

The Meeting of the Advisory Committee on Community Banking

of the

Federal Deposit Insurance Corporation

Held in the Board Room

Federal Deposit Insurance Corporation Building

Washington, D.C.

Open to Public Observation

July 11, 2018 – 9:02 A.M.

The meeting of the FDIC Advisory Committee on Community Banking (“Committee”) was called to order by Jelena McWilliams, Chairman of the Board of Directors of the Federal Deposit Insurance Corporation (“FDIC”) Board of Directors.

The members of the Committee present at the meeting were: Tiffany Baer Paine, President and Chief Executive Officer (“CEO”), Security Bank USA, Bemidji, Minnesota; Adriana M. Boeka, President and CEO, Americas United Bank, Glendale, California; Asif Dakri, Vice Chairman and CEO, Wallis State Bank, Houston, Texas; Chris Donnelly, President and CEO, Bank of the Prairie, Olathe, Kansas; David J. Hanrahan, Sr., President and CEO, Capital Bank of New Jersey, Vineland, New Jersey; Danny J. Kelly, President and CEO, Hometown Bank of Alabama, Oneonta, Alabama; Arvind A. Menon, President and CEO, Meadows Bank, Las Vegas, Nevada; Mary Ann Scully, President and CEO, Howard Bank, Ellicott City, Maryland; John M. Tolomer, President and CEO, The Westchester Bank, White Plains, New York; Joseph W. Turner, President and CEO, Great Southern Bank, Springfield, Missouri; and Len Williams, Chief Executive Officer, People’s Intermountain Bank, American Fork, Utah.

Christopher W. Emmons, President and CEO, Gorham Savings Bank, Gorham, Maine; Jack A. Hartings, President and CEO, The Peoples Bank Co., Coldwater, Ohio; Chandler Howard, President and CEO, Liberty Bank, Middletown, Connecticut; and Gwen M. Thompson, President and CEO, Clover Community Bank, Clover, South Carolina, were absent from the meeting.

Martin J. Gruenberg, Director, was present at the meeting.

Corporation staff who attended the meeting included: Ruth R. Amberg, Steven O. App, Lisa D. Arquette, David Barr, Daryn E. Berry, Ryan Billingsley, Julianne F. Breitbeil, Luke H. Brown, Jason Cave, Kristy J. Cone, Kymberly K. Copa, Carolyn Curran, Tim Davin, Chad R. Davis, Christine M. Davis, Doreen R. Eberley, Bret Edwards, Diane Ellis, Ralph E. Frable, George E. French, Jamie Z. Goodson, Shannon N. Greco, Matthew Green, Patricia S. Gunneau,

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Moneick Hendricks, Travis J. Hill, M. Anthony Lowe, Christopher Lucas, Jennifer K. Lucas, Jonathan N. Miller, Rae-Ann Miller, Patrick Mitchell, Elliott J. Mosely, Mark E. Pearce, Russell Pittman, Sylvia H. Plunkett, Lisa Roy, Betty J. Rudolph, Barbara A. Ryan, Philip A. Shively, Robert F. Storch, Angela A. Wu, Charles Yi, and Sharon Yore.

William A. Rowe III, Deputy to the Director (Comptroller of the Currency) and Jocelyn Sutton, Advisor to the Director (Acting Director, Consumer Financial Protection Bureau), also attended the meeting.

Chairman McWilliams opened the meeting by welcoming the Committee members. She noted that as the incoming Chairman of the FDIC this was her first meeting with the Committee, and that she was very pleased to learn that the FDIC had a very robust process through which the Committee members can provide valuable feedback that enables the FDIC to better understand community banking, as well as the banking industry as a whole. Chairman McWilliams then introduced Director Gruenberg for his introductory remarks.

Chairman Gruenberg observed that the Committee was established by former Chairman Sheila Bair and continued under his leadership when he became Chairman. He stated that the Committee meeting today under the leadership of the FDIC's new Chairman represents a very positive statement about the particular responsibility that the FDIC has as the lead federal supervisor for the majority of community banks. He emphasized that the commitment to sustaining a strong community bank sector in the U.S. financial system was very much in the public interest; that the Committee, in some measure, symbolized the FDIC's obligation and commitment in that area; and that the Committee has proven to be exceptionally valuable to the FDIC's work by providing a vehicle for the FDIC to engage with community bankers on a regular basis and receive feedback from the Committee members in return. He concluded by noting that the continuation of the Committee was a statement of the FDIC's commitment to community banking; and that he was pleased that Chairman McWilliams was, in effect, institutionalizing the Committee as part of the work of the FDIC.

Chairman McWilliams then introduced Chad Davis, Deputy to the Chairman for External Affairs, who would serve as moderator for the day's proceedings. Mr. Davis introduced the first panel to provide a summary of the recently enacted Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA" or "Act"). He noted that the presentation would focus on key aspects of the law and its impact on community banking. He advised that Ruth Amberg, Assistant General Counsel, would open the discussion; Rae-Ann Miller, Associate Director, Division of Risk Management Supervision ("RMS"), would highlight various supervisory issues; Ryan Billingsley, Corporate Expert, Capital Markets, RMS, would discuss provisions affecting the capital rules and the Volcker Rule; Robert Storch, Chief Accountant, RMS, would focus on Call Report matters; and Jonathan Miller, Deputy Director, Division of Depositor and Consumer Protection ("DCP"), would discuss issues related to the Home Mortgage Disclosure Act ("HDMA"), the qualified mortgage rule, and escrow requirements.

Ms. Amberg began by noting that the EGRRCPA, enacted on May 24, 2018, included a number of provisions that may be of particular interest to the Committee; and that the FDIC, the Office of the Comptroller of the Currency, and the Board of Governors of the Federal Reserve

System (together, the “Agencies”) issued an interagency statement on July 6, 2018, which addressed some of the key provisions of EGRRCPA and set forth interim positions and other actions the Agencies would be taking until their regulations could be amended to implement changes required by the new law.

