Meeting Between Federal Reserve Board Members and Staff and Representatives of the Mid-Sized Bank Coalition September 18, 2012

Participants: Chairman Ben S. Bernanke, Governor Daniel K. Tarullo, Governor Elizabeth Duke, Scott Alvarez, and Molly Mahar (Federal Reserve Board)

Mid-Sized Bank Coalition members: Barry F. Berthelot (IBERIABANK); Brian Paul Brooks (One West Bank); Carl Jesse Chaney (Hancock Holding Company, Hancock Bank, Whitney Bank); William Allen Cooper (TCF Bank); Peter Crocitto and Gerald Lipkin (Valley National Bank); Russell Goldsmith (City National Bank); Timothy Byrd Hodges (People's United Bank); Corey R. Hoze (Associated Banc-Corp); Robert G Jones (Old National Bancorp); David Bryan Jordan (First Horizon National Corporation); Charles G. Kim (Commerce Bank); Jeffrey L. Knight (Old National Bank); Carl Lundblad (Susquehanna Bank); Gerald A. Nau (Lafayette Ambassador Bank); Hammad Ahmed Pirzada and Katherine Ann Thompson (The PrivateBank); David Thompson Popwell (First Tennessee Bank); John Sassaris (MB Financial Bank, N.A.); Megan Scheffel (Valley Bank); James C. Smith (Webster Bank); Brent Timothy Tjarks (City National Bank); Chester A. Wood, Jr. (Trustmark National Bank); and Kenneth Michael Yates (Umpqua Bank)

Summary: Members of the Mid-Sized Bank Coalition met with Chairman Bernanke and Governors Tarullo and Duke to express concerns about the cumulative regulatory burden facing banking organizations with assets between $10 and $50 billion. Members raised general concerns about the application of certain stress testing and risk management requirements to banking organizations with more than $10 billion in consolidated assets, as required by the Dodd-Frank Act (DFA), and expressed a view that asset size alone is a poor measure of systemic risk. Members also noted that the Board's proposed rules implementing the stress test requirements of DFA section 165 will necessitate significant investments in data and personnel. In light of these investments, coalition members requested that the Federal Reserve Board provide a longer phase in period for smaller banking organizations that are subject to the proposed stress testing rules.

The coalition members also expressed general concerns about the additional costs associated with banking agencies' proposal to implement in the United States the set of internationally agreed capital reforms known as Basel III, particularly the treatment of other comprehensive income, which the members believe may undermine their ability to manage interest rate risk, and the risk weight assigned to construction loans. The coalition members also noted that the provisions around "ability to repay" in the proposed definition of a qualified residential mortgage included in the interagency proposal to implement DFA section 941 (the risk retention rule) could restrict their ability to lend to creditworthy individuals. Finally, the members requested that the Board continue to study the impact of the Board's final rule regulating debit card interchange fees (DFA section 1075), which they believe places a disproportionate burden on smaller banking organizations and has produced limited benefit for consumers.