Testimony of

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On Behalf of

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Before the

United States House of Representatives

Committee on Financial Services

Hearing on

"Examining the Dangers of the FSOC's Designation Process and Its Impact on the U.S. Financial System"

May 20, 2014

Chairman Hensarling, Ranking Member Waters and members of the Financial Services Committee. My name is Deron Smithy; I am the Treasurer of Regions Bank, based in Birmingham, Alabama. I appreciate the opportunity to speak to the Committee about the systemic risk designation, its impact on regional banks and the ways in which it can be improved. Regions Bank is a member of the Regional Bank Coalition, a group of eighteen traditional lending institutions that play a critical role in the Main Street economy. Regional banks are larger than $50 billion in assets but have basic, straightforward business models that do not present a threat to the stability of the U.S. financial system.

Overview

The Dodd-Frank Act (DFA) adopted a blunt approach for its definition of systemically risky bank holding companies, using a $50 billion asset threshold even though there are significant business model differences among the bank holding companies above that threshold limit—and for many regional banks, almost no differences in business model with those that are below the threshold. Nonbank financial firms are afforded a process—however opaque and problematic to some industry participants and observers—to determine whether they should be designated as systemic. Our view as regional banks, primarily engaged in traditional lending that benefits communities in all 50 states, is that bank holding companies, just like nonbank financial firms, deserve a hearing before the Financial Stability Oversight Council (FSOC) to determine whether or not we pose a systemic risk to the financial system. We believe that there is an effective, bipartisan legislative proposal (H.R. 4060) that would provide regulators—and the FSOC—with the appropriate flexibility to the Title I approach.

Creating a dynamic, business activity-based approach not only would establish a fairer method for evaluating banks in comparison to nonbanks, but it would strengthen regulators' ability to appropriately tailor rules to match the differences among banking organizations. This is not a new idea. The House of Representatives considered an activity-based approach in the early stages of its Dodd-Frank discussions. Furthermore, there already have been several proxies for the approach proposed in H.R. 4060, a bipartisan bill introduced in February 2014. The bill would have the regulators review five factors—including size, complexity, interconnectedness, international activity and substitutability—before making a systemic designation. Regulators have used these factors in other contexts to determine how firms might impact the stability of the financial system.

The Federal Reserve, working both by itself and with other U.S. and international banking regulators, has drafted numerous standards and proposals that distinguish among banks larger than $50 billion assets. They have some discretion within DFA to write rules that distinguish among banks; however, a more precise definition of systemic risk would allow for more effective prudential regulation and rulemaking. Congress could assist this approach—an approach supported by Federal Reserve Governor Daniel Tarullo in a May 8 speech—by enacting a more flexible definition of systemic risk and engaging the FSOC in that process for banks and nonbanks alike. Using an arbitrary asset threshold forces traditional regional banks that are engaged primarily in conventional lending activities to incur unnecessary expenses, puts them at a competitive disadvantage because they compete against banks of all sizes, and creates incentives to manage their asset bases to avoid exceeding the threshold instead of focusing on core business activities.

Regional banks operate in all 50 states, are critical sources of credit to small businesses and medium-sized firms, and have banking relationships with half of the U.S. households. [1] No regional bank has national deposit shares greater than 3% of the total; combined, regional bank assets are less than 2% of GDP. Regional banks are not systemic; we are not meaningfully interconnected with other firms and lack the complexity, significant participation in trading, derivatives and securities financing markets, global scope or the market dominance that could destabilize the financial system. Instead we provide credit to business owners and consumers. In fact, regional banks have far more in common in structure and operating model with community banks than globally active, complex firms.

