

Anne E. Misback, Secretary, Board of Governors of the Federal Reserve System
Robert E. Feldman, Executive Secretary, Federal Deposit Insurance Corporation

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM Docket No. OP- 1681
FEDERAL DEPOSIT INSURANCE CORPORATION RIN 3064-ZA08

Dear Ms. Misback & Robert Feldman

I would like to put forward an idea regarding the Uniform Financial Institutions Rating System (UFIRS) commonly known as the "CAMELS" ratings.

My name is James Feenick ("Jim") and I have been a credit analyst most of my career and have covered banks and other financial institutions along with work on corporate credits. Among other aspects of my background (see more on LinkedIn), I have an MBA from American University and hold the CFA designation. I live in Vienna, Virginia.

With significant rapid change that has come along in banking, and other types of financial institutions, and the need for similar change to regulation and analytical coverage of the sector, I believe its time for a change from "CAMELS" to "EAGLES".

I believe its time for a more aggressive perspective on regulation of financials that the American eagle would represent. I believe that the use of "EAGLES" would indicate a more forceful approach and one that has an "American" image that could go along with the new tools that the Fed and FDIC have effectively developed over the years following the financial crisis period. Regulators now need to have "an eagle eye" in their ongoing surveillance.

EAGLES (Earnings, Assets, Governance, Liquidity, Efficiency, Stress Testing)

Earnings – I find that organizations that display strong earnings are less likely to have credit problems unless they might be too aggressive or demonstrate growth that might be too fast. I'd therefore have this as element #1 instead of capital.

Assets – Understanding the risk level and composition of a company's loan and securities book is essential. The use of new tools that help regulators understand the make-up of an organization's assets is therefore critical.

Governance – Oversight by a strong board and knowledgeable management team is even more important than in prior years. For example, my prior research showed that Lehman Brothers had a weak board with the number of individuals having significant background in financials quite limited. Strong governance, with individuals that can push back on management, is very important.

Liquidity – My work shows that financials that have a solid well diversified deposit base and access to other stable funding sources have an edge over those that don't. The increased use of tools like credit default swap indicators are helpful in alerting analysts to potential problems that an organization is losing confidence from investors and other market participants.

Efficiency – Over the past year especially, I've become more aware of the importance of technology and the new competition from FinTech in the financial sector. For example, the very well done 3Q19 earnings conference call by Bank of America, provided excellent detail on the many steps being taken to enhance efficiency in all aspects of their business. I believe that some organizations either don't have adequate budgets or knowledgeable staffing to accomplish similar improvements.

Stress Testing – I've been impressed with the work being done by banks, CCPs, and other financial institutions to look ahead and try to evaluate impacts from future expected and less likely market stress events. While many criticize the testing, it seems that overall its very well done and provides an alert to management teams and analysts of possible negative outcomes. I have completed a review of the annual stress tests which have helped me in my ongoing coverage of the large global banks.

In summary, while "CAMELS" has been an effective tool for training analysts over these past years, I believe it might be time to consider a change to "EAGLES". This term would better reflect the more aggressive push that regulators are taking to soar above new and emerging issues. Eagles are known to be fearless, have great vision, and are tenacious in carrying out their duties.

Sincerely,

Jim Feenick

(cell phone)