Ms. Miller then briefly discussed provisions of the EGRRCPA that would immediately affect examination cycles, appraisals, and reciprocal deposits. She noted that the EGRRCPA increases the size threshold for well-capitalized institutions to be eligible for an 18-month examination cycle from \$1 billion to \$3 billion in total assets, and authorizes the Agencies to make corresponding changes for “2-rated” institutions. With respect to appraisals, she noted that the EGRRCPA exempts certain real property transactions under \$400,000 located in rural areas from the appraisal requirements set forth in Title XI of the Financial Institution Reform, Recovery, and Enforcement Act of 1989; that, in order to qualify for the exemption, the mortgages would have to be held in portfolio and certain conditions must be met; and that the exemption would not be available if an appraisal is required for safety and soundness reasons or the loan is a high-cost mortgage. Finally, she noted that the EGRRCPA allows certain qualifying institutions to except a capped amount of reciprocal deposits—20 percent of the institution’s total liabilities or \$5 billion, whichever is less—from treatment as brokered deposits on their Call Reports; that the exception is also be available to insured depository institutions that are not well-capitalized and not in outstanding or good condition, but the qualifying reciprocal deposits for these institutions are capped at an average of the reciprocal deposits held during the last four quarters or the general capped amount, whichever is less; that the exception does not apply when funds have been obtained through an agent—either an agent institution, traditional deposit broker, or some other third party; and that less than well-capitalized institutions qualifying for this exception still remain subject to the rate restrictions.

Next, Mr. Billingsley discussed provisions of the EGRRCPA affecting certain capital issues and the Volcker Rule. He briefly outlined the provisions of Section 201 of the EGRRCPA, entitled “Capital Simplification for Qualifying Community Banks,” noting that this section applies to banks with consolidated assets of less than \$10 billion; that it provides that the Agencies may determine that a bank with consolidated assets of less than \$10 billion is not a qualifying bank based upon its risk profile, which must be based on consideration of: (1) off-balance sheet exposures, (2) trading assets and liabilities, (3) total notional derivatives exposures, and (4) such other factors as the Agencies determine appropriate; and that the Agencies are required to develop a community bank leverage ratio of not less than eight percent and not more than 10 percent for qualifying community banks—defined as tangible equity divided by average total consolidated assets. He also noted that Section 201 provides that a qualifying community banking organization choosing to use this framework would be deemed compliant with all of the capital requirements; and that the Agencies are required to consult with the applicable state banking supervisors in implementing the provisions of this section. He indicated that a rulemaking would be required to implement the provisions of Section 201; and that the Agencies were working on a number of issues, including what constitutes “tangible equity” and what the leverage ratio should be for qualifying banks.

Member Hanrahan suggested that the FDIC consider setting the leverage ratio toward the lower end of the eight to 10 percent range. He explained that a lower leverage ratio offers a

means of slowing the rate of decline in the number of community banks, particularly those that are choosing to sell; that, for management of stockholder-owned banks, the idea of selling becomes more attractive if satisfactory returns on equity cannot be generated for the stockholders; and that an eight percent leverage ratio would allow banks to leverage their capital and generate the level of returns needed to cover the cost of capital for their stockholders and, thereby, allow them to remain independent.

Mr. Billingsley then briefly discussed Section 214 of the EGRRCPA, entitled “Promoting Construction and Development on Main Street,” advising that it provides a definition of high volatility commercial real estate acquisition, development, and construction (“HVCRE ADC”) loans for purposes of the risk-based capital rules. He summarized the guidance offered in the interagency statement on the EGRRCPA, noting that banks are permitted to use the EGRRCPA’s definition of HVCRE ADC for their Call Reports in the second quarter; that, alternatively, banks may continue to report HVCRE ADC exposures using the definition in the existing regulations; and that it will be a best efforts basis to apply the definition as banks deem appropriate in terms of Call Reports until further rulemaking action is taken by the Agencies. Responding to Member Turner’s question regarding the difference between the new EGRRCPA definition of HVCRE ADC loans and the definition in the existing regulations, Mr. Billingsley advised that the EGRRCPA definition states that an HVCRE ADC exposure must be secured by land or improved real property, which differs from the existing regulation; that the EGRRCPA definition states that the credit facility primarily finances or refinances the acquisition, development, and construction of real property, which basically aligns with the HVCRE ADC definition proposed by the Agencies but not with the existing regulation; that there are some exemptions in the new EGRRCPA definition for certain items, such as cash flow generating properties and income-producing improved real estate; and that the existing HVCRE ADC definition has a requirement of 15 percent contributed capital, while the new EGRRCPA definition allows the appraised value of land contributed by the borrower to count toward that 15 percent.

With respect to the Volcker Rule, Mr. Billingsley advised that the EGRRCPA effectively exempts insured depository institutions (“IDIs”), or affiliates of IDIs, with total consolidated assets of \$10 billion or less and trading assets and liabilities of five percent or less than total assets from the prohibitions of the Volcker Rule, provided that they are not controlled by a larger institution. He also responded to Member Scully’s question regarding the number of banks that would be exempted from the Volcker Rule under this provision, noting that approximately 5,000 banks would be excluded from the Volcker Rule’s prohibitions.

Mr. Storch next discussed Section 205 of the EGRRCPA, which requires the Agencies to issue regulations that allow for a reduced reporting requirement for the first and third quarter Call Reports for IDIs with less than \$5 billion in total assets, provided they also satisfy other appropriate criteria to be established by the Agencies. He noted that the Federal Financial Institutions Examination Council (“FFIEC”) and the Agencies introduced a streamlined Call Report (“FFIEC 051”) in March 2017 for eligible small institutions with less than \$1 billion in total assets, as part of their community bank Call Report burden reduction initiative. He explained that eligible small institutions have the option of filing the FFIEC 051 form or continuing to file the otherwise applicable FFIEC 041 Call Report form; that the streamlined FFIEC 051 form has reduced reporting requirements in the first and third quarters for

approximately 200 data items; and that approximately 76 percent of the estimated 5,000 eligible small institutions filed the FFIEC 051 form for the first quarter 2018. He noted that the reduced reporting requirement in Section 205 will potentially apply to approximately 530 institutions with less than \$5 billion in total assets currently filing the FFIEC 041 form; and that the FFIEC Task Force on Reports has begun interacting with the Agencies' legal staffs to address potential issues that need to be considered in the rulemaking process for implementing Section 205 of the EGRRCPA. Mr. Storch stated that potential issues to be considered include how to extend the reduced reporting requirements of FFIEC 051 to additional institutions while continuing to meet the Agencies' critical data needs and existing data reporting requirements mandated by other laws, as well as how to apply the reduced reporting requirements of Section 205 to ensure the appropriate level of reporting frequency for data items that the Agencies determine to be necessary to assess the risk profile of qualifying institutions for purposes of the community bank leverage ratio in Section 201 of the EGRRCPA.

