

KBA

Kansas Bankers Association, P.O. Box 4407, Topeka, Kansas 66604

May 4, 2005

Office of the Comptroller of the Currency
Re: Docket No. 05-01

Federal Reserve Board of Governors
Re: Docket No. OP-1220

Federal Deposit Insurance Corporation
Re: EGRPRA Burden Reduction Comments

Office of Thrift Supervision
Re: No. 2005-02

Re: Request for Burden Reduction Recommendations

Federal Banking Regulatory Agencies:

Thank you for the opportunity to share with you, comments that the Kansas Bankers Association has received from our members on this most important topic. The KBA is a non-profit organization having as its members, 356 of the 359 Kansas banks as members.

In order to help us draft a meaningful comment letter, we asked our members to complete a questionnaire that listed the regulations dealing with: Money Laundering, Safety and Soundness and Securities rules about which the banking agencies are seeking comments. The questionnaire asked our members to consider the requirements of each regulation and comment on whether the requirements were outdated, inconsistent, duplicative, unnecessary, or unduly burdensome.

The following is a compilation of the results of the answers received on the questionnaire:

Bank Secrecy Act.

- *CTR threshold:* An overwhelming majority responded that the \$10,000 threshold should be increased to \$25,000 and then be indexed for inflation. This threshold has been in place since BSA was enacted and deserves review.
- *Time frame for filing.* Many banks believe the time frame for filing a CTR should be extended to 15 business days or 30 calendar days.

BSA, cont.

- *Exemption list.* Several bankers commented that annual review of the exemption list was overly burdensome and suggested that the regulation require review every five years or as the bank's management deemed necessary.

Reports of Crimes or Suspected Crimes.

- *SAR filing: non-insider.* Many bankers commented that the threshold for reporting should be consistent with law enforcement's threshold for conducting investigations. There is a strong belief that law enforcement is not looking at SARs filed below a certain dollar amount and it is higher than the current \$5,000 requirement for filing SARs.
- *"Suspicious activity".* Several commented that this term is too subjective and should be defined more clearly and applied consistently so as to keep the number of unnecessary SAR filings down. In defining this term, it was suggested that the regulators could provide examples of what is or is not "suspicious activity" (Eg., **any** currency transaction over \$5,000?).

Appraisal Standards.

- *Requirement for licensed/certified appraisal on real estate loans \$250,000 or greater.* Many bankers believe that the threshold should be re-evaluated and increased to \$500,000. The \$250,000 threshold is viewed as being outdated. In some parts of Kansas, there is still a shortage of licensed or certified appraisers, so that the demand exceeds the supply and there are major delays. This could be eased somewhat by an increase in the threshold.

Lending Limits.

- *National banks: 15% of capital and surplus.* Kansas state-chartered banks have enjoyed a general lending limit of 25% of capital and surplus for almost eight years. Many of their national bank competitors would like to see the federal law changed for national banks as well.

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Conclusion.

At the close of the questionnaire, we asked the respondents to list the most burdensome regulations with #1 representing their highest frustration. The overwhelming majority listed **BSA compliance** at the top of the list. In a world where terrorism is a very real threat, bankers are ready and willing to step up and do their part to combat the financing of terrorism. However, there is a belief that the current regulation does little to assist in these efforts as most of the paperwork is ignored or lost in the shuffle.

The mindset of the typical banker is that of an “A” student - he or she wants to comply with every rule and regulation. They want the bank to get a good “grade”, but when the reasons for the rule become obsolete or are unclear, it is difficult to inspire even these top caliber students. We commend the federal banking regulators’ efforts at a meaningful reduction of some of these uninspirational rules and regulations.

Sincerely,

Charles A. Stones
President

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Associate General Counsel