



CBAI E-Newsletter, sponsored by SHAZAM August 28, 2019

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IN THE NEWS

Take Advantage of the One-Day Registration Option at CBAI's Convention & Expo!

CBAI's 45th Annual Convention & Expo is just around the corner! Scheduled for September 19-21, 2019, at the Crowne Plaza in Springfield, IL, this year's convention features top-notch education from expert speakers across the country, nearly 90 exhibit booths with the latest products and services for community banks, countless networking opportunities, fun social events and more!

We understand that you have family commitments, work events and endless demands on your time. That's why we are making it easy to "get away for the day" with our one-day registration option. Take a look at the convention agenda – and your schedule – and pick a day that works best for you! You still benefit from expert speakers, access to dozens of vendors, time with fellow community bankers and more – all without missing what's important at home. For more information on our one-day convention registration option, please [click here](#), or for the full convention promo, please [click here](#) or visit www.cbai.com.

**Deadline for hotel reservations has been extended to September 4, 2019. Call the Crowne Plaza, Springfield at 877/270-1393 and book your room today!*

CBSC Preferred Provider Ncontracts Recognized by Inc. Magazine as one of America's Fastest Growing Companies

Ncontracts, the leading provider of integrated risk management solutions for financial institutions, has joined the Inc. 5000, the magazine's annual listing of America's fastest-growing private companies. With 345 percent revenue growth over the past three years, Ncontracts ranks in the top 25 percent of the list. The list represents a unique look at the most successful companies within the American economy's most dynamic segment—its independent small businesses. Microsoft, Dell, Domino's Pizza, Pandora, Timberland, LinkedIn, Yelp, Zillow and many other well-known names gained their first national exposure as honorees on the Inc. 5000.

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Donate Today to Be a Rock Star for the Foundation at CBAI's 45th Annual Convention & Expo

This year's Friday night activity at CBAI's 45th Annual Convention and Expo is a tented parking lot party at the Crowne Plaza. Included in your registration fee, this fun, interactive event features a karaoke fundraiser benefitting the CBAI Foundation for Community Banking scholarship program. You can sing, nominate a friend, or support a fundraising team to help a great cause! Two teams will be going head-to-head to see who can raise the most money for the Foundation.

Donations are now being accepted! Donations will also be taken throughout the event and in the exhibit

hall on Friday. All donations are 100 percent tax deductible. [Click here](#) for more information on the Foundation event.

You won't want to miss this exciting event, sponsored by **The Baker Group, BankOnIT, Federal Home Loan Bank of Chicago and Quad City Bank & Trust**, and so much more at CBAI's 45th Annual Convention & Expo!

[Register Here >>](#)

CBAI Holds Legislative Roundtable and Sporting Clay Shoot

Thirty community bankers joined legislators, special guests and the CBAI governmental relations team for a Community BancPac legislative roundtable in Sparta, Illinois. Guests included Treasurer Mike Frerichs, Sen. Jason Plummer, Rep. Terri Bryant, Rep. Dave Severine, Rep. Nathan Reitz, the Illinois Municipal League, Illinois Manufacturers' Association, Illinois Realtors Association and legislative staffers.

CBAI Chairman David Pirsein welcomed the group and spoke of the value in building strong relationships with legislators and our other partners in Springfield. Legislators gave brief presentations, but the highlight of the day was the opportunity for lawmakers and guests to interact one on one with CBAI members to learn more about the community banking profession. Discussions included the effects of the minimum wage increase, increased taxes, the need for regulatory relief, and issues specific to communities served by the banks and their lawmakers.

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Governor Visits Community Bank to Sign New Legislation

Devon Bank, a founding member of CBAI, hosted Governor JB Pritzker and Comptroller Susana Mendoza for a bill signing ceremony in the lobby of their main branch. SB 1332 creates a statewide "Bank On" initiative to help market mainstream financial services to the unbanked and underbanked populations in Illinois. The Bank On initiative will be overseen by a volunteer board of commissioners which includes representatives of financial institutions, one being a community banker nominated by CBAI. The commission will develop standards for banking accounts and services that are best positioned to capture underserved populations. Banks who offer those services can voluntarily apply to become Bank On certified banks. Government bodies and social service agencies will then work to steer underserved residents to those banks.

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Volcker Rule Simplification Advances

The FDIC and the OCC have approved an interagency final rule to simplify the Volcker Rule, which generally prohibits banking entities from engaging in proprietary trading and from owning or controlling hedge funds or private equity funds. Among its provisions, the final rule bases compliance requirements on the size of a firm's trading assets and liabilities.

