

AMERICA'S BANKS
HELPING PEOPLE & PLACES
GROW



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American
Bankers
Association®

Together, America's banks employ more than 2 million women and men whose work helps to create jobs and generate economic growth. Our fundamental mission is to ensure the security and prosperity of the people and communities we serve.

Our ability to fulfill this mission has been challenged in recent years by ill-fitting regulations and an unlevel playing field. But important progress has been made on both fronts.

We urge you to continue to help America thrive by helping banks deliver jobs, growth, safety and convenience.



BANKS OF ALL SIZES

Play key roles in the economy while delivering safety and convenience for customers.

- › \$356.9 billion in small business loans
- › \$2.5 trillion in home loans
- › \$187.2 billion in agricultural loans
- › \$9 out of \$10 in attempted deposit account fraud stopped
- › \$3.4 billion in community donations
- › 12.6 million volunteer hours
- › 2.1 million bank employees

Sources: FDIC, Call Report and ABA Survey Data

» MODERNIZE ANTI-MONEY LAUNDERING/ BANK SECRECY ACT LAWS

Banks play a critical role in helping law enforcement combat money laundering, terrorist financing, human trafficking and more. Congress can help banks be even more effective fighting these crimes by updating the anti-money laundering/Bank Secrecy Act (AML/BSA) regime to make it more efficient. The basic AML/BSA compliance structure has not changed since 1970, even though banking law enforcement and technology have changed dramatically. ABA urges Congress to reform these areas:

- **Customer Due Diligence.** Banks collect information about the true owners of their legal entity customers, but they have no way to verify the information provided. A federal registry of beneficial ownership would provide a source to validate the data and ensure its accuracy. It also would facilitate law enforcement's access to the information.
- **Currency Transaction Reports (CTRs).** The current \$10,000 threshold for filing a CTR has not been changed since it was adopted in 1970. If adjusted using the Consumer Price Index, the threshold today would be \$63,000. A seasoned customer exemption—within parameters to be set by Treasury—would also help reduce excessive CTR filings, making it easier to spot critical information.
- **Information Sharing.** Suspicious activity reports are more useful when financial institutions share information with each other, yet the process for sharing is hindered by red tape. Improved processes and better feedback from law enforcement about priorities, possible illicit activity and how BSA data is used would help banks more efficiently focus limited resources.

» ESTABLISH STRONG, CONSISTENT NATIONAL DATA SECURITY AND PRIVACY STANDARD

Since data security breaches continue to put millions of consumers at risk, protecting consumer information and the privacy of personal information is a shared responsibility of all parties involved. While robust federal data security and privacy requirements for banks have been in place for over 20 years, other business sectors lack comparable requirements and have been the source of many large-scale breaches. To help consumers understand their rights and responsibilities, transparency is important and a national standard that preempts state and local data protection standards is essential.

ABA supports legislation to protect consumers that includes the following elements:

- **Privacy Rights.** A national privacy standard that recognizes the strong privacy and data security standards that are already in place for financial institutions under the Gramm-Leach-Bliley Act (GLBA) and other federal financial privacy laws and avoids provisions that duplicate or are inconsistent with those laws.
- **Strong Data Protection and Breach Notice.** Ensure that all entities that handle sensitive personal information are required to protect that data and provide notice in the event of a breach that puts consumers at risk.
- **Robust Enforcement.** Provide robust, exclusive enforcement of this national standard by the appropriate federal or state regulators, including preserving the GLBA's existing administrative enforcement structure for banks and other financial institutions.
- **Clear Preemption.** Preempt state privacy and data security laws to ensure that a national standard provides consistent protection for all Americans.

