COMMITTEE LAUDS INTRODUCTION OF BANKING REFORM BILL

On November 16, 2017, a bipartisan group of 20 U.S. Senators introduced the Economic Growth, Regulatory Relief and Consumer Protection Act (the "**Bill**"). On December 5th, the Senate Committee on Banking, Housing, and Urban Affairs voted to report the Bill, as amended, to the Senate. The Bill seeks to promote economic growth by right-sizing regulation for smaller financial institutions, which is consistent with objectives the Committee on Capital Market Regulation (the "**Committee**") set forth in its Roadmap for Regulatory Reform.

The Bill provides regulatory relief for smaller financial institutions by, among other things, simplifying capital requirements, creating an exemptive safe harbor from the Volcker Rule, and raising the asset threshold for the applicability of enhanced prudential regulations. Specifically, banks with less than $10 billion in assets would be able to satisfy their capital and leverage requirements if they meet a newly-established community bank leverage ratio.[1] Moreover, banking entities with less than $10 billion in consolidated assets would be exempt from the Volcker Rule if their total trading assets and liabilities are 5% or less of their consolidated assets. However, exempting these institutions will not eliminate significant burdens that still apply to the majority of the banking system.

The Bill would also provide regulatory relief by raising the threshold for enhanced prudential standards, which currently apply to bank holding companies with $50 billion or more of consolidated assets, to $250 billion. Bank holding companies with consolidated assets between $50 billion and $100 billion would be exempt from enhanced prudential standards immediately upon enactment, and those with consolidated assets between $100 billion and $250 billion would be exempt 18 months after the date of enactment.[2]

The Committee commends the bipartisan support for this important piece of legislation – the first major bipartisan agreement on reforming Dodd-Frank. The Committee urges the Senate to promptly consider the Bill.

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The Committee is an independent 501(c)(3) research organization, financed by contributions from individuals, foundations, and corporations. The Committee's membership includes thirty-eight leaders drawn from the finance, business, law, accounting, and academic communities. The Committee Co-Chairs are R. Glenn Hubbard, Dean of Columbia Business School, and John L. Thornton, Chairman of the Brookings Institution. The Committee's Director is Hal S. Scott, Nomura Professor and Director of the Program on International Financial Systems at Harvard Law School.

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[1] The Bill would require federal banking agencies to set the ratio between 8% and 10%.

[2] However, for bank holding companies with assets between $100 billion and $250 billion, the Federal Reserve would be authorized to apply enhanced prudential standards in certain cases and would be required to conduct periodic supervisory stress tests.

Founded in 2006, the Committee undertook its first major report at the request of the incoming U.S. Secretary of the Treasury, Henry M. Paulson. Over ten years later, the Committee's research continues to provide policymakers with an empirical and non-partisan foundation for public policy.