Member Tolomer observed that while the information reporting requirements for the Call Report has been slightly reduced, it is still a lengthy report of more than 80 pages, including 15 pages focused on regulatory capital, and requires a substantial amount of work that results in a significant burden for a community bank with a straightforward business model and uncomplicated capital structure. Recognizing the Agencies' need for information, he suggested that more should be done to ease the reporting burden for community banks that are not involved in different types of businesses. Mr. Storch responded by noting that the FFIEC 051 form has reduced the length of the reporting to about 62 pages; and that, after completion of the rulemaking process for the community bank leverage ratio, the regulatory capital reporting may be reduced to two items rather than 15 pages; and that the Agencies recognize the need to consider additional burden reductions beyond the capital reporting requirements to implement Section 205 of the EGRRCPA.

Noting that choosing the simpler community bank leverage ratio may help in reducing an institution's information reporting requirements, Member Scully raised the possibility that some institutions, particularly those with institutional investors or shareholders, may not choose the simplicity of the leverage ratio if they believe their capital can be better managed with the risk-based formulas. Mr. Storch questioned whether there could be some reduction in the level of detail currently required or the frequency of full reporting that would still meet the needs of institutions' boards and investors. In response, Ms. Scully indicated that any reduction in the paperwork is going to be helpful, but cautioned that smaller banks may choose not to take that simpler leverage ratio because the risk-based ratio, although more complicated, provides a more proactive opportunity to manage a bank's capital by choosing the allocation of their assets. Member Dakri asked how many banks were currently using the FFIEC 051 form and whether there were any plans to extend it to the third and fourth quarters. Mr. Storch responded by advising that approximately 3,600 institutions—76 percent of the approximately 5,000 eligible institutions—were using the FFIEC 051 form; and that the Agencies, through the FFIEC, attempted to reduce the overall level of detail reported in the FFIEC 051 by entirely eliminating certain schedules and replacing five or six others with a supplemental schedule in an effort to reduce the overall reporting burden throughout the year. Member Paine commented that her \$145 million bank has been using the FFIEC 041 form because there was not much time difference between the FFIEC 041 and the shortened FFIEC 051 form; and that it would be

helpful if there was a true reduction in the reporting requirements for the first and third quarters. Members Donnelly and Boeka concurred, noting that their banks, which are smaller size banks, have continued using the FFIEC 041 form because the reduced reporting of the FFIEC 051 did not offer much value for the changes they would have to make.

Mr. Miller then presented the final segment of the panel, focusing on the provisions in Section 101 of the EGRRCPA that relate to the minimum standards for residential mortgage loans, Section 108 that relate to escrow requirements for mortgages, and Section 104 that makes changes to the HMDA. He advised that Section 101 amends the Truth in Lending Act (“TILA”) by expanding the definition of “qualified mortgage” for IDIs and insured credit unions that have less than \$10 billion in total consolidated assets. He explained that IDIs and insured credit unions covered by this amendment qualify for this additional type of “qualified mortgage” provided the loans meet specified underwriting criteria, including that such loans are in compliance with prepayment penalties and do not have negative amortization or interest-only features, and that the loans are held in a portfolio for the life of the loan. Mr. Miller noted that approximately 191 additional FDIC-supervised institutions would potentially be eligible to make mortgages qualifying under the new “qualified mortgage” category. He continued, noting that Section 108 amends the TILA to require the exemption from escrow requirements for higher-priced mortgage loans secured by a first lien on a principal dwelling, if certain criteria are met; and that the provisions of this section apply to an IDI or insured credit union that has \$10 billion or less in assets, and does not originate more than 1,000 loans secured by a first lien on a principal dwelling. He also briefly described Section 104, which provides a partial exemption to IDIs or insured credit unions from reporting certain data fields under the HMDA for closed-end mortgage loans, if the institution originated fewer than 500 closed-end mortgages in each of the two preceding calendar years, and for open-end lines of credit, if the institution originated fewer than 500 open-end lines of credit in each of the preceding two years. He also noted that the partial exemptions do not apply if the institution received a performance rating of “needs to improve record of meeting community credit needs” during each of its two most recent Community Reinvestment Act (“CRA”) evaluations or a performance rating of “substantial noncompliance in meeting community credit needs” on its most recent CRA evaluation; and that institutions may have to continue reporting some data fields not explicitly eliminated by the EGRRCPA until a rulemaking is issued to clarify what data must be collected.

Member Kelly commented that the number of data fields is substantially higher if an institution exceeds the threshold of 500 loans—increasing from 26 to 117 data fields; and that getting some clarity on the data to be collected is critical because the difference of 90 additional data fields is material to smaller institutions. Member Hanrahan asked if an institution that has been relieved from reporting requirements of the expanded data would still need to collect the data in the event it receives an unfavorable CRA performance rating in the future. In response, Mr. Miller explained that, as an examination matter, an institution that was not reporting the data would not be expected to collect the data. At the request of Chairman McWilliams, he briefly described how fair lending issues in general will be analyzed in the examination process if the data is not collected, noting that the examiners will continue doing the same kind of analysis they have always done; and that, if there is a red flag based on the pre-2018 HMDA data on a particular item such as pricing, additional data will be requested on a case-by-case basis. Member Hanrahan also commented on the chilling effect the referral of an apparent fair lending

violation to the U.S. Department of Justice has on community banks' flexibility in making loans to consumers, suggesting that community banks would benefit materially if there was some relief for inadvertent nonsystemic fair lending violations. Mr. Miller responded by noting that the referral of apparent violations is required under the fair lending laws; and that, while the FDIC recognizes that one of the strengths of community banks is their flexibility, they need to monitor for systematic patterns in loan exceptions that may have fair lending implications.

Following additional comments from members on the difficulties of finding certified appraisers in rural areas within the timeframes provided in the EGRRCPA and on the uses for the HDMA data collected on owner-occupied versus investor properties, Mr. Davis announced that the meeting would briefly recess. Accordingly, the meeting stood in recess at 10:17 a.m.

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The meeting reconvened at 10:33 a.m. that same day, at which time Mr. Davis introduced Doreen Eberley, Director, RMS, Ms. Miller, and Lisa Arquette, Associate Director, RMS, to present the next panel on regulatory burden reduction initiatives. Ms. Eberley framed the discussion by noting that the panel would focus on four types of initiatives arising out of the Economic Growth and Regulatory Paperwork Reduction Act ("EGRPRA") review process last year: examination modernization, interagency guidance review, appraisal regulations, and the Bank Secrecy Act ("BSA"). She also noted that the FDIC was continuing its efforts to provide burden reduction relief through the regulatory and examination processes.

