

VIRGINIA BANKERS ASSOCIATION

**Virginia Bankers Association
Board of Directors Meeting
Sunday, June 19, 2022 at 3:30 p.m.
Marriott Virginia Beach Oceanfront
Salon E – Second Floor**

AGENDA

- I. Consent Agenda
 - a. Minutes of March 25th Board meeting
 - b. Minutes of May 5th Executive Committee meeting
 - c. Financial Statements as of April 30, 2022
- II. Board and Committee Updates
 - a. VBA Audit Committee
 - b. VBA Benefits Corporation
 - c. VBA Management Services, Inc.
 - d. VBA Education Foundation
 - e. VBA Government Relations Committee
- III. Legislative & Regulatory Environment: Mid-year Assessment
- IV. Recognitions
- V. Other Business
- VI. Executive Session

Minutes of the
Virginia Bankers Association
Board of Directors Meeting
March 25 at 8:30am
Virtual Meeting

In attendance: Rick Adams, John Asbury, Chris Bergstrom, David Boyle, John Brough, Tom Cherry, Todd Hall, Leton Harding, Scott Harvard, Brandon Lorey, Thomas Ransom, Brad Schwartz, Rob Shuford, Joe Thomas, Maria Tedesco, Janet Tope, Litz Van Dyke

Guest: Rob Morgan, SVP of Innovation and Strategy, American Bankers Association

Staff: Anne Atkinson, Heather Derflinger, DeMarion Johnston, Monica McDearmon, Laurie Milligan, Stacy Puckett, Bruce Whitehurst

Call to Order

Chairman Harding welcomed Board and VBA staff members and called the meeting to order. He introduced Thomas Ransom, President of Truist Bank Virginia, and new VBA Board member.

Consent Agenda

The Board approved the consent agenda, which included the December 10 Board meeting minutes and unaudited 12-31-21 financial statements. Chairman Harding made note of the financial report, which was favorable.

CBDC/Cryptocurrency Update

Chairman Harding introduced special guest Rob Morgan, VP of Innovation and Strategy, American Bankers Association for a presentation on CBDC/Cryptocurrency. Rob presented and commented on an overview slide featuring the four buckets of Digital Asset Markets: “Traditional” Cryptocurrency, Stable Coin, CBDC and NFT. He then spoke in more detail about CBDC and the President’s recent executive order on cryptocurrency, followed by Q&A with the board. Rob’s CBDC/Cryptocurrency presentation is available on the VBA Board portal [here](#).

2022-2024 VBA Strategic Plan Update

Bruce reviewed the Strategic Plan for 2022-2024 with goals and tactics added to the framework the board approved in December. Feedback from board members was positive and the expanded plan document was approved by consensus.

VBA Advocacy Updates

VBA Government Relations Specialist Heather Derflinger reported on behalf of Matt Bruning. Heather reported that the 2022 Virginia General Assembly Session started on Wednesday, January 12 and concluded on March 12. The VBA tracked a variety of legislative bills involving cryptocurrency, credit unions and tax policy issues. The General Assembly adjourned without finalizing the biennial budget for 2022-2024. House and Senate leaders will continue to work on the draft of the state’s budget, and a special session will be held in Richmond for draft approval.

Minutes of the
Virginia Bankers Association
Board of Directors Meeting
March 25 at 8:30am
Virtual Meeting

Washington Summit, March 6-9, 2022

Heather reported on the ABA Washington Summit March 6-9 held at the Marriott Marquis in Washington, DC. Thirty-five bankers attended legislative visits in support of the following: Small Business Programs; Fair Lending Laws; Business Interest Expense Deductions; and a Safe Banking Act allowing banks to service cannabis industry businesses. Chairman Harding praised the VBA staff and Virginia bankers for excellent discussions with the Virginia Congressional Delegation.

BankPAC Update

Heather reported that fundraising for BankPAC has begun with 2022 campaign goal of \$400,000 and a stretch goal of \$425,000. The deadline for BankPAC contributions is Friday, June 10, 2022.

