

**Minority Depository Institutions Advisory Committee Minutes
July 12, 2016**

The Minority Depository Institutions Advisory Committee (MDIAC) convened for a meeting at 8:05 a.m. on July 12, 2016, at the Office of the Comptroller of the Currency (OCC) headquarters located at 400 7th Street, SW, Washington, DC.

In accordance with the provisions of Public Law 92-463, the meeting was open to the public from 8:05 a.m. to 12:00 p.m.

Advisory Committee Members Present

Larry Briggs, President and Chief Executive Officer, First National Bank & Trust Company, Shawnee, Oklahoma; Guillermo Diaz-Rousselot, President and Chief Executive Officer Continental National Bank, Miami, FL; John Hou, Chairman, President and Chief Executive Officer, Asian Pacific National Bank, San Gabriel, CA; Preston Pinkett, III, Chairman and Chief Executive Officer, City National Bank of New Jersey, Newark, NJ; Joe Quiroga, President, Texas National Bank, Mercedes, TX; Carlos Safie, Chairman of the Board, President and Chief Executive Officer, Executive National Bank, Miami, FL.

OCC Participants Attending

Thomas J. Curry, Comptroller of the Currency; Jorge Aguilar, Attorney, Community and Consumer Law; Charlotte Bahin, Analyst to the Deputy Comptroller (DC) for Thrift Supervision; David Black, Community Development Expert; Toney M. Bland, Senior Deputy Comptroller (SDC) for Midsize and Community Bank Supervision (MCBS); Linda Brown, Bank Examiner Compliance Specialist; Ernie Chambers, Bank Examiner Intelligence Analyst; Arnie Cohen, Congressional Affairs Specialist; Beverly F. Cole, Senior Advisor to the SDC for MCBS and Designated Federal Officer; Glenda Cross, Director of Minority Outreach; Spencer Doak, Director for Bank Secrecy Act and Anti-Money Laundering (BSA/AML) Compliance Risk; Grovetta Gardineer, SDC for Compliance and Community Affairs; William Grassano, Public Affairs Specialist; William Haas, DC for Midsize Bank Supervision; Larry Hattix, SDC for Enterprise Governance and Ombudsman; Bryan Hubbard, DC for Public Affairs; Patrick Kelly, Bank Examiner Critical Infrastructure; Andrew Moss, Community Relations and Minority Affairs Specialist; Donna Murphy, DC for Compliance Risk; Margot Schwadron, Director for Capital Policy; Enice Thomas, Assistant Deputy Comptroller for the Seattle Field Office; Barry Wides, DC for Community Affairs.

External Speakers

U. S. House of Representatives

- Congressman Gregory W. Meeks, Representative for New York's Fifth Congressional District
- Aymeric Saha, Office of Representative Gregory W. Meeks

Citi Community Development

- Natalie Abatemarco, Managing Director, Citi Community Development
- Robert Annibale, Global Director, Citi Community Development and Inclusive Finance

- Paul Thornell, Managing Director, Federal Government Affairs, Citi Community Development

Public Observers

Michael Bailey, Senior Vice President/Compliance, American First National Bank, Houston, TX; Christine Brown, Senior Legal Analyst, Mission, Legislative and Regulatory Affairs, Freddie Mac, McLean, VA; and Jesse Jackson, Senior Vice President, Texas Capital Bank, Dallas, TX

Meeting Opening

Beverly Cole opened the meeting at 8:30 a.m.

Opening Remarks from Comptroller Curry

Comptroller Curry welcomed the participants to Washington and the OCC. He noted that the agenda was responsive to many of the issues discussed previously as well as those the members requested. He also stated that since the MDIAC's launch the members have provided an invaluable perspective on the business environment affecting MDIs, their customers, and the communities they serve. The committee continues to serve a critical function through offering advice and insight regarding the condition of MDIs, potential regulatory changes of steps that may promote the health and viability of MDIs, and other issues affecting these institutions.

Comptroller Curry stated that we find the information exchanged in these meetings extremely helpful in identifying the challenges MDIs face, and the recommendations from the committee helped to tailor the outreach and technical assistance provided from the OCC to MDIs. OCC continues to look for ways to improve our support of this important segment of the industry. Today's agenda includes an opportunity to interface with Citibank representatives regarding their involvement with community banks, including MDIs; a dialogue with Congressman Meeks, as well as discussing several updates from OCC representatives on topics such as Cybersecurity, BSA/AML and High Value Commercial Real Estate. The Comptroller further stated that he looks forward to the roundtable discussion where we as regulators hear more from MDIAC members about the issues they deem most critical. Next he noted that some of OCC's key executive management staff were present to engage in the dialogue.

Citi Community Development and Inclusive Finance – Robert Annibale

Representatives from Citi Community Development (Citi) discussed their programs, mission and strategy to reach minority depository institutions (MDI) and the communities they serve. Some highlights of Mr. Annibale's comments include:

- Citi looks at community development from an affordability, access and development standpoint.
- Citi is looking to expand access for other MDIs.
- Their program is currently concentrated in large cities (Chicago, New York, Los Angeles, and Miami).
- Citi introduced an account called an Access Account which is a checkless account that does not allow overdrafts. The account has all of the features of mobile/online banking.
- The Access Account has been one of their highest growth accounts and has no fees.

