Dear Ms. Misback,

The Conference of State Bank Supervisors (“CSBS”) appreciates the opportunity to comment on the Advance Notice of Proposed Rulemaking issued by the Federal Reserve Board (the “Board”), titled “Regulation D: Reserve Requirements for Depository Institutions” (the “ANPR”). The ANPR requests comment on whether the Board should propose amendments to Regulation D to lower the rate of interest paid on excess balances (“IOER”) maintained at Federal Reserve Banks by eligible institutions that hold a very large proportion of their assets in the form of balances at Reserve Banks. The ANPR refers to these narrowly focused depository institutions as Pass-Through Investment Entities (“PTIEs”).
In the ANPR, the Board suggests several alternative approaches to defining a PTIE for
the purpose of identifying the eligible institutions that would earn a lower IOER rate.
Under one of these alternatives, a PTIE would be defined as “an eligible institution that (i)
has a very high reserves/assets ratio or a very low capital/assets ratio; and (ii) is not
subject to supervision by a federal banking agency (e.g., the Board, the Office of the
Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the National
Credit Union Administration).” State bank regulators oppose this proposed definition
because we believe, as a matter of policy, access to Federal Reserve services should be
limited on an equitable and impartial basis.

CSBS has consistently maintained that access to Federal Reserve services should be
restricted to eligible institutions on an equitable and impartial basis. For this reason, we
are concerned that the proposed definition seems to assume that the regulatory scrutiny
applied to state-supervised eligible institutions is categorically substandard relative to
that applied to federally-supervised eligible institutions. Of course, regulatory scrutiny
should certainly be a factor in assessing the risk of providing Federal Reserve services to
an eligible institution. But state regulators believe that this assessment can only be done
on an equitable and impartial basis through a transparent and objective evaluation of the
actual, substantive prudential requirements applicable to the institution. Limitations on
access cannot be equitable and impartial when the application or nonapplication of
prudential requirements is assumed based solely on the identity of the supervisory
authority.

We appreciate the opportunity to comment on the ANPR and the general regulatory
proposals pertaining to PTIEs contained therein. To reiterate, state regulators oppose
defining a PTIE as an institution which, in part, is not subject to supervision by a federal
banking agency as this runs counter to commitments to impartial and equitable access.
We look forward to continuing to collaborate with the Board and the Federal Reserve
Banks to achieve our shared supervisory mandates to maintain a strong and resilient
banking system.
Sincerely,

John Ryan
President & CEO