Ms. Miller began with a discussion of the examination modernization initiative, noting that this was an interagency project through the FFIEC aimed at improving the efficiency and streamlining the safety and soundness examination process. She explained that the project was focused on three different areas: (1) reviewing examination practices and processes to determine whether technology can make the examination activities more efficient and allow more of the work to be conducted offsite; (2) reviewing the format of the report itself to improve the quality and usefulness; and (3) reviewing the Uniform Bank Performance Report and related reports to identify how they could be made more informative and user-friendly. She advised that, as an initial step, the FFIEC member working group compared current examination practices among the Agencies and obtained feedback from bankers and examiners. She noted that a number of themes emerged from the feedback sessions, including: the importance of communication and transparency during the examination process, the potential benefits of moving more examination activities offsite, the lack of confidence that the FDIC's examinations are truly risk-focused, and the functionality of *FDICconnect*—the FDIC's secure file transfer systems. She briefly described some of the work that focused on these themes, noting that, with respect to communication and transparency, the FFIEC issued a press release and advisory in March 2018, which provides an update on the examination modernization project and outlines plans for improving communications and transparency in the examination process through internal guidance for examiners, as well as steps to ensure a clear understanding of the examination results and the expectations regarding items that the bank needs to address. With respect to the theme of improving examination efficiency by moving more work offsite, she described the FDIC's work piloting a project for reviewing standardized loan file images offsite; that testing

has begun with volunteer institutions; and that, after testing and information gathering on a number of different institutions, the FDIC plans to conduct a virtual symposium to share lessons learned and ways to expand this initiative. Regarding the perceived lack of confidence that examinations are truly risk-focused, she briefly outlined some of the efforts aimed at improving the planning and scoping of examinations, such as providing examiners sufficient time to properly scope their examinations. Finally, regarding *FDICconnect*, she described some of the actions being taken to improve the functionality and flow issues, including training for examiners and user handbooks for institutions.

Following the presentation, Committee members offered a number of observations and recommendations on the examination process. Member Tolomer commented that, based on his bank's recent experience, substantial progress has been made on improving the examination process. He suggested that it would be helpful to receive more guidance on how to improve the bank's policies that have been criticized during the examination. Member Paine added that the examiners have an opportunity to provide such additional guidance on bank policies when they are on site during examinations. Member Donnelly commented on the value of having onsite examinations where the bank's staff can have a face-to-face conversation with the examiners, and emphasized that it was important for the FDIC to continue this practice. Member Menon agreed that the onsite presence of examiners should continue, but suggested that reducing the timeframe of the examination would help to minimize the disruption resulting from accommodating as many as 15 individuals in the bank's offices for two to three weeks. Ms. Miller responded by highlighting the benefits—to both the bank and the examiners—by conducting some of the examination activities offsite. Member Dakri emphasized the importance of communication between the FDIC and the bank in the timeframe between completion of the onsite examination and the receipt of the examination report.

Next, Ms. Arquette discussed the BSA, noting that numerous comments on BSA compliance were received in the EGRPRA review process; and that the Agencies provided the Financial Crimes Enforcement Network (“FinCEN”)—a bureau of the U.S. Department of the Treasury that oversees BSA compliance—with the BSA-related comments. She advised that commenters provided a number of recommendations for regulatory relief, including increasing the thresholds for filing currency transaction and suspicious activity transaction reports, increasing the timeframe between examinations for BSA compliance, providing more clarity regarding customer due diligence requirements, addressing the increasing cost of BSA compliance, and establishing consistency in BSA examinations. She noted that the FinCEN responded with commitments to work with the Agencies on the threshold issue and the review of other issues that were raised in the BSA-related comments, including through the BSA Advisory Group meetings. Regarding regulatory relief for BSA supervision, she advised that the Agencies recently issued overviews and examination procedures on customer due diligence and beneficial ownership requirements; and that, regarding the cost and burden of BSA compliance, the Agencies are aware of the increased cost and have been focused on addressing procedures that might be tailored differently to lower-risk institutions. Regarding BSA examination frequency, she noted that BSA examinations are required when safety and soundness examinations are conducted; however, the recent increase in asset size for well-managed, well-rated institutions eligible for an 18-month examination cycle will impact the frequency of BSA examinations for those institutions.

Mr. Davis then introduced the next panel for an update on several supervision issues, advising that Ms. Miller would discuss the guidance issued by the Agencies and the National Credit Union Administration (“NCUA”) regarding supervisory examiner practices for institutions affected by a major disaster; that Mr. Storch would highlight the accounting and reporting implications of the new tax law and review an example relating to implementation of the current expected credit losses (“CECL”) methodology; and Ms. Arquette would provide an update on the BSA’s customer due diligence and beneficial ownership requirements.

Ms. Miller began with a brief discussion of the final rule recently issued by the Agencies, which increased the threshold level at or below which appraisals are not required for commercial real estate transactions. She explained that a number of comments were received in the EGRPRA review noting that the threshold levels had not been revised since 1994; that the Agencies issued a proposal in 2017 to raise the threshold for commercial real estate from \$250,000 to \$400,000; and that the final rule creates a new definition of and separate category for commercial real estate transactions and raises the threshold for requiring an appraisal on commercial real estate transactions from \$250,000 to \$500,000. She emphasized that the increased threshold nearly doubles the percentage of the number of transactions that would be exempted from approximately 16 to 32 percent, which represents a substantial reduction in regulatory burden, especially for smaller institutions. She emphasized that those exempted transactions would still be subject to having an evaluation done, but the evaluation doesn’t need to be by a licensed or certified appraiser.

Ms. Miller then briefly summarized the examiner guidance jointly issued in December 2017 by the Agencies and the NCUA, in consultation with the Conference of State Bank Supervisors, which outlines the supervisory practices that would be followed in assessing financial condition of insured depository institutions affected by a disaster that results in the President declaring an area a major disaster with individual assistance. She described some of the guidance regarding how the Agencies and the NCUA would work with institutions affected by a major disaster to determine their needs, reschedule any examinations, consider extensions for filing Call Reports, and address capital declines due to temporary deposit growth. She also described some of the instructions to examiners, including that examiners should consider how management at the affected institution conducted their initial risk assessments, how they are dealing with information as it becomes available, how they are working with their borrowers as the recovery efforts proceed, and the extent to which weaknesses in an institution’s financial condition are caused by external factors related to the major disaster and its aftermath.

