OPPOSE THE "CREDIT CARD COMPETITION ACT OF 2022"

The Credit Card Competition Act of 2022 (S.4674) introduced by Senators Roger Marshall and Dick Durbin claims to be proposed with "the intention of increasing competition in the credit card market." However, this legislation will result in the opposite result—competition and consumer benefits will reduce, as free market competition falls to the whim of retailers and Federal government micromanagement. Additionally, community banks will suffer because of the inability to offer all of the credit card options demanded by the retailers.

Further, the bill attempts to fix a problem that does not exist. The processing system works today, without problems. The current credit card processing system moves millions of dollars a second with 99.999% reliability. It provides fraud protection for consumers and immediate, guaranteed payments for merchants. The apparent purpose behind this legislative measure seems to be greed on the part of retailers who spin it as consumer protection, but who really want to negotiate better compensation with specific systems.

The impacts of this bill are clear: fewer options for consumers, greater threats to consumer data and privacy, weakened community banks, and the disappearance of card rewards programs that families of all income levels use to stretch their budgets. All for the benefit of only one group—retailers.

For many reasons, including those cited above, the Kentucky Bankers Association opposes the "Credit Card Competition Act of 2022".

THEREFORE, BE IT RESOLVED that the Kentucky Bankers Association urges Congress to oppose the “Credit Card Competition Act of 2022” which would harm consumers and community banks throughout the country.

ADOPT UNIFORM COMMUNITY REINVESTMENT ACT MODIFICATION

When the Community Reinvestment Act (CRA) was first adopted in 1977, banks were the primary source of banking services through "brick and mortar" buildings and in-person services. But much has changed since 1977.

Banking services are provided remotely via computers and mobile devices. Additionally banking services are provided by independent finance companies, fintechs, credit unions, as well as others, all of which now account for substantial portions of deposits and loans but are not subject to CRA.

While the banking industry and all federal regulators see the need for CRA reform, true reform is not possible without legislative action that takes into account the changes in areas, both physical and remote, served by financial service providers and makes all providers of any traditional banking services subject to CRA.

THEREFORE, BE IT RESOLVED that the Kentucky Bankers Association urges Congress to amend the Community Reinvestment Act to include all providers of financial services and establish a framework that ensures that all providers of financial services understand what is expected under this new legislation, regardless of size or regulator, while also ensuring the needs of all communities are met.

PROHIBIT CREDIT UNIONS FROM PURCHASING BANKS

Credit unions continue to take advantage of a lenient regulator, regardless of the cost to the economy. The most recent example of credit unions move to become banks without the regulatory or tax burden of being a bank is made by acquiring successful, tax paying banks. In the past nineteen years, credit unions have acquired nearly 100 banks. While the historic tax exemption credit unions currently hold is often ignored as a revenue loss, the acquisition of successful tax paying banks is a different matter altogether. These acquisitions create an ongoing and unrecoverable loss of existing and future state and federal tax revenue.

Credit unions are able to offer inflated purchase prices because of their tax exemption and their ability to count "goodwill" towards tier one (1) capital; a competitive advantage that no bank can match and one that places our financial system at extreme risk since "goodwill" is not a true measure of tangible equity. The Country, states and local communities also lose the taxes that had been paid by the bank they acquire. But there are other less obvious losses as wells. Communities lose transparency as credit unions are exempt from disclosing executive salaries; credit unions are exempt from complying with Community Reinvestment Act standards, leaving no measure of whether service areas are being properly served; and, credit unions are exempt from "redlining" prohibitions that allow them to service only wealthy suburbs of metropolitan areas while excluding minority and underserved census tracts.

None of this is good for the United States or for the Commonwealth of Kentucky.

THEREFORE, BE IT RESOLVED that the Kentucky Bankers Association urges Congress and the General Assembly to adopt measures that require taxation for credit unions, subjects them to the same regulatory standards that banks must follow and prohibit credit unions from purchasing banks.

ADOPT THE SAFE BANKING ACT

Marijuana has been legalized for medical or other purposes in thirty-seven (37) states with proposed legalization in many of the remaining states. However, the possession, distribution and sale of marijuana remains illegal under federal law, which means any contact with money that can be traced back to state marijuana operations could expose banks to significant legal, operational and regulatory risk.

The dichotomy between federal and state law has left banks trapped between their mission to serve the financial needs of their communities and the threat of federal enforcement. Even the banking of legal hemp production is often difficult to find because of the confusion and association between hemp and marijuana.

While the Kentucky Bankers Association takes no position on the moral or social issues raised by legalizing marijuana, the growing number of states that allow its sale and use raises practical banking issues that must be addressed.

H.R. 1595, the Secure and Fair Enforcement (SAFE) Banking Act of 2019, includes language that permits depository institutions to serve the needs of their customers in states where cannabis is legal. The SAFE Banking Act provides a mechanism for the cannabis industry and its service providers to deposit their cash in regulated financial institutions, which allows our members to meet the needs of their communities and helps those communities reduce cash-motivated crimes, increase the efficiency of tax collections, and improve the financial transparency of the cannabis industry.

THEREFORE, BE IT RESOLVED that the Kentucky Bankers Association urges Congress to adopt the Secure and Fair Enforcement (SAFE) Banking Act of 2019 to permit banks to serve the needs of their customers.

BSA AND AML MODERNIZATION

Banks continue to be the most reliable source of financial information, but the burden associated with obtaining that information does not always weigh equally with the reward. For instance, the unreasonably comprehensive information required to be collected and provided by banks on all customers, regardless of whether there is actual suspicion that the reported customer is involved in financing terror, money laundering or involved in other financial transactions is hard to describe. Millions are filed each year.

