

Hello again, Bank Slaters!

Congratulations on making it through the week. I know there are a lot of concerned people from [Silicon Valley Bank](#) and [Signature Bank](#) who must still be in shock; let's find ways to support them. In case you missed it, [here are my thoughts](#) on the role (a lack of) confidence and concentrations played in recent events.

Separately, we had the opportunity to interview Derek Williams, the new chairman of the Independent Community Bankers of America, as part of the ICBA's annual convention. We discussed the aftermath of recent bank failures, along with wide-ranging topics such as deposits and regulation.

The complete Q&A can be accessed [here](#). Here are some of the highlights.

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### **What are your thoughts about recent bank failures and messaging from community banks?**



We never want to see a bank fail. It's extremely unfortunate. But it is important to note that community banks operate under an entirely different business model — one that's based locally and is relationship focused. Our member banks are reporting that their customers are not panicking because they trust and have relationships with local bankers, including the CEO. Our customers understand that we are invested in their success and practice sound business practices.

Community banks manage risk on a daily basis and protect their customers' deposits every single day, just as they have for decades and, in some cases, over a century. Community banks remain well-capitalized and well-positioned to meet the needs of small businesses and consumers. While we certainly empathize with those impacted by the recent collapse, we also believe community banks should not pay for the actions of the largest and riskiest banks like SVB. If a customer is looking for a soft place to land, community banks stand ready to serve customers and communities nationwide.

## **Any thoughts on the competition for deposits?**

I think there will be increasing competition, but community bank customers know that their community bankers have been there for them — supporting the community, working with consumers and businesses to meet their financial goals and helping them through the pandemic. Community banks have the flexibility to work with individual customers to meet their needs. I think that will help them maintain deposit levels as competition increases.

## **What other issues should banks monitor in 2023?**

Community banks continue to have broad concerns about a growing body of potential regulations that could add compliance and operational obligation to an already burdensome regulatory climate.

Community banks are starting to take better advantage of the options available to use fintech partners to better serve our customers. This requires some significant due diligence, making sure we're using partners that support our model and protect our customers.

## **The CFPB is busy and other regulators have their own areas of interest. Which areas are most concerning for community banks and what can they do to prepare?**

From a community bank perspective, all of this is concerning. ICBA and community bankers reject the CFPB's mischaracterization of overdraft protection and credit card fees for late payments as "junk fees." It misrepresents how community banks meet the needs of their customers through overdraft protection and credit card services.

Community banks provide a wide range of products and services that customers may select to address situations in which they've overdrawn their accounts, including overdraft programs, free ad hoc solutions, alerts about their account status, account transfers and more. Community banks offer credit cards under contracts that consumers voluntarily enter into and feature clearly disclosed late fees that deter late payments, help offset issuer costs and represent a small portion of customers' credit card costs.

Community bank practices are appropriate and do not constitute surprise "junk fees." We're working with the CFPB to ensure its focus on these services does not lead to unintended consequences for community bank customers.

You also have proposed rules regarding climate risk from the SEC and individual states. Community banks have decades of experience managing concentration risks and

responding to extreme weather events and natural disasters — meaning new, onerous and expensive climate risk management frameworks are counterproductive.

We're seeing a lot of regulation and guidance that is happening outside of the rulemaking process. Consumer protection is important, but regulations coming from blog posts and incomplete research ... will make for poor consumer protection. Just as regulations to protect consumers are important, the procedures to create those protections have rules and laws that need to be followed.

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Were you at the ICBA convention? If so, what were your takeaways? Let me know at [info@thebankslate.com](mailto:info@thebankslate.com).

Here are the headlines from the past week.

### **Fallout from Recent Bank Failures**

New York Community Bancorp [has a deal](#) to buy "substantially all deposits and certain loan portfolios" at Signature Bridge Bank in New York, while UBS [agreed to buy](#) Credit Suisse. Also, the White House wants tougher punishment for executives of failed banks, including [claw backs on compensation](#), civil penalties and bans.

Treasury Secretary Janet Yellen told lawmakers that, only in cases of systemic risk, would the [government back uninsured deposits](#). Finally, U.S. banks [borrowed about \\$12 billion](#) from the Fed's Bank Term Funding Program from March 12-15.

### **This Really Happened?**

Signature Bank's founders made a music video in the early 2000s, calling the decision to form the bank "the stupidest idea" they had ever heard of, while jokingly predicting that it would "diminish and fail." The [New York Post](#) unearthed some other videos, too.

### **Silicon Valley Bank**

- Silicon Valley Bank, the bridge bank formed after the predecessor bank failed, is "[conducting business as usual](#)," say [new CEO Tim Mayopoulos](#).
- SVB Financial Group California [filed for Chapter 11 bankruptcy protection](#) a week after regulators seized its bank. The company [is exploring options](#) for two remaining businesses.
- Michael Barr, vice chair for supervision, is [will lead a Fed review](#) of Silicon Valley Bank's supervision and regulation. Findings to be released by May 1.

- Goldman Sachs in New York [bought the underwater securities](#) that preceded Silicon Valley Bank's demise.

## **M&A**

- HSBC Holdings bought Silicon Valley Bank UK for [just over a dollar](#).
- South Shore Bancorp in Massachusetts [plans to merge](#) with 1831 Bancorp in Massachusetts. Financial details were not disclosed.

## **Arrivals | Departures**

- RBB Bancorp in Los Angeles said Catherine Thian, the sister of former CEO Alan Thian, [resigned down from its board](#), citing health reasons.

## **(Fin)tech**

- LendingClub in San Francisco was one of many tech companies to disclose [having deposit accounts at Silicon Valley Bank](#) when the bank failed. LendingClub said the amount "was not material."

## **Odds & Ends**

- First Republic Bank in San Francisco received [a total of \\$30 billion of uninsured deposits](#) from 11 U.S. banks. The announcement came days after the bank said it received [more borrowing capacity](#) from the Fed and added financing from JPMorgan Chase.
- The Fed will [launch its FedNow Service in July](#). The formal certification process will begin in early April. The Fed and certified participants will conduct production validation activities in June to confirm launch readiness.
- Sterling Bancorp in Michigan revised fourth quarter and 2022 earnings after [entering into a plea agreement](#) with the DoJ tied to a defunct mortgage program. Sterling reported a \$18.4 million fourth-quarter loss and a \$14.2 million full-year loss, reflecting a higher provision for contingent losses.
- BayVanguard Bank in Baltimore [expects to raise up to \\$141 million](#) as part of its plans to convert from a mutual to a fully-stock owned company. Separately, Somerset Savings Bank in Bound Brook, N.J., [plans to raise up to \\$111 million](#) as part of its upcoming conversion.

That's all for now. Let's hope for some stability in the days ahead.