



**International Bancshares  
Corporation**

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May 24, 2018

***Via email [www.regulations.gov](http://www.regulations.gov)***

Comment Intake  
Bureau of Consumer Financial Protection  
1700 G Street, NW.  
Washington, DC 20552

Re: Docket No. CFPB-2018-2005; Request for Information Regarding Bureau External Engagements

Ladies and Gentlemen:

The following comments are submitted on behalf of International Bancshares Corporation (“IBC”), a multi-bank financial holding company headquartered in Laredo, Texas. IBC holds five state nonmember banks serving Texas and Oklahoma. With over \$12 billion in total consolidated assets, IBC is one of the largest independent commercial bank holding companies headquartered in Texas. IBC is a publicly-traded holding company. The Bureau’s request for information regarding external engagements is very important to IBC’s subsidiary banks as they have experienced significant compliance burdens relating to the onslaught of new regulations issued by the Bureau since its creation. We appreciate the opportunity to comment on the Bureau’s request for information.

The Bureau has issued a request for information (“RFI”) that seeks comment on its public and non-public external engagements, including field hearings, town halls, roundtables, and meetings of the Bureau’s advisory groups. In the RFI, the Bureau seeks feedback on all aspects of conducting future external engagements, including the following specific areas of interest:

- Strategies for seeking public and private feedback from diverse external stakeholders
- Structures for convening diverse external stakeholders and the public in ways that maximize public participation and constructive input
- Processes for transparency in determining topics, locations, timing, frequency, participants and other elements of public and private events
- Vehicles for soliciting public and private perspectives from outside D.C.
- Strategies for promoting transparency of external engagements while protecting confidential business information and encouraging frank dialogue
- Strategies and channels for distributing information about external engagements to maximize awareness and participation

- Other approaches not currently used by the Bureau that would elicit constructive input<sup>1</sup>

Our comments to the Bureau's RIF can be found below.

### Comments

#### *Regulatory Uncertainty*

Since the passage of the Dodd-Frank Act and the Bureau's creation, there has been a relentless onslaught of new regulations. These regulations have created great uncertainty among financial institutions, particularly community and regional financial institutions as financial institutions have been uncertain as to what types of computer software to utilize to comply with all the various new regulations. Much of this uncertainty could have been alleviated if the Bureau would have simply consulted with its stakeholders—financial institutions—early on with the process and then taken that feedback back to Washington and tailored its “one-size, fits all” regulations to alleviate confusion and uncertainty and, critically, unnecessary regulatory burden.

#### *Field Hearings and Need for improved Cost/Benefit Analysis*

The Bureau's field hearing process has generally been a great disappointment. Although we like the idea of field hearings outside of Washington DC, in the somewhat limited cases where the Bureau has met with financial institutions, these meetings were backward-looking in that the Bureau would issue a report, policy guidance, or proposed regulation on the same day or shortly thereafter—making clear the Bureau already had its mind made up and was not seriously considering input from financial institutions. One such example was the Bureau's small dollar lending rules process wherein lenders were not given sufficient time to analyze the Bureau's proposed issuance in order to give thoughtful and meaningful comments for the Bureau's consideration. The Bureau needs to be more forward-thinking and seek out and obtain input from financial institutions regarding their anticipated challenges and potential problems with the proposed Bureau action—including vendor costs associated with bank acquisition of computer software required to comply with the Bureau's rules. The field hearings and other Bureau outreach forums need to be fair and balanced with an opportunity for financial institutions, and their trade groups, to provide meaningful and constructive input that will be duly considered by the Bureau. It is the Bureau's burden to ensure that these hearings are fair and balanced. The Bureau should ensure that a wide-range of attendees, including community and regional banks, are invited to its field hearings and that their input is seriously considered in rule promulgations.

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<sup>1</sup> The Bureau noted in its filings that its practice to date has been to hold field hearings, town halls, roundtables, and meetings of its Advisory Board and Councils to engage the public and gather input. To that end, the bureau noted, it has held (to date) 33 field hearings and 15 town halls in more than 40 cities, and conducted 47 public meetings of four advisory groups (the Consumer Advisory Board (CAB); the Community Bank Advisory Council (CBAC); the Credit Union Advisory Council (CUAC); and the Academic Research Council (ARC)).

Regarding computer software vendors, the Bureau should engage these vendors early in the process as part of its critically-important cost/benefit analysis required under administrative law when promulgating new regulations. After receiving vendor input, the Bureau should confirm this information with financial institutions.

#### *Industry Conferences and Meetings*

While banks appreciate the Bureau's efforts to have its personnel attend bank industry conferences and meetings, too often, the Bureau's personnel do not appear to be candid nor responsive to questions from industry participants. Oftentimes, the Bureau's personnel will simply read from prepared speeches and not give responsive answers to questions, or simply state they need to go back to Washington and confer with their legal department. The Bureau should view these events as an opportunity to receive constructive and meaningful input from its stakeholders, the financial institutions that are required to implement the regulations that it promulgates.

Additionally, it does not appear the Bureau's pertinent personnel is in attendance at the conferences and meetings—oftentimes, it is lower-level individuals, or even just public relations officials, who merely take notes for other Bureau officials who are not in attendance. The Bureau needs to ensure that its decision-makers are in the room of these bank trade group conferences and meetings to ensure that these events are more meaningful and productive for all parties.

At many of these past events, the Bureau seemed inclined to validate something it has already decided to do with charts and various skewed studies before it seeks input from financial institutions. One prime example of this practice was the Bureau's issuance of its arbitration prohibition in consumer financial agreements—it was clear from the issuance of the Bureau's white paper—well before the issuance of its proposed rule—that the Bureau had already made its decision to prohibit arbitration clauses in consumer financial contracts.

#### *Need to Obtain Input from Community and Regional Banks*

Although the Bureau formed the Community Bank Advisory Council or CBAC, we do *not* believe the Bureau has done enough to hear and consider the concerns of community and regional banks, including those under its \$10 billion supervision threshold. The CBAC should be an important tool utilized by the Bureau to understand the workings of community and regional financial institutions. However, the CBAC has been underutilized by the Bureau which seems not to appreciate that although many these financial institutions are not directly supervised by the Bureau, they are at the forefront of having to comply and enforce the Bureau's consumer regulations. The Bureau does *not* appear to be cognizant of the limited compliance resources that many of these smaller financial institutions have compared with the large, national financial institutions that control the vast majority of this country's deposits and that, frankly, were largely responsible for the 2008 financial crisis. Without exception, the Bureau's regulations have been "one-size fits all" as opposed to being tailored-made for the asset size (and risk level) of financial institutions. In its rule promulgations, the Bureau has not endeavored to learn about the day-to-day operations of community and regional banks which differ significantly from the large, national financial institutions. The Bureau must improve its knowledge of how these smaller

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financial institutions operate AND take this information into consideration in its rule-making process, particularly early in its rule-making process. In summation, the Bureau needs to get out there early and speak with all types of financial institutions, not just the \$10 billion and up financial institutions and seriously consider this input in its rule-making process.

Thank you for your consideration.

Respectfully,



Dennis E. Nixon  
President  
International Bancshares Corporation