ABA PRESIDENT & CEO

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American Bankers Association.

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To ABA member bank CEOs:

2023 has been a year of volatility for the financial sector. Starting with the **collapse of the crypto sector** in late 2022 and continuing into the near year, followed by stock market volatility and continued rapid interest rate hikes, and climaxing with the failures Silicon Valley Bank, Signature Bank and First Republic Bank in the spring. As a result, banking has been at the center of the national conversation in way it hasn't for 15 years. And while things seem calmer today, the uncertain economic outlook and the potential for problematic regulatory changes mean we cannot yet declare "all clear."

ABA's team of more than 300 professionals with expertise on almost every aspect of banking continues to monitor the landscape to advance your interests and address your concerns. And we continue to make headway on the priorities in **ABA's Blueprint for Growth**, even amid the challenging policy environment.

As we reach the midway point of the year, I've taken a moment to reflect on the turbulence of the first half and highlight what we've accomplished—working together—thus far this year. The accomplishments below cover our ongoing work on the post-SVB policy environment, supporting economic growth, financial inclusion, innovation, leveling the playing field, training and overall member value.

This is just a small slice of our activity at ABA, and we always aim to deliver what our members need from us—so if you have a challenge at your bank, I encourage you to reach out to see if ABA can help. Please feel free to contact me at **nichols@aba.com** or any one of my ABA colleagues via our **Experts on Call** service. Remember, we are here to serve you.

HIGHLIGHTS FOR JANUARY-JUNE 2023

Responding to the bank closure fallout

The first half of the year was dominated by the failures of SVB, Signature and First Republic—three idiosyncratic events driven by an unusual combination of interest rate movements, errors of supervisory focus and mismanagement of risk.

While we as an industry take any bank failure seriously, ABA made the case in forums like **C-SPAN** and our widely attended **Washington Summit** that America's banks remain on the whole healthy and strong. Meanwhile, we have developed a wide array of resources to help banks respond to the post-SVB policy environment and continue to support their customers and local economies. In the days and weeks after the failure, we:

1. Advocated for the FDIC to do everything in its power to reduce the **post-SVB special assessment**, to follow the law and to treat all banks fairly. I want to be very clear, since others have mischaracterized our advocacy on the special assessment: All along, ABA **advocated** for the FDIC first to follow the law, then to sell the failed banks' assets for as much as possible to reduce the special assessment and finally to apply the assessment to the banks that benefited from it most, as the law calls for. That's been our position, despite misinformation to the contrary. Any suggestion ABA advocated for community banks to pay the special assessment is simply wrong. At present, the total cost has come down to $15.8 billion, and the FDIC has proposed to spare most community banks, which we believe is consistent with the law.

2. Hosted Treasury Secretary Janet Yellen in the days after the failures of SVB and Signature Bank as a keynote speaker at the **ABA Summit**—showcasing for all watching the strength and resilience of America's banks. The Summit also featured the top lawmakers in each party leading the key congressional committees overseeing banking.

3. Launched a Deposit Insurance Working Group with nearly 200 bankers to help identify potential new approaches to FDIC insurance and respond to the special assessment and other FDIC proposals. (To join this group, email my ABA colleague **Alison Touhey**.)

4. **Urged** the Securities and Exchange Commission to investigate illegal short selling of bank stocks in the wake of evidence that manipulation was occurring during the post-SVB volatility—and **set the record straight** in response to media criticism of our successful advocacy.

5. Just this week, signaled our **strong opposition** to a pending proposal from regulators to raise capital standards for banks, even though those same regulators have deemed our industry well-capitalized and stated that capital was not the central issue for the banks that failed.

Driving a healthy and inclusive economy

ABA continues to advocate for policies and initiatives that foster economic growth and expand access to banking. This year, that's included a range of policy wins that make it easier for banks to do business, as well as progress in promoting financial inclusion through our continued support of the Bank On movement. Thus far, in 2023, we have successfully:

1. Continued **moving the ball** on the SAFE Banking Act, which has 41 Senate sponsors and 60 House sponsors and saw its first-ever legislative committee hearing in the Senate.

2. With our state association partners, **won rejection by the American Legislative Exchange Council** of a model bill that would have required states to stop doing business with companies considered to be boycotting fossil fuels and other related industries. (We stand firmly against efforts from both the right and the left to intervene in banks' business decisions, which is what the draft model policy proposed.)

3. Persuaded the Federal Housing Finance Agency to **rescind a new DTI-ratio-based fee** for borrowers with DTIs above 40 percent, which would otherwise have resulted in consumer confusion, process delays and needless liability risk for lenders.

4. Celebrated the **growth of the Bank On movement** (see photo above), with Bank On-certified accounts up 350 percent since ABA challenged banks to make Bank On part of their financial inclusion strategies three years ago and the number of branches with Bank On access nearly doubling to 53 percent. (Those efforts have helped reduce the number of unbanked in the U.S. to its lowest level ever, and we just launched a new **partnership** with the Association of Military Banks of America to bring more veterans into the banking system.)

5. Reached a major milestone in the ABA Foundation's **three-year goal to help 5 million people access financial education**, with 660 banks committing to reach 1.1 million people this year and improve the financial health of their customers and communities.

Support a dynamic and innovative banking industry

Our team continues to notch major wins in helping banks innovate. We continued our advocacy and research on core platforms issues and engaged on innovation-related policy topics. In the near future, I'll have some exciting news to share about ABA's continued efforts to help banks access the best industry solutions. Until then, thus far in 2023, we have:

1. Released our latest **core platforms survey** from our Core Platforms Committee showing that fewer than half of banks are satisfied with their core provider—although 76 percent of bankers say the Core Platforms Committee's work has helped address the bank's ongoing concerns.