VACU Appeal

DeMarion gave an update on the currently pending lawsuit against Virginia Credit Union (“VACU”). SCC Hearing Examiner Skirpan issued his Report and recommendation on February 15th. He found that VACU met the requirements of Virginia law for a field of membership expansion and recommended that its application to add the Medical Society of Virginia (“MSV”) be approved by the Commission. Even though he found in favor of VACU, the Hearing Examiner agreed with the VBA’s legal arguments on the following:

- VACU failed to prove that MSV does not have the financial resources to form a new credit union.
- VACU failed to show that the additional level of costs and start-up capital for a new credit union would exceeds MSV’s ability to meet such requirements.
- VACU failed to prove a new MSV credit union would be unable to hire competent staff.
- VACU failed to prove MSV lacks the resources to form a new credit union.

On March 15, the VBA filed extensive comments in response to the Hearing Examiner’s Report. The entire record and the comments filed will be under review by judges of the Commission before they issue their final ruling.

Other Business

Bruce announced the next VBA Board meeting will be held during the VBA Annual Convention on Sunday, June 19 at the Marriott Virginia Beach from 3:30-4:30pm in Salon E. There will also be a Board Reception on June 19 from 5-6pm at the Cavalier Beach Club, adjacent to the Marriott Hotel. There will be a brief Board meeting for returning board members on Tuesday, June 21st upon the adjournment of the morning business session at the Marriott Virginia Beach.

Chairman Harding thanked Rob Morgan for his presentation, and the VBA Board for their discussions around Cryptocurrency and the VBA Strategic Plan. He thanked everyone for their attendance and engagement. There being no other business, the Board meeting was adjourned to Executive Session.

Minutes of the
Virginia Bankers Association
Board of Directors Meeting
March 25 at 8:30am
Virtual Meeting

Minutes prepared by:
Anne Atkinson

Minutes of the
VBA Executive Committee Meeting
May 5, 2022 at 8:30 a.m.
Farmington Country Club
Charlottesville, VA

In attendance: Leton Harding, Chris Bergstrom and Bruce Whitehurst in person; John Asbury and Litz Van Dyke via Zoom

Staff: Matt Bruning, DeMarion Johnston, Laurie Milligan

Call to Order, Investment Report

Chairman Leton Harding welcomed everyone and called the meeting to order. Bruce Whitehurst reported that Ken Barnes of SageView was ill and not able to join the meeting; he referred the Committee to the first quarter 2022 investment reserve account report FYI and all agreed to invite Ken to present at the July 28th meeting.

Approval of Minutes and Financial Report

Minutes of the November 30, 2021 meeting were approved as written.

Bruce reviewed VBA and consolidated financial results through March 31, 2022, noting that all VBA entities are meeting or exceeding budget, net of unrealized investment losses.

Advocacy Updates

Bruce and Matt Bruning updated the Committee on federal and state issues. On the federal side, much of the focus is on changes in financial regulatory leadership and the resulting shifts in their priorities. In Congress, industry efforts continue to seek Senate approval of the SAFE Banking Act.

Matt reported that the General Assembly has completed all its work except approving the state budget, which will hopefully be accomplished soon. Matt also reported that the Minority and Small Business working group will meet again this month.

DeMarion Johnston advised the Committee that a final ruling from the State Corporation Commission on our appeal of the Virginia Credit Union/Medical Society of Virginia membership expansion is still pending and it's unclear when the SCC judges will rule.

Annual Conventions

Bruce reported that attendance for this year's annual convention in Virginia Beach is looking strong, with over 300 already registered. He also updated the Committee on the growing possibility that VBA and the Maryland Bankers Association may be able to hold joint conventions in 2024 and 2025; contract negotiations are underway with both properties that would host in those years.

Other Business

Matt and Bruce reported that the MSI Board will consider a funding request from JAM FINTOP at its June board meeting, similar to the Canapi investment MSI made in 2019. Several VBA member banks have invested in JAM FINTOP, including Atlantic Union Bank. John Asbury advised the Committee of Atlantic Union's positive experience with this entity.

There being no other business, the meeting adjourned to executive session, which included the CEO's annual performance review.