Federal regulators last month issued a final rule implementing a CBAI and ICBA-advocated provision of the S. 2155 regulatory relief law exempting most community banks from the Volcker Rule. That final rule conforms with statutory language exempting community banks that have less than \$10 billion in assets and trading assets and liabilities that are no more than 5 percent of total assets. The final rule will be published in the Federal Register following consideration and approval of all participating agencies which also include the Federal Reserve, Securities Exchange Commission, and the U.S. Commodities Futures Trading Commission.

[Read FDIC Release >>](#)

[See OCC Release >>](#)

[See Final Rule >>](#)

Main Street Banks Share Outlook for Interest Rates

After raising its policy rate nine times (from near zero beginning in late 2015), early in January of 2019 the

Federal Reserve Bank suspended its planned normalization of interest rates and credit conditions, ending plans to further raise rates and reduce the size of its portfolio of government bonds and mortgage backed securities. This was in response to increasing concerns about economic "weakness" in the press and a negative response in the equity markets in late December that also reflected some liquidity concerns. The financial press reported rate cuts are "priced in" on Wall Street and markets "expect" the Fed to deliver as early as the July meeting. The markets' expectations were met.

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ICBA Opposes Rakuten ILC Application

ICBA last week called on the FDIC to deny Rakuten Bank America's federal deposit insurance application and impose an immediate moratorium on industrial loan company applications. In a comment letter to the agency, ICBA said the application would allow the "Amazon of Japan's" subsidiary to skirt regulatory oversight and violate U.S. policy separating banking and commerce. CBAI wholeheartedly supports ICBA's position.

ICBA noted that the ILC loophole allows these financial institutions and their parent companies to avoid Bank Holding Company Act regulations and oversight, threatening the financial system and creating an uneven regulatory playing field. ICBA also said this application presents the mixing of commerce and banking at a new and unprecedented level due to Rakuten Inc.'s vast e-commerce and other commercial activities, including the formation of its own professional baseball team.

[Read ICBA Comment Letter >>](#)

[Read ICBA White Paper >>](#)



FDIC Takes Action on Various Issues

FDIC Proposes Extending Access to Assessment Credits

Community banks under \$10 billion in assets will have extended access to deposit-insurance assessment credits under a new FDIC proposal. The FDIC is proposing to apply the credits to quarterly deposit-insurance assessments for as long as the Deposit Insurance Fund reserve ratio remains over 1.35 percent, instead of the current 1.38 percent threshold. Under current policy long advocated by ICBA, community banks under \$10 billion qualify for roughly \$750 million in credits once the DIF reserve ratio reaches 1.35 percent and can begin redeeming them once it hits 1.38 percent. While the DIF threshold has not yet topped 1.38 percent, the FDIC earlier this year notified qualifying community banks of their individual credit amount. The regulations implement an ICBA-advocated provision in the Dodd-Frank Act requiring the FDIC to offset the cost of increasing the reserve ratio from 1.15 percent to 1.35 percent on institutions with less than \$10 billion in assets. The proposed regulation is effective immediately with a 30-day comment period.

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FDIC Proposes Rate Cap Updates

The FDIC also issued a proposed rule modifying interest rate restrictions on less-than-well-capitalized banks. The plan would set rate caps at the higher of (1) the 95th percentile of rates paid by insured depository institutions weighted by each institution's share of total domestic deposits, or (2) the proposed national rate plus 75 basis points. The proposal, which is open for a 60-day comment period, also would simplify the current process for local rate caps by allowing less-than-well-capitalized institutions to offer up to 90 percent of the highest rate paid on a particular deposit product in the institution's local market area. ICBA has told the FDIC that its rate reductions are out of step with the market. In a comment letter, ICBA called on the FDIC to raise and reform rate restrictions to ensure the current methodology doesn't lead to a liquidity crisis or unnecessarily lock in well-capitalized institutions.

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[Read Comment Letter >>](#)

FDIC Approves Interlock Threshold Increase

The FDIC approved an ICBA-supported final rule to increase the major-assets prohibition thresholds under the Depository Institution Management Interlocks Act rules. The act is designed to preserve competition by prohibiting bank managers from serving as management officials at other banks when the interlock is deemed to be anticompetitive. The final rule increases current thresholds to \$10 billion to reflect the growth of community banks.