<u>The Goal: Tailored Regulation to Match Business Activities and Risk Profiles</u>

Arbitrary asset thresholds distort markets and fail to provide regulators with the proper framework to tailor appropriate regulations for the different types of firms in the American banking system. Regulators recognize that regional banks should be treated differently in the DFA architecture than complex, interconnected banks. The regulators understand the limitations of an asset-only method of determining systemic risk, recognizing its fundamental imprecision, and, in fact, they rely on activity-based approaches in making key determinations about financial stability and systemic concerns. The Federal Reserve and international regulators adopted a multi-factor method to decide which complex, interconnected firms should be deemed to be systemically important on a global basis (the G-SIB designation). The Financial Stability Board tagged eight U.S. bank holding companies as G-SIBs; no U.S. regional banking organizations were designated. Furthermore, the Federal Reserve used activity-based standards—similar to those in H.R. 4060—in post-DFA, statutory evaluations of acquisitions by two regional banking organizations. The Federal Reserve approved the acquisitions, by PNC and Capital One,

[1] Regions Bank, SunTrust Bank, PNC Bank, Fifth Third Bank, Capital One Bank, Key Bank, Huntington Bank, CIT, Key Bank, BB&T Bank, TD Bank, RBS Citizens Bank, Comerica Bank, BBVA Compass, BMO Harris Bank, M&T Bank, Santander Bank and Zions Bank.

concluding that there would be no impact on U.S. financial stability. In approving PNC's purchase of RBC Bank, the Federal Reserve found that PNC engages "in a relatively traditional set of commercial banking activities, and the increased size of the combined organization would not increase the difficulty of resolving the organization's activities."[2]

The arbitrary $50 billion threshold is not a proxy for systemic risk. Systemic banks are "financial firms whose distress or failure has the potential to create broader financial instability sufficient to inflict meaningful damage on the real economy," as former Federal Reserve Chairman Bernanke said in a May 10, 2013 speech at the Federal Reserve Bank of Chicago.[3] This does not describe regional banking firms, as the Federal Reserve's own assessment of recent merger activity determined. More recently, Federal Reserve Governor Tarullo suggested in a May 8 speech that there should be a vigorous debate about how to create a more finely calibrated regulatory structure that recognizes business model differences, not just existing asset thresholds, in setting macro-prudential regulatory standards. In fact, for purposes of regulatory groupings, banks bigger than community banks (which he defined as larger than $10 billion in assets) but not G-SIBs represent a more coherent category than the banks divided by DFA's $50 billion threshold, Tarullo added.[4] Federal Reserve Chair Janet Yellen struck a similar point when she testified before the House Financial Services Committee in February. Relying on asset size only was not the best way to measure a bank's systemic importance, noting that the Fed is working "to tailor our regulations even with the $50 billion and above category, Yellen said."[5] The mismatch between the goals of regulators and the statutory definition of systemic risk resulted from political objectives when DFA was drafted, not economic and business model considerations. "By setting the threshold for these standards at firms with assets of at least $50 billion, well

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[2] The Federal Reserve Board had to consider "the extent to which a proposed acquisition, merger or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system." The Federal Reserve assessed numerous factors, including: asset size, competition and availability of alternative providers for services, interconnection, complexity and international activity. It further noted that even after the transaction, PNC would not engage in business activities or "participate in markets to a degree that in the event of financial distress…would pose material risk to other institutions." Federal Reserve System, Order Approving Acquisition of a State Member Bank (Dec. 23, 2011);
http://www.federalreserve.gov/newsevents/press/orders/order20111223.pdf .
The Fed made a similar ruling when approving Capital One's purchase of ING Direct in 2012. FRB Order No. 2012-2, Federal Reserve System, Order Approving the Acquisition of a Savings Association of Nonbanking Subsidiaries (Feb. 14, 2012); http://www.federalreserve.gov/newsevents/press/orders/order20120214.pdf.

[3] Ben Bernanke, "Monitoring the Financial System," Presented at the 49th Annual Conference on Bank Structure and Competition sponsored by the Federal Reserve Bank of Chicago (May 10, 2013). Available at http://www.federalreserve.gov/newsevents/speech/bernanke20130510a.htm.

[4] Daniel Tarullo, "Rethinking the Aims of Prudential Regulation," Presented at the Federal Reserve Bank of Chicago Bank Structure Conference (May 8, 2014). Available at http://www.federalreserve.gov/newsevents/speech/tarullo20140508a.htm.