2. Published a **free report** on how banks can leverage middleware solutions to drive innovation—an area of emphasis for our Office of Innovation and the Core Platforms Committee.

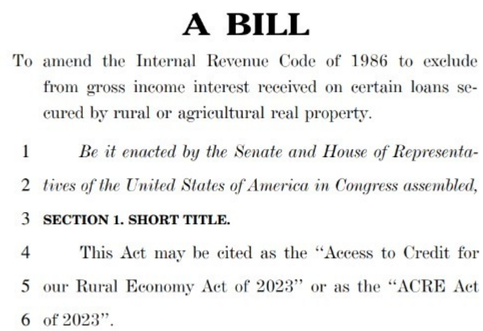
3. Embraced the Fed's **new policy statement** on how it will evaluate requests from state-chartered but non-FDIC-insured banks to engage in novel activities, which is based on the core principle of like regulation for like activities and ensures that banks supervised by the Fed—insured and uninsured alike—would be subject to limitations on certain activities imposed on national banks, unless there is other, specific federal authority on which state banks can rely.

4. Through our advocacy, **won positive changes** to the Financial Accounting Standards Board's 2021 proposal to revise accounting standards for fair value measurement of cryptoassets.

5. Welcomed Rep. Andy Barr's (R-Ky.) bill to **boost the formation of de novo banks** in rural and underserved areas.

Foster a competitive financial services marketplace

We continue to oppose direct government intervention in banking—whether through price controls, unevenly applied tax subsidies or direct competition with private companies—because these interventions distort the financial services marketplace and create unintended consequences. Thus far this year, we:


A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income interest received on certain loans secured by rural or agricultural real property.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Access to Credit for our Rural Economy Act of 2023" or as the "ACRE Act of 2023".

1. Won introduction of the **Access to Credit for the Rural Economy, or ACRE, Act**, which would help support rural economies by level the playing field in ag real estate financing. (In the House, ACRE already has more bipartisan cosponsors than ever before for its predecessor bill, ECORA.)

2. **Aggressively challenged** efforts to advance the "Durbin Amendment 2.0," the so-called Credit Card Competition Act, through grassroots action, radio and digital advertising in close collaboration with the state bankers associations. (To date, more than 10,000 letters have been sent to the Hill, and bankers have made more than 3,000 phone calls to lawmakers.)

3. **Joined a lawsuit** by the Texas Bankers Association and McAllen, Texas-based Rio Bank challenging the CFPB's final rule implementing Section 1071 of the Dodd-Frank Act—in addition to continuing our pending 2022 lawsuit challenging the CFPB's UDAAP exam manual.

4. **Won passage** in the House Financial Services Committee of a bipartisan bill that would expand investment eligibility for 403(b) retirement plans, leveling the playing field for these vehicles and providing benefits to retirement savers.

5. Educated policymakers and the public about credit unions' lack of accountability, cost to taxpayers and mission drift through **Reform Credit Unions**.

Free member tools and resources

We continued our work providing an industry-leading suite of free resources for ABA member banks. In 2023, ABA has:

1. In advance of the July launch date, offered a **free five-part webinar series** on FedNow implementation. (The recordings remain available to view!)

2. Released the **2023 edition of our popular—and free—guide to communicating about key banking issues**, with new material covering the CFPB, digital assets, ESG issues, inflation and interest rates.

3. Created the **ABA DEI Awards** to recognize industry leading bank DEI programs and practitioners and launched an employee resource group to serve Asian-American bankers at smaller banks without a critical mass of peers, complementing our ERG for Black bankers.

4. Relaunched ABA's topic-specific suite of **free email bulletins** on a new technology platform that provides customized content uniquely tailored to reader interests.

5. Activated the ABA Foundation's **disaster response fundraising capacity** to support tornado relief and recovery efforts in Mississippi, raising more than 104,000 alongside the Mississippi Bankers Association.

Building banker talent

In addition to our free member resources, ABA continues to meet bankers' professional development needs by launching new training

opportunities based on emerging priorities.
Thus far this year, ABA has:

1. Hosted 2,600 bankers for our first-ever **Risk and Compliance Conference** (pictured), with dozens of unique sessions designed to help bankers navigate the challenges of these converging disciplines, and rebranded our compliance magazine as ***ABA Risk and Compliance***, with a broader focus aligned with the conference.

2. Made ABA's 143 free-to-members **Frontline Compliance Training** courses available to more than 1,500 banks, with 237,000 bankers and board members participating actively each year and generating savings of $5.7 million across the industry.

3. Initiated a series of **MDI Partnership Summits** to help midsize and regional banks build productive partnerships with minority banks.

4. Graduated 229 new alumni from the **ABA Stonier School of Banking**.

5. Hosted more than 1,300 bankers on a **joint webinar** hosted by ABA's Foundation and the Department of Justice detailing how to spot and prevent elder financial exploitation, followed by a helpful **free guide** for bankers that the Foundation created with the FBI.

I'd like to close by thanking you for your active participation with ABA. We're proud to have *15,000* bankers volunteering on 200 councils, committees and working groups—all of them helping us stay focused on our north star: the health and growth of America's banks.
As we move into the second half of 2023—with all the challenges we know to be ahead and

surprises we can’t see over the horizon—know that the ABA team will partner with you to make a difference for your employees, your customers and the communities you serve.

Best regards,

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