



June 29, 2020

Ms. Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Via email to: regs.comments@federalreserve.gov

Re: Fed Interim Final Rule on Savings Deposits and ILCs
(Docket number R-1715 and RIN 7100-AF 89)

Dear Ms. Misback,

On behalf of our member banks, the Utah Bankers Association¹ and the National Association of Industrial Bankers² appreciate the opportunity to comment on the proposed permanent amendments to Regulation D to delete the numeric limits on certain kinds of transfers and withdrawals that may be made each month from savings deposits. Our members include commercial, community and industrial banks that combined are among the top ten group of banks in the nation.

¹ The Utah Bankers Association (UBA) is the professional trade association for Utah's commercial banks, savings banks and industrial banks. Established in 1908, the UBA serves, represents and advocates for the interests of its members, enhancing their ability to be preeminent providers of financial services.

² The National Association of Industrial Bankers (NAIB) is a national trade association for industrial banks. These specialized banks operate under the titles of industrial banks, industrial loan corporations (ILCs), and thrift and loan companies. NAIB champions innovative and safe financial services for Americans, including the underserved. ILCs comply with the Community Reinvestment Act. First chartered in 1910, ILCs provide a broad array of products and services to consumers and small businesses nationwide. They do not offer demand checking accounts, but do accept time deposits, savings deposit money market accounts and NOW accounts. Industrial banks are regulated by state chartering authority and the FDIC at the federal level. Currently ILCs are state supervised in California, Colorado, Hawaii, Indiana, Minnesota, Nevada, and Utah.

We commend the Board of Governors (“Board”) for taking this action to modernize and update its regulations by eliminating these outdated restrictions on withdrawals and encourage the Board to make these changes permanent.

These outdated withdrawal limits should be deleted as part of a regular process of regulatory review. We understand that the restrictions were originally designed to distinguish savings accounts from other kinds of accounts for purposes of permitting banks to pay interest to depositors (subject originally to rate caps) and to exempt those accounts from reserve requirements. After these restrictions were adopted, Congress amended the laws to allow banks to pay interest on any kind of account, and as indicated in the request for comments, reserve requirements have been set at zero for several years. These restrictions now mostly complicate relationships with depositors and inhibit innovation with no corresponding benefit or justification.

The importance of this kind of periodic updating of regulations is too often overlooked. Apart from the merits of any regulation, the sheer mass of regulations is becoming an impediment to effective and efficient supervision of the banking system. Each new regulation adds to the mass of existing rules. Without a process of review and modernization, the mass will increasingly grow too large for banks to manage. At the same time, keeping outdated rules erodes efficiency and trust in the banking system.

Our members appreciate the Board’s efforts to conduct this kind of review and hope to see more modernization in the future.

Sincerely,



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