



**MINUTES OF  
AMERICA'S MUTUAL BANKS**

**JANUARY 23, 2017 MEETING**

Chairman Boulier chaired the meeting and called it to order at 1:03 pm ET. The following institutions and persons attended by conference call:

Locke Lord LLP

- Doug Faucette
- Dan Weitzel

Representatives and Institutions

- Ion Bank—Chuck Boulier
- Raymond Federal Bank—John Marvin
- First Federal of Lakewood—Tom Fraser
- First FS&LA of San Rafael—Paul Simmons

Topics of Discussion

1. Adoption of Minutes.

Chairman asked for comments regarding the draft minutes of the January 9, 2017 meeting. A motion was made to approve the minutes, the motion was seconded and all voted in favor. The minutes were approved.

2. Discussion of Battle Lines forming over Cordray removal.

Chairman Boulier introduced the matter and asked Mr. Faucette to discuss. Mr. Faucette stated that Senators Schumer and Warren have thrown down the gauntlet—they will not stand for Mr. Cordray's removal as Director of the CFPB. Director Cordray is rumored to be prepared to sue in court if he is removed. The issue revolves around the "for cause" wording in the Dodd Frank Act and the recent court decision finding the organization of CFPB and accountability of the Director unconstitutional. Some believe that there is cause for removal based on his actions.

Mr. Faucette stated that he thinks a contested removal would evolve into a public spectacle and that a suit by Director Cordray to enjoin his removal might damage his political prospects in Ohio. Mr. Fraser mentioned that Mr. Cordray is on the short list of potential 2018 democratic gubernatorial candidates in Ohio. Mr. Fraser continued he believes that Mr. Cordray is too smart to pick a fight on this and that he probably will run for Governor; his ambitions are in Ohio. Senator Brown of Ohio, who is up for re-election in 2018, will likely move to the center considering how Ohio voted in the presidential election. Mr. Faucette stated that he thinks Director Cordray may be a litmus test for the Democrats. Mr. Faucette also mentioned the demonstrations in DC over the weekend. The US Attorney for DC and the DC Mayor both took the violence seriously by charging several dozen protesters with felony counts. The protests show a movement, just like the Trump supporters are a movement. The question is will the anti-Trump movement translate to Congressional action. If the democrats in Congress are affected by the protesters it could embolden them to slow down the transition process. A fight over Director Cordray could be the beginning, especially if he decides to fight removal.

3. Schedule for House consideration of Choice Act.

Mr. Faucette reminded the group that this Act is Chairman Hensarling's proposal to replace Dodd Frank and the name is to provide choices for consumers. The Act was passed by the House last year and Chairman Hensarling has reintroduced it and added a few additional provisions. There will be a few skirmishes in the House but the real fight will be in the Senate. Mr. Faucette believes that the bill will be passed by the House in February. When does it go to the Senate and how will it be received is the real issue. Mr. Faucette stated that one of the larger issues is what is a "community bank". There is a fear that the larger banks will attempt to get themselves included in the definition. Many other interested groups are pushing for their own agendas in the provisions of the Choice Act. The fear is that the Republicans push too far and jeopardize any chance of passage. However, the big banks will not support the bill unless there is something in it for them. Mr. Faucette remarked that over one-third of the Dodd Frank provisions have yet to be implemented by regulations. He continued by saying that even though the Republicans control the Senate, it will be difficult to get legislation passed. Chairman Boulter asked about the Act's chances. Mr. Faucette stated that it will certainly pass the House, but the Senate is problematic. Mr. Faucette clarified that much of Dodd Frank and the Choice Act do not apply to those on the call today.

4. Passage of "public benefits test" legislation by House for SEC rules.

Mr. Faucette stated that Chairman Hensarling wasted no time in introducing and passing legislation in the House requiring the SEC to weigh the "public benefits" before issuing any regulations; the agency must make an economic determination of the costs and benefits. Outgoing SEC Chairwoman Mary Jo White took a shot at Chairman Hensarling and he shot right back. Mr. Faucette posed the question, if the proposal applies to the SEC why doesn't it apply to the banking agencies as well? Mr. Faucette compared the proposal to the existing paperwork reduction act. The agencies haven't found a problem with the paperwork burden relating to any new regulation. He worries that the "public benefit" test will fall victim to a similar fate. Mr. Faucette indicated that a "public benefit" test provision may find its way into the Choice Act and thereby apply to the banking agencies. There have been public benefits legislation introduced in the last Congress applying to the banking agencies.

5. Split in trade group support for OCC limited Fintech charter.

Mr. Faucette mentioned that there is a public split on this issue. The ABA and large banks are pushing for the charter; they see it as a platform. The OCC release and white paper, like other pronouncements, are vague on what is a Fintech company. The ICBA and the state regulatory bodies are not in favor of the OCC's proposal. They believe no good will come to their members/constituents and it will create yet another class of shadow banks with a competitive advantage. The OCC believes it is fostering innovation. Mr. Faucette mentioned the continuing advancement of the Blockchain technology. FINRA and other larger entities are experimenting with it. Blockchain would have a significant impact on the banking industry. In short, generally the state banking agencies and the ICBA are trying to slow the progress and the ABA seems to be looking past potential consequences and declaring its support for Fintech charter. Chairman Boulrier asked if AMB should prepare a comment letter. Mr. Faucette stated that this wasn't AMB's fight and AMB needed to be careful, at least for now. Chairman Boulrier raised another concern, that of letting Fintech charters gather deposits. Mr. Faucette indicated that these entities are presently letting banks gather the deposits and Fintech is really in the payments system. This could result in one more customer contact being lost by the banks. Mr. Fraser stated that his concern is what happens if there is a crisis in the payment system with billions of dollars in float. He is concerned about the implied guarantee aspect. Where does the money really reside? Mr. Faucette and Mr. Fraser mentioned Venmoe payment system as an example. Mr. Faucette asked whether this could push mutual banks farther into the background. Mr. Fraser posed the idea of four or five mutual coming together and forming or acquiring a Fintech company to be in the payments system. Mr. Faucette responded that capital is an impediment along with investment powers; is Fintech incidental to the business of banking. If yes, would need a legal opinion from the banking agencies. If no, then non-starter. Might be better off combining resources and creating an entity to purchase outside Fintech products. Mr. Fraser suggested a look into available investment powers. Mr. Faucette reminded that investment powers are different for many different kinds of institutions and the review would need to be institution specific.

6. AMB Annual Leadership Meeting-March 20, 2017.

Mr. Faucette mentioned that AMB has invited several members of congress and their staffs. He asked whether we wanted to invite someone with a technology/Fintech background. Chairman Boulrier and Mr. Marvin responded yes we should if possible.

7. Mutual Transactions.

Mr. Faucette reported that there had been several small transactions completed, including the Community Savings Bank conversion in Ohio. Mr. Fraser described some unique details of this transaction and expressed his disappointment that the regulators had permitted it to be completed. Mr. Faucette indicated that Rabo Bank, a mutual bank in Europe, had just issued \$1.0 billion in notes. Mutual institutions in Europe are raising supplemental capital notwithstanding Basel III. They have been granted exemptions from the Basel III requirements. Comptroller Curry opposed to mutual banks raising supplemental capital even though our European counterparts are doing so.

8. Schedule for next meeting.

The next AMB meeting was set for February 6, 2017 at 1:00 pm ET.

Chairman Boulter asked if there was anything else to discuss. Hearing no comments, he called for a motion to adjourn. A motion was made and seconded and passed unanimously.

The meeting was adjourned.