[5] Janet Yellen, House Financial Services Committee Hearing entitled "Monetary Policy and the State of the Economy," (Feb. 11, 2014). Available at https://www.bgov.com/news_item/rMUtHn1b101gyOxob1BLwA. Last month at a Brookings Institution event, former Fed chair Ben Bernanke responded to a question about too big to fail regulations by noting that "it's not just size…I think it has to do also with opacity, complexity, interconnectedness, and a variety of other things." Ben Bernanke, "Liquidity and the Role of the Lender of Last Resort," Presented at the Brookings Institution. (Apr. 30, 2014).

below the level that anyone would believe describes a 'too big to fail' firm, Congress has avoided the creation of a de facto list of too big to fail firms," Tarullo said in 2011.[6]

The Regional Bank Coalition believes that its time to move beyond the simple asset-only model to determine systemic risk because it does not match the reality of the U.S. banking system. A flexible approach informed some Dodd-Frank rule-makings and other regulatory actions; however, Federal Reserve policymakers are constrained, by statute, to expand many of its rules to include provisions for those firms above the existing $50 billion threshold that are not G-SIBS. [See Table 1 for threshold-based rules.] Ill-suited regulation stifles banks and offers no particular benefits to the customers we serve, taxpayers, or regulators. Rules designed for large, complex firms impose real, burdensome costs when applied to middle-market lenders. They weigh on our ability to operate competitively and could force us to curtail our primary activity, which for Regions Bank and other regional banking organizations is serving retail customers and making consumer and commercial loans to small businesses and midsize firms. Overly expansive regulation forces management—as well as the boards of directors—to focus too intently on these issues, distracting them from efforts to build businesses and execute strategic initiatives. Indeed, given regional banks' simpler operations and organizational structures, it is significantly easier for our management, directors, and regulators to understand the risks that we face and the processes we use to manage and control those risks. Finally, the costs have competitive implications. Regional banks compete in most markets against community banks (assets less than $10 billion) that are carved out of most regulation and Dodd-Frank costs. It "is important to emphasize that the majority of the provisions of the Dodd-Frank Act do not apply to community banks at all," former Fed Chairman Bernanke said in a 2012 interview.[7]

TABLE 1: SIGNIFICANT REGULATIONS WITH ASSET THRESHOLD TESTS

Topic	**Threshold**	**DFA**	**Status**
Annual capital plans (CCAR)	$50b	Non-DFA	Final/implemented
Supervisory stress tests	$50b	Sec. 165	Final/implemented
Capital surcharges	$50b	Sec. 165	TBD
Enhanced capital disclosures	$50b	Basel III	Final/2015 implementation
Liquidity risk management standards	$50b	Sec. 165	Final/2015 compliance
Liquidity Coverage Ratio	$50b	Basel III	Proposed
Single counterparty concentration limits	$50b	Sec. 165	Proposed
Risk management/Risk Committee requirements	$50b	Sec. 165	Final/2015 compliance

[6] Daniel Tarullo, "Regulating Systemically Important Financial Firms," at the Peter G. Peterson Institute (June 3, 2011); http://www.federalreserve.gov/newsevents/speech/tarullo20110603a.htm.
[7] Ben Bernanke, "Community Banking," Presented at the Independent Community Bankers of America National Convention and Techworld (3.14.12). http://www.federalreserve.gov/newsevents/speech/bernanke20120314a.htm.

Leverage (debt-to-equity) limits	$50b	Sec. 165	Final
Contingent capital rules	$50b	Sec. 165	TBD
OCC heightened expectations	$50b	Non-DFA	Proposed
Short term debt limits	$50b	Sec. 165	TBD
Enhanced public disclosures	$50b	Sec. 165	TBD
Credit exposure reports	$50b	Sec. 165	TBD
Resolution planning/"living wills"	$50b	Sec. 165/Title II	Final/2013 end to staged implementation
Federal Reserve enhanced reporting (FRY-14 and FRY-15 and FRY-2025b)	$50b	Non-DFA	Various stages: final and proposed rules
OFR/FSOC Assessments	$50b	Sec. 155	Final/implemented
Federal Reserve Assessment	$50b	Sec. 318	Final/implement
Durbin Amendment	>$10b*	Sec. 1075	Final/implemented
CFPB supervision/primary enforcement	>$10b*	Sec. 1025	Final/implemented
FDIC large bank pricing	>$10b*	Non-DFA	Final/implemented
FDIC insurance fund target	>$10b*	Sec. 334	TBD

