

March 7, 2012

To: Members of the U.S. House of Representatives

From: James Ballentine, Executive Vice President, Congressional Relations and Political Affairs

Re: ABA's View on the JOBS Act

On behalf of the members of the American Bankers Association (ABA), I am writing to share our views on H.R. 3606, the Jumpstart Our Business Startups (JOBS) Act, a package of bills designed to help small businesses create jobs. H.R. 3606 is scheduled for House floor consideration on Thursday, March 8, 2012, and we urge passage of the legislation.

We are pleased that the legislation includes H.R. 4088, the Capital Expansion Act, introduced by Rep. Ben Quayle (R-AZ), and H.R. 2167, introduced by Rep. David Schweikert (R-AZ). H.R. 4088 would raise the shareholder threshold for Securities and Exchange Commission (SEC) registration for financial institutions, from the current 500 shareholders to 2,000 shareholders, a change that ABA has long advocated. This change would enable community based banks to deploy their capital in lending, rather than spending it on regulatory requirements that provide little incremental benefit to the banks, shareholders, or the public. H.R. 2167 would update the shareholder threshold for a broad range of companies.

Many community banks have had to deal with the 500-shareholder rule, which has remained in place for over 40 years without being updated, and which causes small, local banks to be subject to the same costly reporting requirements as large, public firms. Many banks that are nearing the 500-shareholder threshold have limited sources from which to raise the capital necessary to meet the credit needs of their communities without increasing the number of shareholders and triggering registration with the SEC. Once registered as public companies, community banks then become subject to disproportionately high financial and opportunity costs when compared to other smaller public companies. These regulatory requirements and costs eat into capital and limit banks' ability to make loans in their communities.

H.R. 4088 also would address the threshold for deregistration, which can occur when the number of shareholders decreases and once-public businesses can become private. Raising the threshold for deregistration from the current 300 shareholders to 1,200 makes a lot of sense from both a business and corporate governance perspective.

The House overwhelmingly passed a nearly identical bill (H.R. 1965) by Rep. Jim Himes (D-CT) and Rep. Steve Womack (R-AR) in November 2011. **ABA strongly supports updating the shareholder registration threshold, and particularly supports its inclusion in the JOBS Act.**

In addition, the JOBS Act includes several bills designed to help the economy and spur job creation. Although these bills do not directly impact regulated financial institutions, we believe these are thoughtful pieces of legislation and encourage House passage.