Minutes prepared by:

Bruce T. Whitehurst

Virginia Bankers Association
Financial Report Summary
April 30, 2022

Balance Sheet:

	<u>2022</u>	<u>2021</u>
<i>Assets</i>		
Current Assets	\$ 1,015,564	\$ 1,231,031
Net Property and Equipment	104,918	30,812
Investment in Subsidiaries	10,304,855	9,495,855
Retirement Assets	1,170,750	962,770
Total Assets	<u>\$ 12,596,087</u>	<u>\$ 11,720,468</u>
<i>Liabilities</i>		
Payables/Unearned/Other	\$ 770,316	\$ 818,676
Pension/Retirement Liabilities	1,192,096	1,104,911
Total Liabilities	<u>1,962,412</u>	<u>1,923,587</u>
Total Owners Equity	<u>10,633,675</u>	<u>9,796,881</u>
Total Liabilities and Equity	<u>\$ 12,596,087</u>	<u>\$ 11,720,468</u>

Income & Expenses:

	<u>YEAR TO DATE APRIL 2022</u>			<u>2021</u>	<u>2022 Annual</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>ACTUAL YTD</u>	<u>BUDGET</u>
Dues income	\$ 388,351	\$ 385,000	\$ 3,351	\$ 371,256	\$ 1,155,000
Investment return	(2,559)	6,168	(8,727)	5,947	18,500
Miscellaneous	20,806	-	20,806	-	-
Total income	406,598	391,168	15,430	377,203	1,173,500
Total expenses	426,722	436,770	10,048	381,393	1,172,500
Net income before subsidiary income	<u>\$ (20,124)</u>	<u>\$ (45,602)</u>	<u>\$ 25,478</u>	<u>\$ (4,190)</u>	<u>\$ 1,000</u>
Net Income from subsidiaries	17,097	190,557	(173,460)	285,585	(31,050)
Excess of revenues over expenses	<u>\$ (3,027)</u>	<u>\$ 144,955</u>	<u>\$ (147,982)</u>	<u>\$ 281,395</u>	<u>\$ (30,050)</u>

Virginia Bankers Association
Balance Sheet
April 30, 2022

	<u>4/30/22</u>	<u>4/30/21</u>
Assets		
Checking & petty cash	\$ 448,967	374,206
Investments	523,985	802,494
Accounts Receivable & Other Assets	39,656	47,774
Accrued Interest Receivable	2,956	6,557
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Current Assets	1,015,564	1,231,031
Furniture & Equipment	268,795	271,389
Automobiles	110,742	95,178
Less: Accumulated Depreciation	(274,619)	(335,755)
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Net Value	104,918	30,812
Investment in Subsidiaries	10,304,855	9,495,855
Other assets	1,170,750	962,770
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Total Assets	<u>\$ 12,596,087</u>	<u>\$ 11,720,468</u>
 Liabilities		
Accounts Payable	\$ 75,054	\$ 77,279
Unearned Dues	695,262	741,397
Accrued Pension Liability	-	107,697
Accrued post retirement health benefits	156,587	164,219
Retirement liability	1,035,509	832,995
	<hr/>	<hr/>
Total Liabilities	1,962,412	1,923,587
 Owners Equity		
Retained Earnings	10,636,702	9,515,486
Current Year Earnings	(3,027)	281,395
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Total Owners Equity	10,633,675	9,796,881
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Total Liabilities & Equity	<u>\$ 12,596,087</u>	<u>\$ 11,720,468</u>

Virginia Bankers Association
Income Statement
For the Four Months Ending April 30, 2022

