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COMMENT LETTER

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September 12, 2018

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The Honorable Jeb Hensarling Chairman
House Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Hensarling:

On behalf of the Conference of State Bank Supervisors (CSBS),¹ I am writing to express state regulators' opposition to provisions in Section 7 of the "Federal Reserve Reform Act of 2018" (H.R. 6741) that would impose a tax on state-chartered banks. Among other things, Section 7 calls on the Federal Reserve to assess new fees on state-chartered banks to cover the cost of the Federal Reserve's bank supervision activities.

State banking regulators charter and supervise approximately 4,400 institutions, representing nearly 79 percent of the nation's banks. Thousands of state-chartered banks are supervised by the Federal Reserve to some degree, and would be negatively impacted by this proposal, including:

- Over 800 state-chartered member banks;
- Approximately 2,700 state non-member banks with a holding company; and
- Hundreds of state-licensed foreign bank branches and agencies.

While none of these banking organizations would receive any new supervisory benefit from the Federal Reserve, they would undoubtedly pay more for the same level of supervision.

Additionally, these exam fees will hit the smallest, state-chartered community banks the hardest, and will divert money that could otherwise be put to work in their communities.

Beyond its direct impact on individual institutions, this change in Federal Reserve funding would upset the balance of the dual banking system and further threaten the diversity of our nation's banking industry. These bank exam fee proposals create regulatory uncertainty that undermines the regulatory choice that is fundamental to the dual banking system, and diminishes the role of locally accountable state regulators, forcing a bias toward, centralized, inside-the-beltway federal bank supervision.

We appreciate the broader objective of increasing oversight and accountability of the federal financial regulatory agencies, including the Federal Reserve, and the work you and the House Financial Services Committee have done. These goals can be accomplished without imposing new exam fees on state-chartered banks, and CSBS

looks forward to working with you to ensure this outcome.

Sincerely,

John W. Ryan President and CEO

*cc: The Hon. Maxine Waters, Ranking Member, House Financial Services Committee The Hon. Andy Barr, Chairman, Subcommittee on Monetary Policy and Trade
The Hon. Gwen Moore, Ranking Member, Subcommittee on Monetary Policy and Trade*

¹ CSBS is the nationwide organization of banking regulators from all 50 states, American Samoa, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. For more than a century, CSBS has given state supervisors a national forum to coordinate supervision of their regulated entities and to develop regulatory policy.