Next, Mr. Storch discussed the interagency statement issued by the Agencies on January 18, 2018, to provide guidance to institutions on certain accounting and reporting implications of the new tax law that was enacted on December 22, 2017. He briefly outlined some elements of the new tax law addressed in the guidance, noting that, under U.S. generally accepted accounting principles (“GAAP”), the effect of changes in tax laws or rates is recognized in the period in which the law is enacted. He noted that the deferred tax assets and deferred tax liabilities had to be remeasured based on what the tax rates would be when the underlying temporary differences or net operating loss carryforwards would actually flow through in future years’ tax returns and that the expectation was that the process of remeasuring deferred tax assets and deferred tax

liabilities would be reflected in the December 31, 2017, Call Reports. He briefly highlighted some of the other key points of the new tax law's impact discussed in the interagency statement, including the effect on amounts reported in accumulated other comprehensive income, the impact on regulatory capital, and the consequences of the elimination of the ability to use net operating loss carrybacks for tax years beginning on or after January 1, 2018.

Mr. Storch then discussed the webinar conducted in February 2018 by the Agencies, in conjunction with the Conference of State Bank Supervisors, the FASB, and the U.S. Securities and Exchange Commission. The webinar focused on assisting community banks in understanding some of the more simple loss rate methods that could be used as a starting point for estimating historical credit losses. He noted that, after the FASB issued the new accounting standard in 2016 introducing the CECL methodology for estimating allowances for credit losses, the Agencies and the NCUA issued a joint statement regarding implementation of the new accounting standard. He also highlighted the two sets of frequently asked questions that the Agencies have issued. Mr. Storch further explained that institutions are not required to engage third-party service providers to calculate their allowances for credit losses; that most community institutions could build on the approaches currently being used by changing some key inputs and building in economic forecasts to transition to the CECL methodology. Mr. Storch noted that the webinar described three loss rate methods—the snapshot/open pool method, the remaining life method, and the vintage method. Highlighting some of the key points of the snapshot/open pool method, he explained that this method takes a snapshot of all the loans in a particular segment of a loan portfolio as of a specific date and tracks the performance of those loans until the last loan in that segment has been paid or charged off to develop an estimate of the historical lifetime loss experience for that segment of loans. He concluded by noting that a number of accounting firms that work with community institutions have indicated that the snapshot/open pool method, assuming it is properly applied and supported with documentation, would be considered an acceptable approach that can be used for the CECL methodology, along with the remaining life methodology and the vintage methodology.

Member Donnelly asked for clarification on the expectations for the level of supporting documentation that institutions will need to maintain with the CECL methodology. In response, Mr. Storch indicated that clear guidance would be provided to examiners to ensure the expectations are tailored to the size and complexity of the institution and its portfolio. He also noted that examiners currently have existing policy guidance for the incurred loss model regarding documentation and other matters; and that principles of this type would continue to apply under the CECL methodology. Member Turner then asked if institutions would be expected to have loss data on a loan pool across its full credit cycle. Mr. Storch indicated that institutions may need to use proxy data to fill in gaps when data for the whole credit cycle is not available, with qualitative adjustments being made to compensate for the lack of complete data as necessary; that it would be unrealistic to expect every institution, particularly community banks, to have historical loss data and other relevant data over a whole credit cycle; and that the transition to the CECL methodology is going to be an evolutionary process, where the first estimate was based on a good faith estimate with documentation to support how it was calculated.

Ms. Arquette then discussed customer due diligence and beneficial ownership requirements, advising that the FinCEN issued a final rule on May 11, 2016, which codified supervisory expectations and regulatory requirements on customer due diligence and beneficial ownership; that there was a two-year period for banks to establish systems, policies, and procedures by the final rule's compliance date of May 11, 2018; and that, on May 11, 2018, the Agencies released the customer due diligence and beneficial ownership sections of the FFIEC Bank Secrecy Act/Anti-Money Laundering Manual to provide guidance and promote transparency on the examination procedures for customer due diligence and beneficial ownership. She explained that customer due diligence requires banks to understand the nature and purpose of customer relationships for developing a customer risk profile, to conduct ongoing monitoring to identify and report suspicious activities, and to update and maintain customer information on a risk basis. She briefly outlined some of the key areas of customer due diligence policies, procedures, and processes on which the examiners would focus, including: the bank's Bank Secrecy Act Anti-Money Laundering risk profile; identification of staff responsibilities; the policies and procedures for documenting customer due diligence analysis and resolving issues; and policies on using customer information for suspicious activity reporting and other relevant regulatory purposes. She briefly discussed the beneficial ownership requirement established to remove the ability of individuals to shield account ownership behind a corporate identity, noting that banks were expected to collect information to identify and verify beneficial ownership of new accounts after May 11, 2018; that banks would need to determine beneficial owners by control and ownership of account; and that there was no expectation or requirement that banks collect information retroactively unless there was some type of triggering event prompting the need to collect that information.

Ms. Arquette responded to a number of questions and comments from members concerning the beneficial ownership requirements. Member Scully stated that her understanding was that the renewal of an overdraft line would trigger the requirement to collect beneficial ownership information. In response, Ms. Arquette advised that the FinCEN issued an administrative ruling granting a 90-day limited exceptive relief to institutions from the obligations of the beneficial ownership requirements regarding certain financial products and services, such as certificate of deposits or overdraft lines with automatic rollover features or renewal; and that the FinCEN has been reviewing the issue because of practical concerns raised by banks having to collect information again when there have been no changes. Member Menon asked if information would need to be collected when an existing relationship opens new accounts. In response, Ms. Arquette indicated that, if a bank has beneficial ownership information on a legal entity, there would be no requirement to keep collecting the information unless the bank has a reason to believe there has been a change in the individual who controlled the entity or some other triggering event. Responding to a question from Member Turner regarding additional evidence of ownership required from the entity, Ms. Arquette explained that FinCEN provided a certification form regarding account ownership when they issued the final rule; and that the individual opening the account can provide verification regarding the beneficial owner by signing the certification. Ms. Arquette also noted that the institution may have internal policies and procedures that request additional information. Member Scully then asked what would be required for situations where a trust or partnership holds the beneficial ownership. In response, Ms. Arquette explained that trusts have been excluded from the definition of legal entities subject to the beneficial ownership requirement. Member Donnelly asked if any

cost/benefit analysis was done regarding customer due diligence and beneficial ownership requirements. Ms. Arquette responded by noting that FinCEN performed a cost analysis as part of the rulemaking process.

Mr. Davis then announced that the meeting would break for lunch. Accordingly, at 12:18 p.m., the meeting stood in recess.