While the Bank Secrecy Act and Anti-Money Laundering statutes are important tools in the nation's fight against terrorist financing and criminal activities, the scope of the current laws and regulations makes it hard to separate the wheat from the chaff. Further, the laws are antiquated. Twenty-first century criminals will not easily be captured by a law that was written a decade before the first laptop computer was invented.

As financial institutions and law enforcement constantly battle evolving technologies in the payments and transactions space, we must modernize and narrow the scope of the tools used to fight increasingly sophisticated bad actors, starting with our anti-money-laundering laws. Collecting, producing and storing the sheer volume of data required by the BSA is a weighty burden on both financial institutions and law enforcement. Congress should strive to balance that burden against law enforcement results.

<u>THEREFORE, BE IT RESOLVED</u> that the Kentucky Bankers Association urges Congress to move with speed to modernize BSA/AML, reducing the burden on all, but particularly the smallest institutions, while enhancing the effectiveness of the program to more accurately reflect current criminal risks.

OPPOSE IMPOSITION OF SOCIAL ISSUES ON BANKS

Kentucky 2022 GA passed Senate Bill 205 and other states have passed similar bills. Federal agencies are starting to look for ways to require banks and other companies to report and disclose environmental, social and governance (ESG) factors unrelated to the core business.

While the Kentucky Bankers Association takes no position on the moral issues raised with fossil fuels or other ESG factors, the Kentucky Bankers Association does not believe that neither state nor federal government should mandate that banks loan money to any particular entity or business sector or operate in a specific ESG manner, so long as the bank is operating in a safe and sound manner.

THEREFORE, BE IT RESOLVED that the Kentucky Bankers Association urges the Kentucky State Legislature and Congress to oppose any efforts to prescribe specific ESG factors against banking operations beyond existing laws.

APPRECIATION OF OUR UNITED STATES DELEGATES –

SENATOR MITCH MCCONNELL,

CONGRESSMAN ANDY BARR, CONGRESSMAN BRETT GUTHRIE and

CONGRESSMAN JAMIE COMER

Senate Majority Leader Mitch McConnell, Congressman Andy Barr, Congressman Brett Guthrie, and Congressman Jamie Comer have remained thoughtful proponents, advocates and leaders of the interests of Kentucky, its citizens and, thoughtfully, to Kentucky's community banking industry.

As the Majority Leader of the United States Senate and Congressmen of the United States House of Representatives, respectively, we appreciate the extraordinary efforts of Senator McConnell, Congressman Barr, Congressman Guthrie and Congressman Comer in listening to bankers and voicing the concerns of banks.

We are appreciative of their focus and direction.

THEREFORE, BE IT RESOLVED that the members of the Kentucky Bankers Association express their continuing appreciation to Senate Leader McConnell, Congressmen Barr, Guthrie and Comer.

APPRECIATION – JAMES A. HILLEBRAND

James A Hillebrand ("Ja") has shown, through his years of service to our industry and the Association, his commitment and friendship to the KBA and its member banks. This was especially true during this past year as he served as Chairman of the Kentucky Bankers Association.

Ja provided vital assistance to our industry in serving as a proponent for Kentucky banks with a calm and thoughtful voice in advocating for banks at both the state and federal level.

Ja achieved this while unselfishly devoting considerable time and effort that we are certain was at a cost to his family and his bank. His leadership and determination ensured that all KBA goals were met in a thoughtful, professional manner while reinforcing industry relationships across the Commonwealth.

THEREFORE, BE IT RESOLVED that the Kentucky Bankers Association and its members express their sincere thanks and appreciation to James A Hillebrand for his dedication and leadership during the past year. The Kentucky Bankers Association also extends its appreciation to the directors, officers and staff of Stock Yards Bank & Trust Co., who made it possible for Ja to devote time to this position and to allow the Association to benefit from his contribution.

APPRECIATION – AND
2022 RETIRING BOARD MEMBERS

The terms of office of Mr. J. Wade Berry, as Past Chairman of the Association's Board of Directors, and of the following: Mr. Randell Blackburn, as Group 1 Representative; Ms. Michelle Coleman, as Group 4 Representative; Mr. Gregory D. Goff, as Group 5 Representative; and Mr. Elmer Whitaker, as Representative of Banks with Assets of more than $1 Billion, will expire during this Convention. All have faithfully and unselfishly devoted considerable time and effort in furthering the programs and goals of the Association.

> **THEREFORE, BE IT RESOLVED** that the members of the Kentucky Bankers Association express their sincere thanks and appreciation to each of them for their efforts, dedication and leadership during their terms of office as members of the Board of Directors of the Association and look forward to their continued interest in and contributions to the Association's programs.

APPRECIATION – 2022 CONVENTION SPONSORS AND VIRTUAL EXHIBITORS

We appreciate the support of the 2022 Annual Convention Sponsors and participants and the new and innovative products and services they bring to our members. The Convention would not be possible without their support and involvement.

THEREFORE, BE IT RESOLVED that the members of the Kentucky Bankers Association recognize the benefits that the 2022 Annual Convention Sponsors bring to the Convention and express our thanks:

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- Bankers Alliance, Austin

DELIVERY OF COPIES AND IMPLEMENTATION

BE IT RESOLVED that Ballard W. Cassady, Jr., President and Chief Executive Officer of the Association, is authorized and directed to cause copies of the resolutions adopted at the 2022 Annual Convention of the Kentucky Bankers Association to be delivered to those persons and entities as he may deem advisable and to otherwise take any and all action necessary or appropriate to implement the actions contemplated by these resolutions.