

ICBA Testimony Pushes for Closure of ILC Loophole

“Now is the time to close the ILC loophole” was the message delivered to Congress by James P. Ghiglieri Jr., ICBA chairman and president of Alpha Community Bank, Toluca, Ill.

Testifying on behalf of ICBA before the House Financial Services Committee on pending industrial loan company (ILC) legislation, Ghiglieri advised Congress that commercial ownership of ILCs poses tremendous risk to the nation’s financial system and to the deposit insurance fund. He called on Congress to quickly pass legislation to preserve the wall that separates banking and commerce.

“The potential for commercial firm ownership of a bank continues to threaten our nation’s historic separation of banking and commerce and undermine our system of holding company supervision, harming consumers and communities, and threatening financial stability,” Ghiglieri testified. “The ILC specter continues to

loom over the nation’s financial system and Congress must act to close the loophole once and for all by passing the Industrial Bank Holding Company Act of 2007 (H.R. 698).”

While Wal-Mart has withdrawn its application to establish a federally insured ILC, these actions do not diminish the need to close the loophole. “Other applications

are pending; more could be filed in the future and Wal-Mart could re-file its application at any time. Only Congress can close the ILC loophole and address both the separation of banking and commerce and the need for consolidated supervision of ILC holding companies,” Ghiglieri said.

H.R. 698 represents a good compromise. “Under the measure,



Sharing our Story—ICBA Chairman and President of Alpha Community Bank James P. Ghiglieri Jr. shared bankers’ concerns about an unfettered commercial conglomerate like Wal-Mart offering banking services through the ILC loophole.

institutions that are already in business could remain in place and financial companies could continue to acquire, establish and operate ILCs. This bill addresses key concerns without needlessly disrupting ongoing activity, and, at the same time, gives the FDIC the basic tools it will need to be an effective consolidated regulator,” Ghiglieri said.

ICBA commends Rep. Barney Frank (D-Mass.), Rep. Paul Gillmor (R-Ohio) and more than 100 members of Congress for co-sponsoring this bi-partisan legislation to close the ILC loophole and help protect the safety and soundness of the deposit insurance fund and our banking system.

the verdict ...

Supreme Court Upholds Federal Preemption

State laws are preempted for operating subsidiaries of national banks, the U.S. Supreme Court decided in a 5-to-3 ruling. The high court’s majority held that, since national bank operating subsidiaries are limited to the same activities as national banks, the National Bank Act preempts the authority of states over operating subsidiaries to the same extent it preempts state laws for national banks.

The closely watched case involved an operating subsidiary of Wachovia Bank, N.A. that offers mortgages. The state of Michigan argued that operating subsidiaries are separate entities and should be subject to state licensing requirements. The Supreme Court disagreed and upheld the preemption finding of lower courts. Chief Justice John Roberts and Justices John Paul Stevens and Antonin Scalia dissented, stressing it was unfair to let a national bank take advantage of state laws that shield the parent from potential liability but not be subject to state licensing and oversight.

LIVING LARGE

The old adage of retirees living on a fixed rate of 80 percent of their pre-retirement income is still prevalent. A Sun Life survey shows that 70 percent of baby boomers expect their income needs to fluctuate throughout retirement, with higher income amounts required in the first five years to fund what appears to be an active lifestyle.

Rising Remittances

By 2010, global workers' remittances will amount to **\$456 billion, or double the 2003 amount** and up from \$369 billion in 2007. **Between 2006 and 2010, the market will grow 8.0 percent**, according to a new Aité Group report.

PAID IN FULL

Small businesses receive an average of 259 customer payments each month across all sales channels. **Checks account for 40 percent of customer payments** to small businesses, while **cash accounts for 25 percent, credit cards for 16 percent and PayPal accounts for 9 percent.**

Source: Dove Consulting Study of Small Business Payment Preferences



Leadership Gap Raises Concerns

Community bankers are concerned that retiring baby boomers may leave behind a labor shortage, creating a knowledge and leadership gap, a survey by ICBA in connection with the Financial Women International Foundation and Red Ladder Inc., finds.