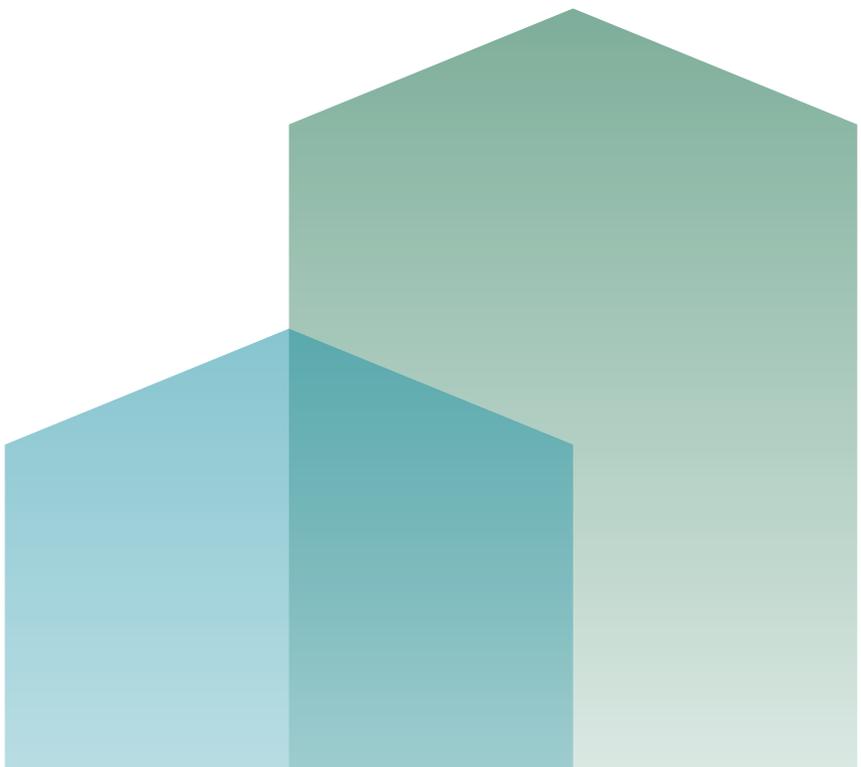
»» RESOLVE THE FEDERAL-STATE CONFLICT ON CANNABIS BANKING

Thirty-three states have legalized cannabis for medical or adult use. Nevertheless, federal law still defines cannabis as an illegal drug under the Controlled Substances Act and, as a result, all proceeds generated by a cannabis-related business can be considered unlawful for banks to process. Even accepting a cannabis-related deposit can be considered money laundering.

The problem extends to any entity that derives revenue from a cannabis firm, including real estate owners, security firms, utilities and other vendors and investors. That puts banks in the untenable position of either potentially violating federal law or refusing services to a significant legal sector of their local economies.

But excluding the cannabis industry from the banking system has serious consequences for the communities where they operate. Cannabis businesses are handling increasingly large amounts of cash—even paying their state taxes and licensing fees in cash—creating public safety and supervisory concerns. Permitting cannabis businesses to use the banking system would improve the safety, regulation, transparency and accountability of the industry. ABA urges members of Congress to:

- Support and pass bipartisan legislation H.R. 1595, the Secure and Fair Enforcement (SAFE) Banking Act of 2019.
- Allow banks to serve cannabis-related businesses in states where the activity is legal and clarify that handling proceeds from their legitimate transactions is not money laundering and does not violate federal law.
- Require federal banking regulators to provide explicit, clear and uniform expectations regarding the treatment of all cannabis-related accounts.
- Specify that a Suspicious Activity Report is not required solely because a transaction involves proceeds from a legal state cannabis business.



»» DELAY AND STUDY CURRENT EXPECTED CREDIT LOSS (CECL) STANDARD

The Financial Accounting Standard Board's Current Expected Credit Loss accounting standard requires banks to forecast all future losses at the time a loan is made. Such upfront loss recognition will require more capital at the time of origination, fundamentally changing the economics of lending and potentially increasing the cost to consumers of longer-termed products like residential mortgages and of loans issued to non-prime borrowers.

All banks, including community banks, will be heavily impacted by CECL. They may have to raise capital and will need to purchase or develop costly new systems and processes to track loan performance. In addition, the new standard will increase the complexity of a highly judgmental area of accounting, add to the volatility of regulatory capital and, due to the inability to forecast turns in the economy, also add to the procyclicality of the banking industry—exacerbating economic downturns in times of uncertainty.

The standard will be effective in 2020 for SEC registrants, 2021 for non-registrant banks with outside equity/debt holders, and 2022 for privately-held and mutual banks.

ABA urges Congress to enact legislation that:

- Requires the SEC and the federal banking agencies to perform a quantitative impact study.
- Requires the study to assess the impact of CECL on the industry and lending throughout an economic cycle and across banks of all sizes, and to recommend changes to address any negative impacts.
- Delays the required effective date until one year after such a study can be completed.

»» CONTINUE BIPARTISAN PROGRESS ON REGULATORY REFORM

America's banks work to help their individual and small business customers reach their financial goals every day. Regulatory compliance and examiner demands can make it harder for them to do this, as rules aimed at the more complex institutions trickle down to all, regardless of size, risk or applicability to a bank's business model. Such ill-tailored rules impede banks' ability to provide services that their creditworthy customers want and need, restrict local business expansion, limit job growth and frustrate consumers.

We urge Congress to consider targeted legislation that will provide relief and funding options to financial institutions, including measures that would: empower regulators to tailor regulatory actions so that they apply only when required by the bank's business model and risk profile; establish an independent examination review process to ensure consistency of bank examinations; provide more flexibility for the treatment of brokered deposits; and fully fund the Community Development Financial Institutions Fund.