- Access Accounts have higher use of mobile/online banking.
- Citi started a Universal Child Savings Account Program. It's a sub-account of a master account (i.e., parent account).
- Citi began a Citi for Citizenship Program. The program was launched to provide access for non-citizens.
- The Citizenship Program works with mayor offices to get the program started and for successful integration into the community.
- Citi has an ATM Community Network Program that partners with MDIs. This allows MDI customers to use Citi-owned automated teller machines without any fees.

Remarks – Representative Gregory W. Meeks

Representative Meeks addressed the group. He was invited to attend the MDIAC to share his views on the importance of MDIs and community banking. He shared that he supports targeted Dodd-Frank Act relief for smaller institutions and increased funding for Community Development Financial Institutions. He also encouraged MDIs to look at partnering with FinTechs. The Congressman also shared his views about possible updates to the Community Reinvestment Act.

Cybersecurity Update – Patrick Kelly

Patrick Kelly provided some perspective on the importance of bankers being diligent in maintaining good internal controls in their efforts to combat cyber criminals. A member suggested it would be helpful if there were some plain language cybersecurity tips for bank employees. In addition, a member reported hiring a Cybersecurity Officer.

BSA/AML Update – Spencer Doak and Linda Brown

- It was reported that a 5th pillar for the Bank Secrecy Act (BSA) – customer due diligence (CDD) is coming with a 2018 effective date.
- It was asked if the OCC had considered adding verbiage stating a customer has to answer questions related to CDD? It was reported that OCC had not considered such a requirement. The members reported their customers feel the questions are intrusive and it would be helpful to bankers if it was a requirement to post verbiage identifying the legal requirement for customers to answer the questions asked.
- The bankers reported that tips on how a banker can clearly document who is the beneficial owner would be helpful.
- The members suggested that OCC consider conducting BSA Outreach activities on an ongoing basis.
- The bankers asked if being inside a High Intensity Financial Crime Area automatically makes the bank high risk? Director Doak replied that it is a factor to consider but not the only factor.
- The bankers reported that money launderers are coming to outreach events/industry conferences, etc., to hear what regulators and others are saying so they can adjust their practices.

Roundtable Questions/Comments

- A member asked the status of the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) process in relation to regulatory relief?
The OCC is in the process of reviewing comments to determine where we can make changes. OCC cleaned up a lot of issues dealing with thrift institutions. And, we are working with the other agencies on a streamlined community bank Call Report for the first quarter of 2017.
- Another member commented that more outreach on Current Expected Credit Losses (CECL) is needed around unallocated and unsupported portions. He stated the OCC is seen as a tougher but fair regulator on CECL and banks regulated by OCC have a clearer understanding and guidance.
OCC is looking at a long-term view for the betterment of banks and the industry. OCC hopes banks are in a position early on to deal with issues when they have the capital, income, etc., to take action.
- A member asked about the status of a tiered banking system for examination purposes? OCC continues to build a supervisory strategy for each institution we supervise. We look at the institutions' business plans, products, and risks, and we focus our examination strategies on the institutions' activities. There are some legislative items that are required for all institutions, e.g., BSA, flood, etc., and others that are required for the institutions \$50 billion and over, e.g., Dodd-Frank Act Stress Testing (DFAST).
- The members shared the perspective that the appraisal industry is having succession issues because younger individuals are not pursuing the appraisal field. They see the issue as not being able to attract enough appraisers into the field, limiting the availability of qualified appraisers to perform comparability analyses especially in commercial real estate properties.
- A member asked if Citi's ATM Network Program could be considered as part of the investment test to get more people interested versus the service test? More specific information would be needed to accurately address this question. However, some thoughts in general are that in order for a bank to receive a dollar amount of consideration under the investment test, they would have to be able to demonstrate the cost to the bank of providing that access, identify the number, type, and volume of transactions performed by the MDI's customers for which the fees were waived. And then the bank might be able to receive consideration for the amount of the portion of the fee it waived that it would normally retain on a foreign transaction, and, if it splits the total fee between the third party bank and an external servicer provider, the portion that it pays to the external service provider (unless that provider also waives any fee).
- Ms. Cole reminded everyone that the nomination process for membership would open in late August or early September. The official notice will be published in the *Federal Register*. The next meeting is scheduled for October 18, 2016.

Public Observer Comments

- Jesse Jackson (SVP Texas Capital Bank in Dallas, TX) stated that he represents a \$270 million community bank that is actively looking to engage with MDIs and implement strategic initiatives and leverage the TCB framework.

- Michael Bailey (SVP/Compliance, American First National Bank, Houston, TX) stated the meeting was very productive and asked how does OCC know what banks need in the area of outreach? OCC determines the agenda for outreach sessions based on discussions with the bankers we supervise, emerging risks, and hot topics.

Adjournment

The meeting was adjourned at 2:00 p.m.

The minutes are an accurate representation of the meeting.

/s/ Beverly F. Cole
Designated Federal Officer