The Leadership Gap study shows:

- 51 percent of respondents agreed that the baby boomer retirements will create a substantial staffing shortage by 2010.
- 52 percent agreed their bank is at risk of losing top talent.
- 60 percent agreed their bank will need to cultivate a broader talent pool from which to draw leaders, including women and minorities.
- Slightly less than 50 percent of respondents agreed that their organizations would experience both a knowledge and leadership gap.
- Succession planning will be an important focus area for at least 48 percent of banks due to the shrinking pool of available talent.
- 71 percent of survey respondents indicated that leadership development is an essential component of planning for their bank's future given the expected competitive staffing environment.
- Almost 50 percent of survey respondents indicated that investing more resources in preparing and training younger workers to assume leadership roles will be critical in broadening the organizational talent pool.

ICBA Taps CRM Software Provider

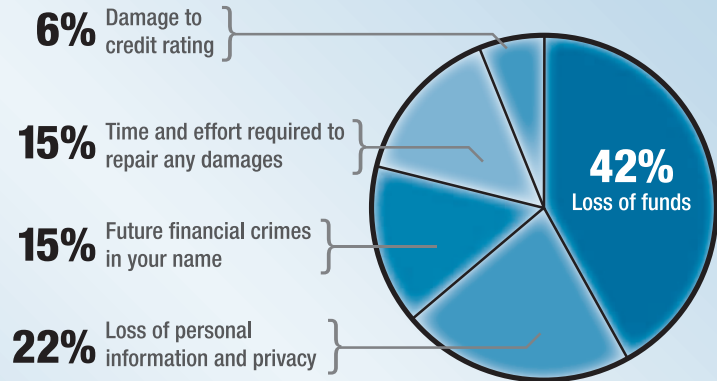
ICBA recently selected inBusiness Services of Nashville, Tenn., as an ICBA Preferred Service Provider to bring community banks pricing discounts on customer relationship management (CRM) software. inBusiness Services developed 360 View CRM, a relationship-software solution that integrates a financial institution's core products and services with third-party offerings to build a 360 degree view of the customer. 360 View helps financial institutions better manage referrals, incidents, customer ranking and attrition, intelligent prospecting, and customer and product on-boarding campaigns. For more information about the inBusiness Services program contact Adam Mahone, ICBA services coordinator, at (800) 422-8439 or visit www.threesixtyview.com.



A New ICBA Preferred Service Provider—From left to right: inBusiness Services Co-founder and Chief Marketing Officer Chris Green; ICBA Director of Services Ben Buehler; inBusiness Services Co-founder and CFO Terry Bellenfant; and inBusiness Services Co-founder and President Kevin Anderson.

Fretting Over Fraud

Consumers listed immediate loss of funds as their top concern should their online-banking data fall into nefarious hands, according to a 2007 Javelin Strategy Research study.



ATM Central

Celent estimates that **22 percent of ATMs globally are running on next-generation multi-vendor software**, a figure expected to rise to **37 percent by 2009**. This move to open architecture is also happening with operating systems, where Windows is the market leader. In the United States, Celent estimates that **38 percent of bank-owned ATMs were running Windows by the end of 2006**, a number **expected to rise to 69 percent by 2009**.



“Communities First Act” Introduced

Community bankers are hard at work lobbying for co-sponsors to the “Community Banks Serving Their Communities First Act of 2007,” (H.R. 1869). This bill would help community banks better serve the needs of their individual and business customers by providing much needed tax and regulatory relief and by enhancing individual savings.

Introduced by Rep. Nydia Velázquez (D-N.Y.), House Small Business Committee chairwoman, the bill’s major regulatory relief provisions would:

- Permit highly rated, well-capitalized community banks with up to \$1 billion in assets to file short-form Call Reports every other quarter;
- Relieve community banks with up to \$1 billion in assets from the costly internal control attestation and audit requirements of the Sarbanes-Oxley Act;
- Allow community banks that do not share customer information to forgo the annual privacy notice to customers unless there

has been a change in the bank’s privacy policy;

- Provide consumer privacy protection by prohibiting a consumer reporting agency from giving multiple lenders a report when one lender requests a report in connection with a loan, unless authorized by the consumer; and
- Increase the SEC shareholder registration threshold to 1,000 from 500.

The bill also includes several tax and small business lending provisions to increase savings rates and lower some taxes. ICBA will work with Congress to help ensure the bill’s provisions are considered in any comprehensive tax and regulatory burden relief legislation.

Community bankers should urge their congressional representative to support the legislation. ICBA has prepared a sample letter to make it easy for community bankers to automatically e-mail their representatives. Find the sample letter on ICBA’s Web site under the links “Advocacy” and “E-mail Congress.”