*banks with assets <$10b were carved out of these requirements

Regulators have made some distinction in rule-makings, but not enough. Examples of the tiered approach include the filing deadlines for banks' DFA-required Title II resolution plans, primarily based on non-bank assets, and Volcker compliance standards.[8] Consistent with this view of divergent risk profiles, regulators finalized a leverage rule that only applies to BHCs with more than $700 billion in assets or more than $10 trillion in assets under management. Also, the Federal Reserve recently created a Large Institution Supervision Coordinating Committee (LISCC) that seeks to incorporate "systemic risk considerations into the supervision program." The LISCC aims to bring an interdisciplinary "approach to the supervision of … large, systemically important financial institutions." The LISCC does not monitor any regional banking

[8] Under the Federal Reserve and FDIC's joint regulation implementing the DFA's resolution planning requirements, covered companies with more than $250 billion in total nonbank assets were required to submit their initial resolution plans before other covered firms and generally have been subject to more stringent regulation. The agencies explained in their preamble to the resolution plan rules that this "group comprises the largest, most complex" BHCs. 76 Fed. Reg. 67323, 67330 (2011). Tarullo, in his speeches and testimony, distinguishes between the "largest, most systemically important U.S. banking organizations" (for instance, the G-SIBs) and other banks that merely surpass $50 billion in assets. Two examples are his speech entitled "Toward Building a More Effective Resolution Regime: Progress and Challenges" at the Federal Reserve Bank of Richmond Conference (Oct. 18, 2013) . (Available at http://www.federalreserve.gov/newsevents/speech/tarullo20131018a.htm) and his testimony on Dodd-Frank Implementation to the Senate Banking, Housing and Urban Affairs Committee for their hearing entitled "Mitigating Systemic Risk Through Wall Street Reforms" (July 11, 2013). Testimony available at http://www.federalreserve.gov/newsevents/testimony/tarullo20130711a.htm.

organizations; however, it oversees several nonbank financial firms that recently went through the FSOC designation process.[9]

Effective, precise regulation will make the banking system safer; the current system saddles regional banks with excessive costs to implement and follow rules that do not reflect their business models. These costs—both direct and indirect—total hundreds of millions of dollars annually for individual regional banks; they impact productivity and can limit innovation—and these costs are growing more rapidly than other operating expenses for most banks. Regional lender M&T Bank spent $265 million on regulatory compliance in 2013, doubling the previous year's expense and a four-fold increase since 2007. The regulatory compliance spend accounted for 10% of the company's total operating expense, while it contributed to just 7% of those expenses in 2007.[10] At Regions Bank we have seen similar trends. Since DFA's passage, our risk management spending has more than doubled—an increase that is tens of millions of dollars annually. Regions Bank, for example, has more employees dedicated to regulatory compliance than we have commercial bankers building relationships with clients. And while in the past year Regions added 200 new associates in the Risk Management and Compliance areas, we also expect our bankers to participate in the supervisory, compliance and regulatory reporting requests from regulators. Our programs, undoubtedly, are more comprehensive and sophisticated than earlier; however, it is critical that they are commensurate with a bank's risk profile. In addition to direct costs such as new systemic regulatory fees, including the increased FDIC insurance fund assessment fees, regional banks also have additional expenses for new regulatory reporting, some of which, like Volcker and resolution plan submissions, offer little additional information to regulators about our business models. And not all of the systemic risk provisions have been finalized so these expenses can be expected to multiply.

Regional banks incur these new expenses as they face significant loss of revenue—especially in consumer businesses—totaling hundreds of millions of dollars annually due to new laws and regulations, including the Durbin Amendment. Bright-line asset thresholds designed to separate banks are not sound policy; they can create competitive imbalances that allow some banks to offer products at vastly different prices, thus harming harm certain banks and their customers. Lawmakers also have tried to use the threshold-designation in other contexts, such as tax policy, so it is important that the definitions are correct and are established through a more responsible designation process.

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[9] In addition, a Senate proposal to address the risks of large, complex organizations, Terminating Bailouts for Taxpayer Fairness Act (S. 798), introduced by Senators Sherrod Brown (D-OH) and David Vitter (R-LA), proposes a $500 billion threshold, far above the DFA standard, for the highest capital levels.