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The meeting reconvened at 1:32 p.m. that same day, at which time Mr. Davis introduced the next panel to provide a community bank research update, noting that Diane Ellis, Director, Division of Research (“DIR”), would provide highlights from the FDIC’s publication entitled “Crisis and Response: An FDIC History, 2008–2013”; Patrick Mitchell, Deputy Director, DIR, would review the quarterly bank performance results for community banks; and George French, Acting Deputy Director, Office of the Chief Economist and Regulatory Analysis Branch, DIR, would discuss broader financial trends for community banks.

Ms. Ellis began by explaining that the study published late last year, entitled “Crisis and Response: An FDIC History, 2008–2013,” reflects the FDIC’s unique perspective and role in the financial and banking crisis and its response to those challenges; that it seeks to contribute to the growing literature on lessons learned from this period; and that it is intended to inform current policy makers, as well as those who may be confronted with similar challenges in the future. She provided a brief overview, noting that the publication is organized in two parts. She noted the first part documents the origins of the financial crisis, examines the steps taken by the FDIC in response to it, and describes the FDIC’s use of its systemic risk authority to provide open-bank assistance to some of the largest institutions at the time; and the second part highlights the challenges the FDIC faced in carrying out its core mission of supervision, deposit insurance, and failed bank resolution, with a chapter each on those functions. Noting that it has been 10 years since the onset of the financial crisis, Ms. Ellis indicated that preparing a study and releasing it to the public was a means for the FDIC to learn not only what the agency did well but also what it could have done better, and to initiate a discussion on that topic.

Mr. Mitchell then briefly discussed community bank performance during the first quarter 2018. He reported that the first quarter 2018 was a very positive quarter for community banks, with higher quarterly earnings and continued improvement; that net income was approximately 18 percent higher compared to one year ago, with the primary drivers being net interest income which increased by approximately 10 percent, noninterest income which increased slightly by approximately three percent, and income taxes which declined by 22 percent due to the lower corporate tax rate; that noninterest expense increased by approximately seven percent; and that loan loss provisions increased by approximately 24 percent, but the increase is off a very low base. He emphasized that the improvement was broad-based across the industry, with more than seven out of 10 community banks reporting higher earnings than a year ago. He also reported that community banks continued to outperform the industry in terms of net interest margin (“NIM”); that the NIM for community banks improved by ten basis points to 3.64 percent compared to one year ago; and that the NIM for community banks remained materially higher than the industry NIM of 3.32 percent. Focusing on pretax return on assets (“ROA”), he noted

that community banks remained relatively flat at 1.33 percent, well below the industry average of 1.62 percent due primarily to the amount of noninterest income generated by some of the larger institutions. Mr. Mitchell indicated that net operating revenue as a percentage of assets was 4.22 percent, up four basis points from one year ago, with the increase driven by an increase in net interest income of 10 basis points. He highlighted that asset quality remained strong, with noncurrent loan rate declining to 0.85 percent for community banks—the lowest level since 2007—indicating very strong credit quality and loan performance. He also noted that there was a decline in the noncurrent loan rates across all loan categories for community banks, with the exception of farmland and agricultural production loans, indicating some level of stress; and that the net charge-off rate increased slightly from 0.11 percent to 0.13 percent. He reported that loan growth for community banks remained strong, increasing by 7.4 percent during the past year, which exceeded the annual growth rate of 4.9 percent for the industry; that loan growth for community banks has been broad-based across all major loan categories, with the highest growth continuing to be in nonfarm, nonresidential – essentially commercial real estate – loans; and that there has been a sustained upward trend in loan-to-asset ratio at community banks, increasing from a low of 62 percent in 2012 to a ratio of slightly over 70 percent as of the first quarter 2018, which remained above the industry ratio of 56 percent. Finally, he noted that interest rate risk has increased significantly for community banks since 2010; that total time deposits have declined from 37 percent of total assets to 22 percent of assets; that, in the aggregate, there has not been substantial repricing of deposit liabilities and repricing has not kept pace with the rate increases from the Federal Reserve; that, for community banks, the percentage of loans and securities that reprice or mature in three year or more has increased significantly since 2010, from approximately 37 percent of total assets to approximately 50 percent, where it appears to have leveled off at this point in time; and that these indicators reflect increasing interest rate risk, with community banks having gone out longer on the interest rate curve on the asset side and holding more deposits susceptible to repricing more quickly.

Noting that community banks were having a strong performance during this current period of U.S. economic expansion, Mr. French then briefly discussed some of the broader trends for community banks, focusing on some of the pre-crisis and post-crisis similarities and differences. He noted that, based on capital ratios over the last four years, community banks were currently operating with higher leverage ratios than during the four years before the crisis; that noticeably fewer community banks currently have concentrations of commercial real estate or construction loans; and that even for those banks that have concentrations, the concentration levels are down significantly. Mr. French indicated that one of the factors supportive of net income performance during this current cycle is low-cost deposits being more plentiful than pre-crisis, but as interest rates start to rise, deposits will start to re-price, or the deposits may leave the bank if the rates are not increased. He also noted that community banks currently have significantly more long-term assets than during the pre-crisis period, and the interest rate spread will be squeezed as deposits reprice, but the assets do not reprice. He also raised the prospect that the value of those long-term assets could potentially decrease as interest rates increase, which could potentially create liquidity issues. Mr. French also stated that, while concentrations in commercial real estate and construction lending were down relative to capital, the overall volume of loans and loan-to-asset ratios are currently slightly higher than before the crisis, with more than one-half of loans collateralized by real estate, as it was before the crisis; and that lending at FDIC-insured banks, particularly small banks, has generally been outpacing Gross

Domestic Product; and that most of the loan growth has been from one-to-four family, commercial real estate, and commercial and industrial lending. He noted that this level of loan growth has raised questions regarding the potential risks that banks may be taking to achieve this growth; and that some of the FDIC's publications in the last couple of years have highlighted several trends that show signs of risks being taken, including an increase in the frequency of out-of-area lending and an increase in the use of noncore funding by banks with loan concentrations in commercial real estate or agriculture. Finally, he explained that inflation-adjusted price trends for three types of real estate—agriculture, commercial real estate, and one-to-four family—have indicated a long-term upward price appreciation, with values at or above inflation-adjusted historic highs; and that this type of sustained price increase has raised the question of vulnerability to a correction, particularly with the importance of real estate loans to community banks. He emphasized the importance of prudent risk management of those portfolios.