	Actual	Budget	Variance	Prior	Variance	Annual
	Year to Date	Year to Date	Year to Date	Year to Date	to Prior Year	Budget
Income:						
Dues income - active	320,018	316,668	3,350	307,089	12,929	950,000
Dues income - associate	68,333	68,332	1	64,167	4,166	205,000
Investment Return	(2,559)	6,168	(8,727)	5,947	(8,506)	18,500
Gain on Disposal of Assets	20,806	-	20,806	-	20,806	-
Total Income	406,598	391,168	15,430	377,203	29,395	1,173,500
Expenses:						
Salaries and Benefits	323,587	335,453	11,866	305,928	(17,659)	955,000
Audit & tax fees	8,627	8,627	-	4,851	(3,776)	13,475
Consulting/Technology & Prof Fees	5,903	5,668	(235)	6,219	316	15,500
Depreciation Expense	11,514	10,768	(746)	7,499	(4,015)	32,300
Equipment Maintenance & Rental	19,113	22,200	3,087	20,307	1,194	27,650
Insurance	10,202	10,584	382	9,702	(500)	12,525
Meeting Expense	9,927	10,574	647	600	(9,327)	21,500
Memberships/Subscriptions	11,363	12,080	717	10,603	(760)	25,500
Occupancy Expense	7,111	7,112	1	6,753	(358)	21,335
Office Supplies & Printing	1,603	1,368	(235)	1,455	(148)	4,100
Postage	200	168	(32)	137	(63)	500
Prop Taxes & Business License	-	20	20	16	16	3,185
Telephone	3,067	2,980	(87)	1,593	(1,474)	8,930
Travel/Education	11,819	7,499	(4,320)	3,258	(8,561)	26,000
Miscellaneous Expenses	2,686	1,669	(1,017)	2,472	(214)	5,000
Total Expenses	426,722	436,770	10,048	381,393	(45,329)	1,172,500
Net income before income from subsidiaries	(20,124)	(45,602)	25,478	(4,190)	(15,934)	1,000
Net Income from subsidiaries	17,097	190,557	(173,460)	285,585	(268,488)	(31,050)
Net income	\$ (3,027)	\$ 144,955	\$ (147,982)	\$ 281,395	\$ (284,422)	\$ (30,050)

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Virginia Bankers Association & Subsidiaries
Consolidated Financial Report Summary
April 30, 2022

Balance Sheet:

						Consolidated	
	VBA General Fund	VBA Benefits Corp	VBA Management Services, Inc	VBA Properties, LLC	Eliminations	2022	2021
<i>Assets</i>							
Current Assets	\$ 1,015,564	\$ 4,582,162	\$ 3,144,983	\$ 247,556	\$ -	\$ 8,990,265	\$ 8,240,145
Net Property and Equipment	104,918	12,444	39,805	2,290,831	(200)	2,447,798	2,432,494
Deferred Tax Assets	-	32,343	-	-	-	32,343	58,499
Investment in Subsidiaries	10,304,855	836,570	836,570	-	(11,977,995)	-	-
Other Investments			172,275			172,275	114,023
Retirement Assets	1,170,750	-	295,268	-	-	1,466,018	1,192,420
Total Assets	\$ 12,596,087	\$ 5,463,519	\$ 4,488,901	\$ 2,538,387	\$ (11,978,195)	\$ 13,108,699	\$ 12,037,581
<i>Liabilities</i>							
Payables/Unearned/Other	\$ 770,316	\$ 325,559	\$ 369,274	\$ 22,455	\$ -	\$ 1,487,604	\$ 1,465,269
Pension/Retirement Liabilities	1,192,096	-	295,268	6,048	-	1,493,412	1,480,531
Total Liabilities	1,962,412	325,559	664,542	28,503	-	2,981,016	2,945,800
Total Owners Equity	10,633,675	5,137,960	3,824,359	2,509,884	(11,978,195)	10,127,683	9,091,781
Total Liabilities and Equity	\$ 12,596,087	\$ 5,463,519	\$ 4,488,901	\$ 2,538,387	\$ (11,978,195)	\$ 13,108,699	\$ 12,037,581
	-	-	-	-	-	-	-

Income & Expenses:

	4/30/22 YTD Actual	4/30/22 YTD Budget	Variance to Budget	4/30/21 YTD Actual	Variance to Prior Year	2022 Annual Budget
Defined Benefit & Contribution fees	\$ 308,219	\$ 306,666	\$ 1,553	\$ 336,991	\$ (28,772)	\$ 920,000
Education/Conference revenues	622,664	662,234	(39,570)	473,057	149,607	1,595,895
Health & Welfare Administrative fees	606,514	641,831	(35,317)	650,947	(44,433)	1,898,150
Investment return	(264,622)	25,367	(289,989)	74,151	(338,773)	78,600
Management fees	220,846	220,844	2	210,310	10,536	734,650
Membership dues	388,351	385,000	3,351	371,256	17,095	1,155,000
Products & Services income	124,793	123,903	890	122,233	2,560	475,390
Rental Income	91,180	91,180	-	84,206	6,974	273,783
Other revenues	20,805	900	19,905	1,834	18,971	2,700
Total income	2,118,750	2,457,925	(339,175)	2,324,985	(206,235)	7,134,168
Total expenses	2,121,777	2,312,970	191,193	2,043,590	(78,187)	7,164,218
Excess of Revenues over expenses	\$ (3,027)	\$ 144,955	\$ (147,982)	\$ 281,395	\$ (284,422)	\$ (30,050)
	-	-	-	-	-	-