These and other provisions are important steps in right-sizing rules for America's banks and will allow financial institutions to better serve their customers and communities while maintaining safety and soundness. ABA urges Congress to work on these measures in a bipartisan manner.

» STOP THE SPECIAL TREATMENT OF CREDIT UNIONS

Congress exempted credit unions from paying federal income taxes during the Great Depression to encourage their mission as small financial institutions that served consumers of modest means who shared a common bond. Much has changed since then.

Today, there are roughly 300 credit unions with more than \$1 billion in assets that, though representing just 5 percent of all credit unions, enjoy 75 percent of the industry's tax benefit. Nearly half hail from just six states. These fast-growing and increasingly complex institutions are indistinguishable from commercial banks yet individually are larger than nearly 90 percent of the banks in this country. Many actively sponsor NFL teams and NBA arenas, openly promote that they will bank any customer who walks in the door, engage in complex commercial lending and aggressively market to the affluent – all while being subsidized by an outdated and unnecessary federal tax exemption and supervised by a compliant regulator. These entities are increasingly buying small banks to expand, leveraging their tax exemption to permanently remove taxpaying entities from the tax rolls.

As credit unions move from church basement to conglomerate, Congress should ask if the tax exemption for the largest credit unions still makes sense. ABA urges Congress to:

- Remove the tax exemption for all credit unions above \$1 billion in assets.
- Require credit unions to file the same salary and compensation disclosures as any other not-for-profit.
- Require credit unions to demonstrate they serve low- and moderate-income communities.

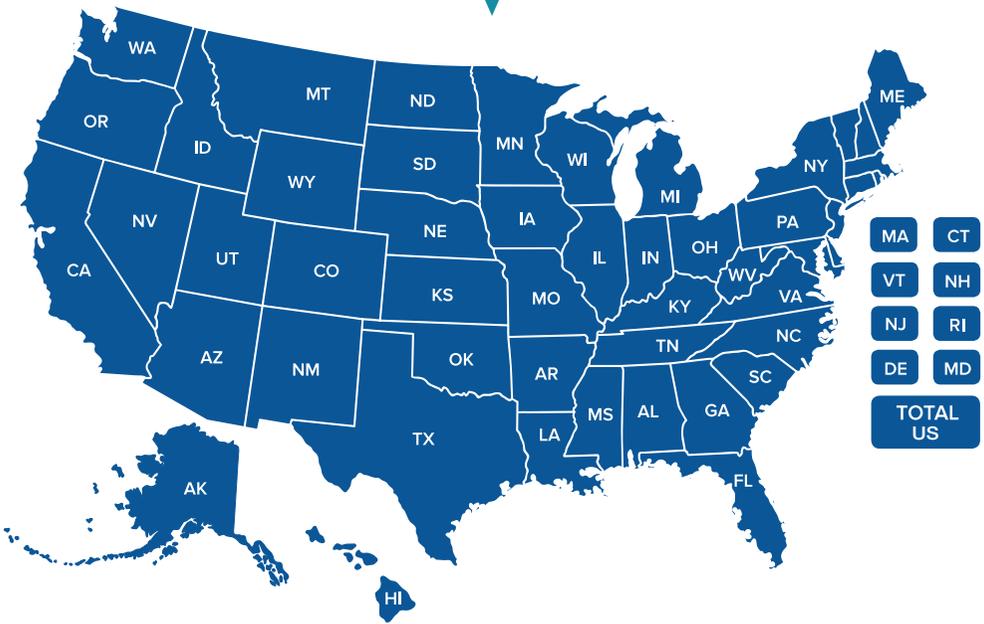
» LEVEL THE PLAYING FIELD WITH THE FARM CREDIT SYSTEM

The Farm Credit System (FCS) is a \$335 billion government-sponsored enterprise (GSE) that competes directly with banks, making farm, ranch, consumer, housing, business and energy loans. If the FCS were a bank, it would be the seventh largest in the country. But as a GSE, it does not pay taxes at the same rate as banks.

When the FCS was created in 1916, farmers had limited options available to finance their operations. For too long, FCS has been able to unfairly compete with rural banks, especially in long-term agricultural real estate financing. Congress must examine this issue and not pick winners and losers in agriculture financing. ABA urges members of Congress to:

- Support H.R. 1872, the Enhancing Credit Opportunities in Rural America (ECORA) Act, introduced by Rep. Steve Watkins (R-Kan.). ECORA would remove the taxation on interest from agricultural real estate loans, giving rural banks the same tax status as the FCS when making farm real estate loans.
- Help farmers and ranchers create equalization among all lenders to agriculture.
- Provide long overdue solutions to the unfair playing field between banks and FCS.

WHAT ARE BANKS DOING IN YOUR STATE?



Find out at
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