From the Top

By Camden Fine, President and CEO of ICBA

Clear Dividing Lines

Well, at least we know where they stand. Their views are on the record. The association that claims to represent banks of all sizes doesn't support tiered financial regulation. (I doubt the other half-dozen financial trade groups that represent Wall Street interests support proportional regulation either.)

Instead, citing practicality and "free-market fairness," this other association feels it's necessary to subject community banks to the ill-fitting, one-size-fits-all regulatory straightjacket we've had to wear for decades. (Of course, we all know that when it comes to the too-big-to-fail firms there is nothing "free-market" or "fair" about them.)

To wit, in an *American Banker* op-ed in October titled "A Modern, Developed Economy Needs Banks of All Sizes," the CEO of this one-size-fits-all association *opposed* exemptions designed to shield community banks from regulations specifically aimed at big-bank and nonbank financial firms. "Washington policymakers must acknowledge the reality and genius of this well integrated economic ecosystem and *renounce* [emphasis added] the two-sizes-fits-all approach to bank regulation," he wrote.

The op-ed singled out the Wall Street Reform Act's $10 billion-asset threshold exempting community banks from several of the law's provisions, including Consumer Financial Protection Bureau examination and enforcement, as an "artificial boundary." ICBA had advocated for a $50 billion-dollar threshold and in some cases no threshold at all. But such are the vagaries of Congress.

So this other association believes tiered regulation attempting to help community banks from disproportionate regulation is arbitrary and too "inflexible" to work in the diverse world of financial services. And, perhaps most importantly, it's not fair—to the big banks. (Well, cry me a river. It's not like megabanks haven't enjoyed proprietary advantages over community banks for decades. *Even some regulators have acknowledged that!*)

Unfortunately, this other association offers no alternative solution to the staggering regulatory burdens facing community banks.

But ICBA looks at these issues solely from the vantage point of community banks, *our members*. The one-size-fits-all regulatory framework feels mighty arbitrary to community banks that never engaged in the abuses and reckless behavior that brought on the current heap of mishmash regulations. And that one-size-fits-all approach feels mighty inflexible and unfair when regulators can't or won't consider that community banks don't have virtually unlimited compliance staff and resources.

For decades ICBA's lone voice in Washington argued that many regulations can't be effectively or fairly applied to all banks without considering their size, complexity, activities or business models. Now that Congress and regulators finally see the light, the groups with megabank or nonbank-financial-firm members are mobilizing to "unlevel" a playing field that community bankers are desperately trying to level out.

Community bankers should ask themselves this—where were these banking groups on other issues so critical to community banks? Where were they on imposing asset-based deposit-insurance assessments? On preventing a single federal bank regulator? On keeping banking and commerce separate? On reining in too-big-to-fail?

On all these bright-line issues, ICBA sounded the alarms and spent all the resources and political capital it had to achieve improbable but crucial victories for community banks and Main Street America. Time and again, when it mattered most, the big-bank associations remained silent, took half-hearted action or only mumbled support for vital community bank issues. Their decision to dismiss proportional regulation is no different.

At least this time their opposition is out in the open. At least we know for sure where their hearts, minds and real interests lay.