Summary by Company

Net income before income taxes and subsidiary income

	VBA General Fund	VBA Benefits Corp	VBA Management Services, Inc	VBA Properties, LLC	Consolidated
YTD April 2022 Actual	\$ (20,124)	\$ (271,460)	\$ 286,832	\$ 1,725	\$ (3,027)
YTD April 2022 Budget	(45,602)	(25,606)	233,469	(17,306)	144,955
YTD April 2022 Variance	\$ 25,478	\$ (245,854)	\$ 53,363	\$ 19,031	\$ (147,982)



REPORT TO
THE VIRGINIA BANKERS ASSOCIATION BOARD
June 19, 2022

- Updated 2022 Group Medical and Dental Trust cash reserves goal: \$10.8M to \$19.2M based on projected claims of \$72,000,000. Assets ending March 31, 2022 were \$22.3M.
- The Board voted to invest \$7.5M of the reserves into a mutual fund portfolio, managed by SageView Advisory Group, with Schwab as the custodian. This is a best practice amongst other state banking associations' health trusts. The remaining reserves will in short-term investments to pay for the Trust's ongoing claims.
- As a means to mitigate large stop-loss increases, certain specialty drug medications will be covered through a pharmacy captive, effective this summer. The Trust will pay a per member per month fee to the captive and in the event a member is prescribed a covered specialty drug, the captive would absorb the majority of the cost. These medications are used to treat chronic conditions which can cost the plan \$1,000,000 + each year.
- Benefits Corp is conducting due diligence on two providers to offer a concierge caregiver platform with access to a suite of family care benefits. Offerings include comprehensive back-up child and elder care services, through either fully credentialed contracted centers or in-home caregivers. Other benefits include access to summer camps and tutoring discounts; additional search tools for sitters, pet care and housekeepers etc.
- The transition process for the non-qualified deferred compensation ((NQDC) plan document and adoption agreements from Troutman to Voya are in progress for the 2023 deferrals and beyond.
- SageView completed 401(k) plan fee comparison in April; compared three plans varying by assets and participants. SBA Master Trust arrangement is significantly less than the industry average at each level. Fees included recordkeeping, trustee, investment management and mutual fund expenses.

VIRGINIA BANKERS ASSOCIATION

VBA MANAGEMENT SERVICES, INC. BOARD

VBA Management Services, Inc. Board Report

VBA Board of Directors

June 19, 2022

- Redesigned Connect and Protect Experience, offering in-person and virtual components, had over 140 participants. Successful spring programming of Directors' Symposium, Bank Supervisor School and Managing Remote Employees Seminar.
- Upcoming Events: Admitted 94 first-year applicants for July's School of Bank Management. Applications are open for the Management Development Program beginning in September. Registration is open for the five-state Mid-Atlantic Bank Executives Forum in Leesburg September 11-13 which includes kick-off of Exploring the Future of Work series. Adding the Maryland Bankers Association to partnership with VBA and ABA DEI Summit on September 15th.
- With announced sale of Infinex, MSI's stock investment is poised to result in a significant gain upon completion of the transaction. MSI Board explored investment opportunity with JAM FINTOP Blockchain Fund and decided to pass.
- 2022 Compensation Survey submission deadline extended to June 24th with results to be published in mid-August. 35 banks currently have completed the survey.
- Endorsed Provider News: Planning free Payments Vendor Showcase with VBA endorsed providers. Endorsed Provider VCDC launching latest affordable housing tax credit equity fund to close later this summer.
- Added new Gold Level Signature Sponsor and held May meeting of Associate Member Council.
- Virginia Mortgage Bankers Association Annual Convention scheduled for September 21-23 at the Hilton Norfolk The Main.
- VBA managed bank-owned title agencies have distributed \$352,000 in dividends to owners through April 30th.