[10] See 2013 and 2010 M&T Bank annual reports, http://mtb.mediaroom.com/2013AnnualReport and http://mtb.mediaroom.com/2010message

TABLE 2: SELECT REGULATORY COSTS, REGIONS BANK

Risk Management Spending	Expenses more than doubled from 2009-2013, an increase of tens of millions of dollars
Durbin Amendment (interchange revenue)	$170 million in foregone revenue annually
Foregone Revenue, from significant consumer regulation changes	$100 million annually
FDIC Assessment Fees (new DFA rules and the FDIC's changes to its calculation method	2013 assessment: $125 million 2008 assessment was $15 million
New Federal Reserve Fee	$2.75 million
Select Indirect Costs	
Dodd-Frank Act Implementation Team	A cross functional team of bankers, lawyers, risk managers and finance group associates that meets regularly to identify, track and monitor rules—both activity within the agencies but also the ways that the bank might have to alter its own business, internal control or compliance practices.
Rules	The team has identified 469 rules and agency actions to follow ➢ > 40 related to enhanced standards ($50b threshold) or holding company activity ➢ >100 related to Volcker rule or derivatives (although Regions does not engage in proprietary trading and does not have to register as a swaps dealer) ➢ >100 related to mortgage rules and CFPB activity

Regional banking organizations are not seeking to avoid rigorous scrutiny and proportional oversight. The Federal Reserve increased its supervision of large bank holding companies prior to the enactment of the DFA, through the creation of new capital planning and supervisory stress testing processes. The Federal Reserve's authority for these detailed, rigorous reviews and processes would remain, no matter the systemic designation. These exercises give the Federal Reserve unobstructed views into a bank's activities and balance sheet. Governor Tarullo highlighted the iterative process of the stress tests—and the value of the methods put in place before DFA—in his February 2014 testimony to the Senate Banking Committee. The "refinements, which have been informed by the extensive commentary and advice we get from the banks, technical experts, [and] policy analysts, continue to improve what I think is the single most important change in supervisory practice since the financial crisis," Tarullo said.[11] Moreover, regional banks remain subject to Basel III capital and liquidity requirements and numerous rules that set protective guardrails outside of Title I's enhanced prudential standards,

[11] Daniel Tarullo, hearing entitled "Oversight of Financial Stability and Data Security," Senate Committee on Banking, Housing, and Urban Affairs (Feb. 2, 2014).

such as the CFPB and new consumer regulations. Finally, the scrutiny includes constant business unit exams by federal and state regulators.

H.R. 4060

Regions Bank and regional banking organizations should be regulated according to our business models. H.R. 4060, a bipartisan bill introduced in February with Rep. Blaine Luetkemeyer (R-MO) as the lead, and five other House Financial Services Committee members as original co-sponsors,[12] strikes the $50 billion automatic threshold for systemic designation and calls for the FSOC to use the following five standards: size, interconnectedness, substitutability, international activity and complexity. In addition, this process would be similar to earlier drafts of the Dodd-Frank Act considered in the House of Representatives prior to final passage. The Regional Bank Coalition believes that the Luetkemeyer bill would improve the designation process because it uses an iterative approach and identifies the factors that create actual systemic risk rather than using a blunt instrument like asset size. The bill, if passed into law, would allow the regulators to focus their efforts where true risk to the system exists.

Regional Banking Model

The Regions business model, outlined in more detail below, is similar to peer regional banks. Regional banks are firms with assets of greater than $50 billion, but they fundamentally operate as traditional lending, community-focused, domestic commercial banks. Regional banks pose no systemic risk. They are important members of the local communities they serve, integral to the Main Street economy and to the financial lives of consumers and small and mid-size businesses. Regional banks are a meaningful part of the banking community in all 50 states. However, as individual banks, our size is modest in relation to the banking sector and overall economy. For example, no regional bank has national deposit shares equal to 3% of the total and most have a market share of less than 1%. In aggregate our assets are less than 2% of U.S. GDP, a total roughly equivalent to the single largest U.S.-based G-SIB.

