FIFTH THIRD BANCORP

Greg D. Carmichael
President & CEO

December 4, 2017

The Honorable Mike Crapo
Chairman
U.S. Senate Committee on
Banking, Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
U.S. Senate Committee on
Banking, Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of Fifth Third Bancorp[1], its wholly-owned subsidiary, Fifth Third Bank, and nearly 18,000 employees (collectively "Fifth Third"), I write today in strong support of S.2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act. While well intentioned, the current regulatory regime imposed on regional banks has had negative consequences for consumers, small businesses, and the communities we serve. S.2155 would remedy the inefficiencies in the regulatory framework and help strengthen and grow main street economies.

Fifth Third is a regional bank based in Cincinnati, Ohio with a 10-state footprint spanning the Midwest and Southeast. As a regional bank, Fifth Third employs a traditional bank business model that focuses on taking deposits and making loans with four main lines of business: branch banking, consumer lending, commercial lending, and wealth & asset management. Fifth Third is committed to serving our customers and the communities we live, work, and serve.

Fifth Third made a landmark investment to the communities we serve through a five-year, $30 billion commitment to low- and moderate-income borrowers and communities. This commitment includes $11 billion in mortgage credit access, $10 billion in small business loans, and $9 billion in community development lending and investments such as low-income housing and development loans. To date, Fifth Third has lent and invested nearly $13.1 billion, putting us on pace to exceed our commitment by 2020.

Regional banks, such as Fifth Third, utilize customer deposits to provide funding to consumers and businesses across our footprint. In recent years, regulatory frameworks deployed by Federal financial regulators have challenged this business model and required changes that have had limited customer access to certain products and services. Regulations on financial institutions based solely upon consolidated assets have resulted in unintended consequences by limiting customer access to products and services. For example, overly prescriptive capital and liquidity requirements have forced the bank to significantly limit or exit certain businesses, causing customers to seek those services from less regulated financial services providers. Further,

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[1] Fifth Third Bancorp, headquartered in Cincinnati, Ohio, has $142 billion in assets. Fifth Third operates 1,191 full-service Banking Centers, and 2,495 ATMs in ten contiguous states from the upper Midwest to the Southeast including Ohio, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, North Carolina, Tennessee, and West Virginia. Additional information about Fifth Third can be found at www.53.com.

prescriptive regulatory requirements have hindered the ability for banks to innovate and offer products and services to consumers that would help them and help grow our local economies.

Key among the many provisions in S.2155 is section 401 which would address the systemic risk threshold for enhanced prudential standards for certain bank holding companies. Over the last several years, the systemic risk threshold has been the subject of many hearings before the Committee as well as the House of Representatives Committee on Financial Services and has been studied at length by the Department of the Treasury's Office of Financial Research (OFR).[2] The 2015 OFR study is of significant importance as it sought to quantify the systemic risk posed by U.S. financial institutions utilizing a risk-based methodology that was developed by the Board of Governors of the Federal Reserve System. In 2017, OFR issued a follow-up review noting that when determining which banks should be subject to heighted prudential regulation, "the OFR's analysis of systemic importance data reveals that size alone may not be optimal to identify such banks."[3] According to this analysis, Fifth Third is 40 times less systemically risky than the largest Wall Street Bank.

As the empirical data shows, regional banks are different from Wall Street banks and should not be subject to the same enhanced prudential regulation by virtue of asset size alone. In fact, Federal regulators have called for changes to the systemic risk threshold including Federal Reserve Chair Janet Yellen,[4] Federal Reserve Vice Chair for Supervision Quarles,[5] Federal Reserve Governor Powell,[6] and even former Federal Reserve Governor Tarullo[7] who oversaw the implementation of the enhanced prudential standards. S.2155 recognizes the difference between regional banks and Wall Street banks and increases the threshold for enhanced prudential regulation.

Thank you for leading the effort to forge a strong bi-partisan compromise.

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[2] *See* Meraj Allahrakha, Paul Glasserman, and H. Peyton Young, U.S. Dep't of the Treasury, Office of Financial Research Brief Series 15-01, Systemic Importance Indicators for 33 U.S. Bank Holding Companies: An Overview of Recent Data, Feb. 12, 2015.

[3] U.S. Dep't of the Treasury, Office of Financial Research, Viewpoint 17-04, Size Alone is Not Sufficient to Identify Systemically Important Banks, Oct. 26, 2017.

[4] Janet L. Yellen, Chair, Board of Governors of the Federal Reserve System, Remarks at the Federal Open Market Committee Press Conference, 17 (Sept. 20, 2017), https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20170920.pdf.

[5] *See* Ryan Tracy, *Fed's New Regulatory Point Man: Everything Is on the Table*, THE WALL STREET JOURNAL, Nov. 7, 2017, *available at* https://www.wsj.com/articles/feds-quarles-changes-to-bank-stress-tests-on-front-burner-1510080513?reflink=e2twmkts.

[6] Jerome H. Powell, Member, Board of Governors of the Federal Reserve System, Testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs (June 22, 2017), https://www.federalreserve.gov/newsevents/testimony/files/powell20170622a.pdf.

[7] Daniel K. Tarullo, Member, Board of Governors of the Federal Reserve System, Testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs (March 19, 2015), https://www.federalreserve.gov/newsevents/testimony/tarullo20150319a.htm.

Sincerely,

Greg D. Carmichael
President and Chief Executive Officer
Fifth Third Bancorp