Following the panelists' presentations, the Committee members offered general comments and observations on the impact of a flat or possibly inverted yield curve, loan demand in an environment of rising interest rates, and competition for loans and deposits. Noting that the Committee members appeared to understand the potential for inflation as a risk factor, Director Gruenberg asked if they believed their colleagues among the community banks generally shared the understanding that there were vulnerabilities in the current environment that may be shifting at some point. In response, Member Tolomer indicated that there was a greater sensitivity to those vulnerabilities, but that it may be tied more to concerns regarding liquidity and cybersecurity, as opposed to economic pressures. Member Williams observed that, from a community bank perspective, it was an interesting time from the technology perspective, with industrial loan companies and online banks having an impact, with community banks losing depositors to lower-cost delivery alternatives.

Mr. Davis then introduced the next panel with Ms. Ellis and Matthew Green, Associate Director of Financial Management Reporting, DIR, to briefly discuss assessment credits.

Mr. Green briefly reviewed the current outlook for the Deposit Insurance Fund ("DIF") and the background on the assessment credits for community banks, explaining that the DIF balance was \$95.1 billion on March 31, 2018, representing a \$10.1 billion increase over four quarters; that the DIF reserve ratio—the fund balance as a percentage of estimated insured deposits—was 1.3 percent on March 31, 2018, up from 1.2 percent in March of 2017; and that the FDIC staff expected the reserve ratio to reach the statutory minimum of 1.35 percent in the third or fourth quarter of 2018, which would be two years ahead of the September 2020 deadline required by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). He explained that, after the reserve ratio surpassed 1.15 percent in the second quarter of 2016, regular assessment rates declined, as required under a final rule that the FDIC approved in 2010 and reaffirmed in 2016; that, when the lower rates went into effect in the third quarter of 2016, quarterly assessments paid by banks with less than \$10 billion in assets declined on average by about one-third; that the Dodd-Frank Act requires banks with total assets of \$10 billion or more to bear the cost of the increase in the minimum reserve ratio from the previous legal minimum of 1.15 percent to 1.35 percent; that, beginning in the third quarter of 2016, large banks have been paying temporary assessment surcharges; and that small banks will receive assessment credits for the portion of their assessments that contributed to the increase in the

reserve ratio from 1.15 percent to 1.35 percent. He noted that the final rule adopted in 2016 requires that each small bank be notified of the amount of credits it would receive as soon as practicable after the reserve ratio reaches 1.35 percent; and that the calculation of the total amount of credits would require information available only after the reserve ratio reached 1.35 percent, including the amount of insured deposits at that time, the total amount of surcharges that large banks paid toward growing the reserve ratio, and the proportion of regular assessments that were contributed by small banks. With respect to calculating the assessment credits, he explained that the final rule assumes that the DIF investment income and any reductions in losses from bank failures would be used to maintain the reserve ratio at 1.15 percent, which attributes the reserve ratio growth to assessments as much as possible to maximize the total amount of credits to small banks; that the total credit amount would depend on the quarter in which the reserve ratio reaches 1.35 percent; that the aggregate amount of small bank credits was currently estimated to be in the range of \$500 million to \$1 billion; and that the FDIC would allocate the credits among small banks in proportion to each small bank's average assessment base—total deposit liabilities during the time that the reserve ratio was between 1.15 percent and 1.35 percent. When the reserve ratio is at or above 1.38 percent, he explained that the FDIC would automatically apply credits to reduce the small banks' assessment up to the entire amount of that assessment; and that the expectation was that, for most banks, the credits would fully or partly offset their deposit insurance assessments for three or four quarters.

Mr. Davis then announced that the meeting would briefly recess. Accordingly, the meeting stood in recess at 2:28 p.m.

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The meeting reconvened at 2:42 p.m. that same day, at which time Chairman McWilliams advised that the next presentation would be an update from the Office of the Ombudsman. She also advised that she would like to include an update from the Ombudsman at every meeting of the Committee in an effort to make the operations and function of the Ombudsman as robust as possible; and that the members' feedback would be very welcome in that process. Mr. Davis then introduced the FDIC's Ombudsman, M. Anthony Lowe, to provide an overview of the role and organization of the Office of the Ombudsman.

Mr. Lowe began with some historical background on the Office of the Ombudsman, noting that it was established in 1994 pursuant to the Riegle Community Development and Regulatory Improvement Act, which required all of the financial regulatory agencies to establish a liaison that was independent of the agencies' main operations to address issues or concerns raised by entities they supervise. He outlined the four major tenets of the Office of the Ombudsman: (1) that it was independent, reporting directly to the Chairman's Office; (2) that it was neutral, advocating for a fair process; (3) that it was confidential, maintaining confidentiality regarding communications and exchanges on matters brought to its attention by stakeholders, unless the stakeholder has authorized otherwise; and (4) that it was informal, seeking to find a collaborative resolution to any issues or concerns on an informal basis. He briefly described the role of the Ombudsman, which includes: providing an FDIC perspective to the stakeholders; providing feedback to the Chairman's Office from stakeholders, particularly on recurring issues; working with other divisions to address issues raised by stakeholders and encourage improved

policies and practices; and helping to facilitate effective communications between the FDIC and stakeholders.

Mr. Lowe continued with a brief overview of the organization and operations of the Office of the Ombudsman, noting that, in addition to the Ombudsman and an Associate Ombudsman, there were six Regional Ombudsmen—one in each of the FDIC's six regional offices—that visit banks and gather information that is included in reports to the Chairman's Office, and a small staff of Senior Ombudsman Specialists based in the FDIC's Washington, D.C., Headquarters Office, that handle all of the incoming communications. He explained that the Ombudsman has been averaging approximately 2,000 contacts annually, with almost 90 percent of the contacts coming from the public; that telephone calls were the most frequent method of contact, which frequently were followed up with a written request for additional information or a face-to-face meeting. He also explained that the Ombudsman worked with the other divisions, including the RMS, the DCP, and the Division of Resolutions and Receiverships to identify potential issues or concerns, facilitate better practices and policies, and assist with discussions with bank customers following bank closings; and that the most frequently reported area of concern was matters relating to the examination process, which accounted for approximately 60 percent of the matters handled by the Ombudsman's Office. He concluded by highlighting some of the major goals for 2018, which include: broadening industry awareness of the Office of the Ombudsman services through outreach activities and meetings with individual banks and trade associations; monitoring the feedback from community bankers, particularly for recurring issues or concerns affecting policies and processes with regard to the FDIC's supervision of community banks; and developing a pilot program for external reporting on the Ombudsman's activities.

