



AMERICA'S MUTUAL BANKS

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May 14, 2014

Ms. Donna M. Deale
Deputy Comptroller for Supervision
Midsize and Community Bank Supervision
Office of the Comptroller of the Currency
400 7th Street, SW
Suite 2W-700
Washington, DC 20219

Dear Deputy Comptroller Deale:

It has come to my attention that at the last meeting of the Mutual Savings Association Advisory Committee, ("MSAAC"), a discussion took place concerning OCC compensation guidance as it applies to mutual banks. I am advised that members of the OCC staff and the committee members discussed the advisability of including an acknowledgement in the current OCC guidance that mutual bank compensation is necessarily different from the type of compensation provided by stock institutions. I understand that that conversation specifically referenced RB-27a.

The former OTS RB-27a provided in part:

OTS recognizes that both mutual and stock associations have the same need to hire and retain competent employees. OTS also recognizes that many mutual institutions feel they are at a disadvantage in competing for talent with stock institutions who have more flexibility with compensation arrangements (e.g., granting stock options). OTS recognizes that mutual associations may use a combination of higher salaries, bonuses, and benefits to overcome this disadvantage. OTS will ordinarily give healthy mutual and stock associations deference concerning compensation levels and compensation arrangements for their directors and senior executive officers, provided the arrangements are reasonable and do not present significant safety or soundness concerns that could lead to material financial loss or damage to the association. Examiners will consider all CAMELS factors, not just capital, in their review of employment contracts and other compensation arrangements.

The OTS subsequently rescinded the Regulatory Bulletin, replacing it with Examination Handbook Section 310, Corporate Governance and Oversight by the Board of Directors, which was retained by the OCC for the most part in connection with the transfer of OTS's responsibilities to the OCC. America's Mutual Banks believes it is important to distinguish the applicability of appropriate supervisory policies in reviewing

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the compensation practices of mutual banks from those practices employed by stock banks. We applaud the OCC and the other federal agencies for including a statement in its regulations and guidance when appropriate that certain items are not applicable to community banks. While the application of policies in a manner that recognizes the fundamental differences between different types of banks is an approach that is sorely needed in implementing policies and regulations as to community banks, it is just as important for mutual banks.

The OCC is the chartering authority for the greatest number of mutual banks in the Country. As such, we would welcome an extra effort to distinguish the different application of general policies to mutual banks where it is appropriate. We believe compensation is one area where one size does not fit all, and inexact comparisons to total compensation with stock companies which are able to utilize stock based compensation arrangements unavailable to mutual banks, is an area that would benefit from further clarification.

We believe that mutual banks have been historically sensitive to this disparity and a written statement incorporating the essential concept of RB-27a would be very helpful in assuaging any concern. We respectfully ask that the Comptroller's Office consider issuing such a statement in the appropriate form. We also ask that this letter be included in the record at the next MSAAC meeting.

Very truly yours,



Charles J. Boulter III
Chairman
America's Mutual Banks

cc: Comptroller Thomas J. Curry