on a variety of factors, including complexity, scale, interconnectedness and mix of activities.

Since the enactment of the Dodd-Frank Act and its statutory size thresholds, banking regulators have relied heavily on the asset size of financial institutions, creating regulatory “cliffs” whereby all institutions over a certain size are regulated and supervised the same. We have seen this not only with regulations implementing Dodd-Frank, but more broadly in all areas of prudential supervision. Although size-only regulation may be a simple short cut means of supervising financial institutions, it is inappropriate and needlessly burdensome for many financial institutions with noncomplex operations and business models, thereby increasing costs and reducing products and services to bank customers.

ABA believes strongly that the most effective and value-added supervision regime is one that is risk-based and individually tailored, taking into account a wide-variety factors including size, business model, complexity of operations, the nature of its charter, and other factors relevant to the risk of its activities, products, and services.

H.R. 4060 addresses this issue by establishing a process that allows banking regulators to review institutions appropriately and not solely based on size. While we are encouraged by the recent comments of some regulators acknowledging the need for more tailored regulation, we believe that H.R. 4060 is a much needed piece of legislation and we urge support and passage of this bill.

Sincerely,



James C. Ballentine

cc: Members of the House Financial Services Committee