VBA Education Foundation Report to the VBA Board

June 19, 2022



Virginia Banking Fellows Program

- The Foundation has made a \$120,000 commitment over the next two years to sponsor a total of 12 students, six per year.
- Seven Virginia banks are also sponsors of this program, each supporting a Fellow at a local community college for the 2022-2023 school year, meaning there will be a total of 13 Fellows for the pilot year.
- In May, the VBA held a bank sponsor orientation. Bank sponsors now have access to a program resource page that houses information on the VFCCE Fellows Program, program timeline, VBA sponsored events, press kit, information on ABA online training options and more.
- A student orientation for the Virginia Banking Fellows will be planned for the fall in conjunction with the VFCCE Fellows Program Orientation.

VBA Bank Day Scholarship Program

- Awarded \$26,000 in scholarships to 12 students
- More than 420 students registered with 19 banks
- Bank hosted students in-person and virtually this year; students also received access to a webpage full of industry information and resources, which was provided by the Foundation. Access to the resource webpage was available to students over a three-week window from March 14-April 1.
- Learn more about this year's winners [here](#).

Virginia Reads One Book

- The Foundation and 16 banks contributed nearly \$60,000
- Reached more than 12,100 students at 29 Title I elementary schools across VA
- VBA staff recorded chapter readings to share with Foundation and bank sponsored schools
- View a program recap [here](#).

Virginia Foundation for Independent Colleges

- The Foundation was a gold level sponsor (\$1,000) of the Virginia Foundation for Independent Colleges (VFIC) 2021-2022 Enhancing Career Preparation Program (ECP).
- The Foundation also provided \$10,000 in scholarships to 10 students participating in ECP in 2021-2022.
- In March, Bruce Whitehurst and Susan Dunfee, Bank of America, presented at a virtual ECP meeting on the topic of evaluating job offers and negotiating salary and benefits.
- The Foundation will provide an additional \$10,000 in scholarships for ECP students in the 2022-2023 school year and will also be a gold level sponsor of the 2022-2023 ECP.

Virginia Council on Economic Education & UVa-Wise Center for Economic Education

- The VBA Education Foundation contributed \$25,000 to the VCEE Fund for Teaching Excellence.
- Foundation contributed \$7,000 to the UVa-Wise Center for Economic Education.
- Powell Valley National Bank partnered with the VCEE for the Reading Makes Cents program this spring.
- TowneBank and the Foundation partnered with VCEE for a Family Financial Fun Night in Portsmouth this spring.

VIRGINIA BANKERS ASSOCIATION

GOVERNMENT RELATIONS

VBA Government Relations Committee Report

VBA Board

June 19, 2022

➤ BankPAC

- 2022 BankPAC campaign unofficially concludes at the VBA Annual Convention and is nearing the goal of \$400,000.
- New online contribution forms have received positive feedback along with greater adoption of online credit card payment method.
- Continue to coordinate with ABA on contributions to federal candidates in advance of primary and general elections.

➤ Legislative & Grassroots

- Completed successful 2022 Virginia General Assembly session and continue to monitor work of Special Session.
- Distributed election toolkit and website with election information co-branded with ABA.
- Co-branded grassroots alert opposing credit union legislation and supporting community bank leverage ratio. Joined other state bankers associations in letter to Senate Judiciary Committee opposing potential credit card interchange routing requirements and to Congress in support of the SAFE Banking Act.
- Submitted comment letter to the Virginia Treasury Board on proposed amendments to the Security for Public Deposits Act.

