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Bankers may recall that, in early 2015, the Office of the Comptroller of the Currency (OCC) took the regulatory lead in publishing a "whitepaper" discussing a number of areas where community banks might consider combining their efforts to share common expenses and resources between institutions in an effort to reduce overall operating expenses.

The OCC's whitepaper recognized the continuing need for community banks to examine opportunities to reduce overhead while still remaining independent, a model that in reality forms the business basis for the efficiencies gained in holding company formations and bank acquisitions.

Following on that theme, on October 3, 2018, the Federal Financial Institutions Examination Council (FFIEC) issued an Interagency Statement on Sharing Bank Secrecy Act Resources which reinforces the notion that there are a number of common "back room" functions that institutions can share in a "pooled resources" manner to reduce common expenses.

In all collaborative enterprises by banks, each participating institution needs to carefully take into account relevant customer privacy, employee sharing, risk factors and competitive issues as they consider whether such initiatives are appropriate. Each of these issues can be addressed and resolved in a variety of manners. Oftentimes too it is social and control issues that tend to derail joint venture opportunities. However, the expense savings can be very significant and many if not most concerns can be addressed by utilizing a joint venture legal structure that addresses those concerns and enhances opportunities for ongoing independence if that is the goal of the organization.

In all instances, participating institutions remain responsible for their own compliance oversight, including safety and soundness obligations. Institutions will be examined for compliance and related matters individually even though the services may be conducted through a collaborative venture among multiple institutions. While the referenced FFIEC statement is directed toward Bank Secrecy Act compliance resources, similar collaborative ventures for support services provide the same potential benefits and involve the same ongoing obligations.

In an era of enhanced competition for banking business from larger institutions and technology organizations, community banks and thrifts have a number of opportunities to reduce overhead, increase efficiencies and leverage talent through collaborative ventures. Taking advantage of those opportunities can provide the same type of leverage that occurs by combining resources and eliminating duplicative overhead through an acquisition, while participating institutions retain their independence. It is the same business model and concept, on a different scale, with the result that communities retain the independent decision-making and access that occurs with institutions that remain independent.

The former Bank One Corporation early on recognized a somewhat similar business model for acquisitions known as the “uncommon partnership.” Under this model acquired institutions maintained significant autonomy but were able to operate under the Bank One umbrella of organizations. The one thing missing from that “uncommon partnership” however, until the merger with First Chicago/NBD, was the combination of “back room” operations which detracted from some of the efficiencies typically gained in an acquisition. Joint ventures to accomplish the same expense savings goals can provide the benefits of a combined organization while retaining the benefits of independence.

The FFIEC statement (and the underlying concepts behind collaborative ventures among independent institutions) does not absolve participating institutions from their individual compliance obligations or the need to provide appropriate training and continue to identify and mitigate risk while implementing appropriate internal controls. Those obligations, of course, remain with each participating institution. However the FFIEC statement, as with the 2015 OCC whitepaper, provides encouragement and direction for institutions to consider engaging in collaborative ventures to enable them to address and reduce duplicative back-room and support expenses in a fashion that encourages opportunities for continued independence.

As banks face the challenges of economic unknowns, technology expenses, technology-based competitors, regulatory pressures, and the general competitive benefits that come with enhanced efficiencies, perhaps it is time again to re-explore when and where joint ventures could well provide the difference between long-term independence and consolidation.