Regional banks:

- Operate in all 50 states and serve local communities in more than 22,500 branches and offices
- Hold one-quarter of U.S. banking deposits
- Extend financial services to more than 60 million households, more than half of all U.S. households
- Originated more than $500 billion mortgage loans (about one of every seven mortgages)
- Provided more than $300 billion in other consumer lending
- Are important sources of credit to small and mid-sized businesses, including
  - Commercial and industrial loans: $400 billion

[12] Rep. Steve Stivers (R-OH), Rep. Spencer Bachus (R-AL), Rep. David Scott (D-GA), Rep. Patrick Murphy (D-FL) and Rep. Terri Sewell (D-AL).

- Small business loans (loans of <$1mm): $50 billion
- Small Business Administration loans: $2.3 billion
- Farm loans: $6 billion

The arbitrary $50 billion threshold creates a false barrier among traditional banks and it pulls some of those banks into the same regulatory architecture as more complex, interconnected financial firms. [13] The similarity in the business model of traditional banks can be measured by various activity-based metrics, including how we fund and our lending focus.

TABLE 3. BANKING METRICS, FIRMS WITH >$10 BILLION IN ASSETS

	Banks with assets >$10 billion but <$50 billion (50 banks)	Regional Banks
Loan-deposit ratio	85%	85%
Loan-asset ratio	65%	65%
Commercial & Industrial loans, as % of all loans	19%	24%
Funding: deposits as % of liabilities	86%	88%
Trading Assets	<1%	<1%

Source: SNL

Indeed, funding sources, including the use of core deposits versus short-term borrowings, underscore the different operating models between regional banking organizations and more complex firms. This issue is a top priority for regulators; the FSOC's *2014 Annual Report* lists "short-term wholesale funding markets" as the first on its list emerging threats and topics for reform. Regional banks rely on core deposits, not short-term borrowings, to fund their operations. Core deposits are equal to 72% of assets compared to just 29% for the U.S. G-SIBs. Other metrics further differentiate lending-focused regional banks and complex, interconnected firms. Two-thirds of regional bank assets are loans compared to less than half of the assets of the four largest bank holding companies. The distinctions can be measured in the structure and scope of operations, including non-bank activities (such as trading and market-making) and international operations, as well as complexity of the firms and their interconnections. Consider the differences between regional banks and the eight U.S. bank holding companies that already have been tabbed as globally system (G-SIBs) by international regulators:

- Regional banks are more likely to engage in traditional lending. Regional banks have a loan-to-deposit ratio of 88% and net loans and leases represent 65% of assets compared to 61% and 25% for the G-SIBs.

[13] Daniel Tarullo, "Rethinking the Aims of Prudential Regulation," Presented at the Federal Reserve Bank of Chicago Bank Structure Conference (May 8, 2014). Available at http://www.federalreserve.gov/newsevents/speech/tarullo20140508a.htm .

- Regional banks are less complex. Their broker-dealer assets account for less than 1% of total firm assets compared to close to 20% for the G-SIBs. Looking at it another way, the six largest U.S. banks have three times as many subsidiaries as the next 44 banks.
- Finally, regional banks are U.S. institutions. Less than 1% of their deposits and loans are outside the U.S., while the corresponding numbers are 28% and 18% for the G-SIBs.[14]

Regions Bank

Regions Bank is a community-focused, diversified lender that operates in sixteen states and offers a range of consumer and business lending products and services. We have a simple yet effective model that focuses on relationship banking through high quality customer service coupled with industry expertise. Regions provides banking services to hundreds of thousands of businesses and to millions of households that benefit people that live in all types of communities and that are at all stages of the borrowing and saving continuum. Even in a time of slow economic growth, Regions is moving forward and making progress. Simply put, Regions is growing loans and adding customers. And we are investing in our operations and technology infrastructure to offer better services and meet changing regulations.