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FASB Proposes CECL Implementation Delay

The Financial Accounting Standards Board issued a request for comment on a proposal to grant private companies, nonprofits, and certain small public companies additional time to implement FASB standards on current expected credit losses, leases and hedging. The proposal would push back CECL's implementation date until January 2023 for most community banks, three years after the mandate for larger banks, and FASB's leases and hedging implementation by two years to January 2021.

CBAI and ICBA have worked with FASB officials since 2011 to achieve several substantive improvements to CECL and will continue advocating a more flexible CECL environment for community banks as noted in an interactive timeline on ICBA's website. The comment period on the proposal closes Sept. 16, 2019.

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USDA To Provide Flood-Relief for Affected Farmers

The U.S. Department of Agriculture's Risk Management Agency announced it will defer accrual of interest for all agricultural producers' spring 2019 crop year insurance premiums to help the wide swath of farmers and ranchers affected by extreme weather in 2019.

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USDA Crop Report Surprises Trade

Corn estimates grow despite record prevented plant acres; demand dwindles

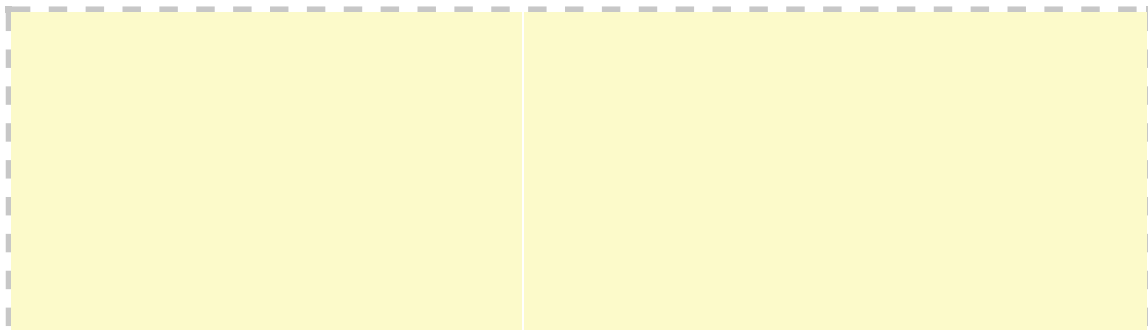
Farmers already dealing with several challenges and a high degree of uncertainty this year absorbed another gut-punch recently. USDA's first survey-based yield estimates of the season stunned traders and wreaked havoc on the markets as corn estimates grew despite historic planting delays and a recent bout of abnormally dry weather during pollination.

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CBAI LEGAL: Taking a Share of Commercial Borrower's Profits

Both the Office of the Comptroller of the Currency ("O.C.C.") and the I.D.F.P.R. Division of Banking ("State") have adopted regulations authorizing banks, as consideration received for a loan, to receive a share in the profits or income of the commercial borrower. Because the O.C.C.'s regulation is broader (i.e., more permissive), state-chartered banks may choose to utilize that O.C.C. regulation pursuant to Section 5(11) of the Illinois Banking Act.

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NEWS FROM SERVICES

The Baker Group: Baker Market Update

Will markets take a breather after the wild and woolly ride of last week? Well, the answer to that question would fall under the category of a forecast and that's a pretty dicey business these days. It's a pretty dicey business most days but that never keeps economists and astrologists from making them. So far, it looks like things are starting out on a positive note for equities and a bit of a sour one for Treasuries. Stock markets are continuing Friday's rally while a sell-off in Treasuries has pushed yields up a bit.

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The Baker Group Offers Bond School November 5-6 in Oklahoma City

Education is the foundation of performance for investment portfolio managers, and that is why The Baker Group has presented hundreds of seminars and conferences across the country over the last 40 years. Now they have brought that history of educational experience to a bond school designed specifically for new portfolio managers and those needing to learn the fundamentals of fixed income investing. The Baker Bond School will give attendees the knowledge to better understand the various types of securities available, how to analyze them effectively, and how to use that knowledge to build and manage a high-performance investment portfolio within the framework of the entire balance sheet.

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CBIS: Community Bank Lenders: Cannabis Stalls While Hemp Spins On

The SAFE Banking Act and The STATES Act stall in committee August 15th despite recommendations from the banking community who support the law to move forward. However, the Senate Banking Committee is concerned over the impact of cannabis legislation on the 2020 primaries and elections. In

contrast, hemp-based goods are expected to soar in sales since it's classified as an agricultural product, legal, and protected under the Farm Bill of December 2018, signed by President Trump. As part of the bill, any cannabis plant with less than 0.3% THC is considered hemp and not marijuana. Read more.

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