

November 30, 2011

To: Members of the United States Senate

Re: S. 556, to Amend the Securities Laws to Establish Certain Thresholds for Shareholder Registration

The American Bankers Association (ABA) and the undersigned state banker associations are writing to express our strong support for S. 556, bipartisan legislation introduced by Senator Kay Bailey Hutchison (R-TX) and Senator Mark Pryor (D-AR) to raise the shareholder threshold for Securities and Exchange Commission (SEC) registration.

Many banks have had to deal with the 500 shareholder rule, which has remained in place for more than 40 years without being updated, and which causes local-oriented banks to be subject to the same costly reporting requirements as large, public firms. Many banks that are nearing the 500 shareholder threshold have limited sources from which to raise the capital necessary to meet the credit needs of their communities without increasing the number of shareholders and triggering registration with the SEC. Once registered as public companies, banks, regardless of size, become subject to disproportionately high financial and opportunity costs when compared to other smaller public companies. These regulatory requirements and costs eat into capital and limit banks' ability to make loans in their communities.

Local financial institutions are part of a highly regulated industry governed by numerous statutes and regulations affecting almost every aspect of banking activity. Most banking institutions are regulated by two agencies: a primary federal regulator and, in the case of state-chartered banks, by the state regulator, as well. Significant financial and other information regarding every bank and savings association can be publicly viewed on the website maintained by the FDIC. All banks are required to make annual reports available to both their customers and investors. Most provide financial and other information to investors through their company websites.

The advantage to the local banks from increases in the registration and deregistration thresholds would not be a lack of transparency, since keeping shareholders and the public fully informed about a bank's performance is essential to its presence as a community bank. Rather, it is a reduction of regulatory burdens and reporting requirements that pose a disproportionate burden on small institutions.

S. 556 would update the registration threshold to 2,000 shareholders, a level that we strongly support. This change would enable banks to deploy their capital in lending rather than spending it on regulatory requirements that provide little incremental benefit to the banks, shareholders, or the public.

In addition, S. 556 addresses the threshold for deregistration, which can occur when the number of shareholders decreases and once-public businesses can become private. Currently, the number of shareholders of record must fall below 300 before a business can

deregister. Raising the threshold for deregistration to 1,200 along with the threshold for registration makes a lot of sense from both a business and corporate governance perspective.

We strongly support S. 556 and urge passage of this important bill to allow community banks to raise capital without adding regulatory burden.

Sincerely,

American Bankers Association
Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Heartland Community Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Illinois League of Financial Institutions
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association
Mississippi Bankers Association
Missouri Bankers Association

Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
Washington Financial League
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association