TABLE 4. REGIONS BANK KEY FACTS

Loans/rank	$76 billion/13th
Commercial Loans	$46 billion
Consumer Loans	$29 billion
Branches/ATMs	1,700/2,100
Commercial Customers	500,000
Small Business Customers	450,000
Households	4.4 million
Deposits/rank	$93 billion/14th
Employees	23,687

Regions' commercial focus is on small and medium-sized businesses that are dependent on traditional bank credit for financing. Our balance sheet includes $46 billion in commercial loans; we serve 500,000 commercial customers overall, including 450,000 small business owners. These clients live and operate businesses both in rural communities and major metropolitan areas. In serving our corporate, middle market and small business customers, we compete against all types of banks, from the largest national banks to smaller community banks. Several years ago we might have competed against one or two banks when renewing loans or seeking to make a new loan, our bankers now regularly face four to five competitors. This is especially true in the small business and middle market spaces, where we compete fiercely against regional and

[14] See for instance, the January 31, 2014 comment letter from several regional banks to the regulators, including to the Federal Reserve on the *Notice of Proposed Rulemaking for the Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards and Monitoring*.

community lenders. Fewer banks vie for corporate accounts because they need more sophisticated services and have larger capital needs.

The consumer bank serves more than 4 million households and we hold $29 billion in consumer loans on our balance sheet. We strive to meet the financial needs of all types of consumers in our markets—from those who need short-term credit and check-cashing services to higher income customers relying on our wealth management services. In fact, we have significantly grown our product suite in the past several years and innovation—both in how we interact with customers and the services we offer—is as critical to our business success as is strong customer service and the development of long-term relationships with our clients. Our mortgage business reflects our conservative banking principles. We only originate mortgages through our own bankers and we exited the subprime business ahead of the credit crisis. As early as the summer of 2007 we developed a customer assistance program (building on our responses to Hurricane Katrina) to help our customers as the recession began. As a result of our origination and underwriting guidelines, as well as our willingness to reach out to customers in need, we have mortgage delinquency and foreclosure rates below industry averages.

Regions operates in diverse markets: from rural America to major metropolitan areas. In particular, we serve Americans in midsize and smaller metro markets, and we operate in places where our most significant competition comes from community banks. We are the community bank in those areas. While Regions is a top ten bank (measured by deposits) in two-thirds of the largest 25 MSAs in our footprint, we also are in nearly all (96%) of the MSAs with less than 100,000 residents and we have a strong presence in rural towns and counties in our footprint states. To highlight this diverse footprint and our commitment to provide banking services to many types of communities:

- A majority of our deposits (51%) come from communities that have less than 1mm people; additionally, 5% of our deposits come from rural areas; in contrast, just 11% of the deposits of one of our money-center bank competitor's come from metro areas with populations less than 1mm people. Also, they collect just .3% of their deposits from rural communities.
- 60% of our branches are in communities or metropolitan areas of less than one million
  - In comparison, just under 30% of the branches of a big-bank competitor's are in communities of less than 1mm people.
  - Nearly 10% of our branches are in rural counties, while 1% of the money center competitor's branches are in rural counties.

In addition, Regions has loaned out about $1 billion in small business loans to customers in our non-metropolitan communities and is a significant lender to farmers and firms that provide agricultural services. Our $1.2 billion agriculture portfolio makes Regions a top-ten agricultural lender among traditional commercial banks.

We compete against banks of all sizes throughout our markets. For example:

- In Birmingham, the market where Regions has the most deposits (population: 1.1 million), the bulk of our competition comes from regional and mid-size banks (assets greater than $10 billion), though one money center and many community banks also have market presences.[15]
- In Tampa (population: 3 million), our 3rd largest deposit market, regional banks and money center banks each have about 40% market share.
- In many of our core markets in smaller metropolitan areas, such as Knoxville and Chattanooga, Tennessee, our competitors are almost exclusively smaller regional banks and community banks.

Conclusion

The current statutory designation of all banks with more than $50 billion in assets as systemic is imprecise, results in non-systemic banks being lumped together with truly complex, financially interconnected firms for regulatory purposes, and saddles regional banks with costs that are not necessary. Regional banks do not threaten the country's financial stability nor are they complex organizations—with thousands of subsidiaries and meaningful nonbank activities—that would be difficult to resolve in a crisis. The current standard does not best serve banks, taxpayers, small business owners and other borrowers in our communities, or the regulators. The regulators have requested the need for a more tailored, risk-focused framework for identifying firms that may, in fact, present true systemic risk so that they can apply enhanced regulatory standards to address those risks. A multi-factor, activity-based test along with a fair and transparent designation process, such as proposed in H.R. 4060, would accomplish this goal.

[15] Market share is based on deposits; all data is from SNL.