➤ Advocacy Events

- Seven regional state legislative meetings set to be held in-person in the fall:
 - Richmond Sept 16th breakfast
 - Abingdon Sept 27th breakfast
 - Roanoke Sept 27th lunch
 - Harrisonburg Sept 28th breakfast
 - Danville October 11th lunch
 - Virginia Beach October 19th lunch
 - Northern VA October 21st breakfast
- Planning for in-person Banker Day 2023 on January 12, 2023

Legislative & Regulatory Environment: Mid-Year Assessment

VBA Board

June 19, 2022

State Legislation

- General Assembly Regular Session Recap: Credit Unions, Cryptocurrency, and Elder Abuse
- General Counsel's Report – Newly Enacted Laws Summary – Linked in Board Packet
- Special Session – Budget, Taxes, and SCC Vacancy
- SPDA Regulations Comment Letter & Administration Fee Increase
- Initial 2023 Session Potential Legislation: Franchise Tax, UCC, Garnishments, Investments

Federal Legislation

- SAFE Banking Act – *America Competes Act* Rider in Conference
- Credit Union FOM and Business Lending Expansion – House Action
- Credit Card Interchange Routing Requirements – Durbin 2.0
- Cryptocurrency Regulatory Framework – Lummis-Gillibrand Proposal
- National Flood Insurance Reauthorization – Expires September 30th
- Warner CDFI Investment Tax Credit

Federal Regulation

- ESG Regulatory Principles Letter; FDIC Climate-Related Risk Principles; SEC Climate Disclosure
- Joint CRA Modernization Proposal – August 8th comment deadline
- CFPB “Junk Fees,” Overdraft & UDAAP
- FDIC Bank Merger Framework

Virginia Credit Union BFI Appeal Update

Treasury
OCC
FDIC
SEC
Federal Reserve
CFTC
FHFA

The undersigned bankers associations write to reinforce our longstanding view that bank supervision, and other purportedly neutral government requirements like disclosures, must not become a means of allocating capital or implementing unrelated policy preferences. As Environmental, Social and Governance (ESG) guidance and regulatory proposals proliferate, they are often cast as flexible, non-binding, or targeted to certain segments of the market, while allowing for long transitions. In reality, the individual and cumulative effects of these agency actions have the potential to be acute, widespread, and anything but neutral. There is growing concern from our member banks about the impact those efforts may have on their continued ability to provide critical financial services to the customers and the communities they currently serve.

Our basic principle is simple: Banks should be free to lend to, invest in, and generally do business with any entity or activity that is legal, without government interference. Banks should also be free not to lend, invest, or otherwise engage so long as they do not violate fair lending or other anti-discrimination laws. This free-market approach has given this nation the strongest and most resilient financial system in the world, and the increasing efforts by policymakers from all sides of the political spectrum to intervene in the intermediation of capital risks undermining that system.

The banking industry plays a key role in providing credit and other necessary financial services to individuals, companies, and communities, and they do that by taking and carefully managing risk. Regulators should make every effort to ensure banks can serve their communities and to recognize the unique challenges facing smaller banks, particularly those where the local economy relies on industries and related suppliers that have become subject to polarized views or are otherwise undergoing transition, such as the energy sector. It is essential to understand that regulatory initiatives and disclosure requirements directed at any segment of financial institutions have implications for all others, including community banks, their counterparties, and the communities they serve. Banks must be able to make legal business decisions that are appropriate for their customers and communities as market and consumer preferences evolve.

Policymakers play an important role in addressing national and global challenges, but banks should not be used as proxies to effectuate environmental or other social policy goals.

We urge policy makers at all levels of government to be guided by the following key principles:

- To ensure that communities have the financing needed to remain vibrant and transition where needed in an orderly fashion, banks must be free to lend to, invest in, and generally do business with any entity or activity that is legal without government interference, and that banks should also be able to choose not to engage in lending,

investing or other engagement so long as they do not violate fair lending or other anti-discrimination laws.

- Environmental, social and governance risks should not be considered separate categories of risk, as they are already embedded in the risks banks currently assess, monitor, and mitigate.
- Disclosure requirements should not be decoupled from longstanding concepts of materiality or imposed on banks unnecessarily. Disclosures are costly, especially for community banks and they must remain focused on what is necessary to inform business and risk management decisions, not used to allocate capital or otherwise effectuate broader policy goals.
- Regulatory efforts to ensure safety and soundness must be appropriately applied and not used intentionally or unintentionally to reallocate credit or carry out extra prudential goals.
- Regulators should work together closely to ensure that they do not exceed their mandate and stray into capital allocation; use consistent definitions; and avoid unintended consequences.

Thank you for considering our views. We stand ready to work with you on these issues of vital importance to our economy.