Member Hanrahan asked if the number of contacts from banks were unique contacts or multiple contacts regarding a single matter. In response, Mr. Lowe indicated that some of those contacts from bankers would likely be on multiple issues, with additional issues being raised during the callback on the initial contact. Member Scully asked how the Ombudsman resolved complaints while maintaining confidentiality. In response, Mr. Lowe advised that in some cases the Ombudsman needs to inform the bank that it cannot resolve an issue or complaint without releasing information, especially those involving applications. At Chairman McWilliams' request, Mr. Lowe elaborated on the steps the Ombudsman would take in the process of resolving a complaint regarding an examination issue, explaining that the Ombudsman initially would request additional information or schedule a visit to the individual bank; that discussions typically would be held with regional or division managers; that a strategy would be developed to determine if there has been an issue and how it could be resolved. He emphasized that inquiries regarding examination issues are often caused by ineffective communication.

Mr. Davis then introduced the final panel for the meeting to present a briefing on the forum on technology in banking that the FDIC held in May 2018. He advised that Ms. Eberley would provide an overview of the forum panel discussion on emerging technologies transforming banking operations; Mark Pearce, Director, DCP, would highlight the forum panel discussion on the impact of emerging technologies on retail banking, including new and innovative delivery channels, enhanced customer experiences, and economic inclusion; and Mr.

Miller would summarize the forum panel discussion on data access and balancing rights and security.

Ms. Eberley began by highlighting some of the ongoing efforts to ensure that the FDIC, in the roles as bank supervisor, deposit insurer, and receiver of failed institutions, is prepared to understand and address the changing landscape in financial services and the manner in which banks use and adapt to new technologies. She advised that the FDIC has established an emerging technology steering committee that includes members of the FDIC's senior management; that two interdivisional working groups have been established to consider the retail and wholesale aspects of emerging technologies in banking; and that through these efforts the FDIC was monitoring trends, opportunities, and risks, and evaluating impacts on banking, general safety and soundness, deposit insurance, financial reporting, economic inclusion, and consumer protection. She emphasized that this work would serve to inform the FDIC's supervisory strategy for responding to opportunities and risks presented by the use of emerging technologies to supervised institutions.

Turning to the forum on technology in banking, Ms. Eberley advised that the first panel of the forum focused on how emerging technologies were transforming banking operations and back office functions. She noted that the panel covered a range of topics, including: how banks can establish a strategy to support implementation of emerging technologies, including means to ensure that security would be built into the innovation; how banking operations can be transformed by technology such as distributed ledger applications and new payment infrastructures; and how innovations in automation, pattern recognition, and cognitive computing were being implemented to improve operational efficiency. She highlighted some of the key takeaways from the panel discussion, including that banks need to develop strategies and adopt a digital mindset focused on delivering an inspiring package of digital services to their customers; that a real-time payments platform can provide a secure foundation to support innovation in the industry's payments infrastructure; that technology can be used to transform banking operations by automating backroom operations to speed customer services and employing cognitive computing for fraud detection and prevention; that the adoption of blockchain technology offers the potential to improve banking operations as part of a larger digital transformation of the industry; and that security needs to be an integral part of the innovation process. She noted that the panelists agreed on a number of key points, including: that it was important to focus on adopting new technology to solve a problem rather than to recreate an existing process; that the adoption of new technology currently was focused on improving the customer experience, as opposed to achieving cost savings; and that technological advances were more likely to be transformational to the industry, as opposed to revolutionary, with banks taking a practical approach to incrementally meeting the needs and desires of customers and conducting business in real time. She concluded her overview of the forum by encouraging the Committee members to view the on-demand video of any of the panel discussions or the entire event available on the FDIC's website.

Next, Mr. Pearce presented highlights from the panel discussion on the impact of emerging technologies on retail banking, including the potential benefits, challenges, and risks of implementing new technologies. He briefly outlined the panelists' discussion on several topics, including: an example of an innovation lab created in a bank to digitize its application process for small business loans and expand its lending activity; the benefits of creating an online bank in relation to deposit gathering and loan closings; the use of technology to provide a seamless experience, regardless of the delivery channel the customer chooses; the ability of banks to customize their use of the Zelle peer-to-peer payments application to make it consistent with the bank's other marketing and branding; and the use of technology and data by banks to help customers manage their financial lives and financial wellness. He noted that the panelists offered three key takeaways: (1) that technology can be used by banks of all sizes, and the failure to utilize technology would put community banks at a disadvantage in the marketplace; (2) that technology should be used to solve a problem and not to recreate existing processes; and (3) that technology can be used to support and leverage a bank's core competencies.

Mr. Miller then briefly summarized the panel discussion on accessing data and balancing rights and security. He noted that one crucial issue discussed by the panel was the ownership of and access to the large volume of consumers' financial data being collected from many different sources; that data aggregators believe the data belongs to the consumer and should be available to share with third-party aggregators, while bankers generally have a very different perspective focused on transparency on the use of any data and security concerns; and that a number of questions need to be resolved regarding access to data, including who owns the consumers' financial data, who can access the data and how can they access it, and how to balance the consumers' right to share their data with the security of that data. He reported that liability was another issue that has raised serious concerns, specifically with regard to who would be liable in the case of banks releasing or sharing customers' data or who would be responsible in the event of a data breach. He noted that banks are very reluctant to release or share customers' data if they believe they would have the liability for those actions; and that this issue has been a subject of discussion by the financial regulatory agencies. Finally, he noted that a third issue discussed by the panelists was the role of community banks; that the consensus among the panelists was that most of the discussion on data access—such as the negotiation of standards—has primarily occurred between large data aggregators and large banks, without significant participation by community banks; and that community banks eventually would want to participate in these discussions. He concluded by noting that the adoption of rules by the United Kingdom and the European Union requiring banks to develop secure means for providing access to data by third parties—and requiring the third parties to be registered and regulated—may serve as an example of the direction data access in the U.S. could take in the future.

Bringing the meeting to a close, Chairman McWilliams thanked the panelists and the Committee members for a very robust discussion. Emphasizing that she looked forward to continuing with the Committee's activities, she indicated that the Committee's next meeting

would open with an hour dedicated to the Committee members offering short presentations of their perspectives on their markets, underwriting conditions, or other events that they can bring as a perspective to the Committee.

There being no further business, the meeting was adjourned at 3:00 p.m.

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
And Committee Management Officer
FDIC Advisory Committee on Community Banking

Minutes
of the
Meeting of the FDIC Advisory Committee on Community Banking
of the
Federal Deposit Insurance Corporation

Held in the Board Room
Federal Deposit Insurance Corporation Building
Washington, D.C.

Open to Public Observation

July 11, 2018 – 9:02 A.M.

I hereby certify that, to the best of my knowledge, the attached minutes are accurate and complete.

Jelena McWilliams
Chairman
Board of Directors
Federal Deposit Insurance Corporation