# Neugebauer Convenes Subcommittee to Examine the Designation & Regulation of Bank Holding Company SIFIs

Jul 8, 2015 Issues: Financial Services

**WASHINGTON** – Rep. Randy Neugebauer (R-TX), Chairman of the Financial Institutions and Consumer Credit Subcommittee, delivered the following opening statement—as prepared for delivery—at today's Subcommittee hearing to examine the designation and regulation of bank holding company SIFIs:

"Good afternoon. Today's hearing provides Members the opportunity to hear from some of the leading experts on financial stability and bank regulation with respect to Dodd-Frank's Title I requirements.

"Over the last several years, there has been growing bipartisan and bicameral interest in re-examining Dodd-Frank's regulatory framework for bank holding companies with assets greater than $50 billion.

"Section 165 of the Dodd-Frank Act requires the Federal Reserve Board to apply enhanced prudential standards for all bank holding companies with total assets of $50 billion or more.

"The purpose of this section and application of heighted regulatory scrutiny is to: 'Mitigate risks to the financial stability of the United States that could arise from the material distress or failure, or ongoing activities, of large, interconnected financial institutions.'

"In practice, the application of these standards is a *de facto* designation that each of these institutions is 'systemically important.'

"As we have seen with a large number of Dodd-Frank provisions, the rush to legislate in the wake of the financial crisis has led to unintended regulatory consequences.

"For example, in February, the Office of Financial Research published research on systemic importance using international metrics developed at the Basel Committee.

"This holistic approach to evaluating systemic importance demonstrates a vast divide in systemic risk profiles between U.S. G-SIBs and the U.S. regional banks.

"Unfortunately, Dodd-Frank's arbitrary requirements do not take into consideration the systemic risk profiles of these bank holding companies.

"Several banking regulators have recognized the limitations in using an asset-only metric to measure systemic importance.

"In testimony before our full Committee, Federal Reserve Chair Janet Yellen highlighted the arbitrariness of an asset-only threshold.

"Federal Reserve Governor Daniel Tarullo has publicly supported raising the asset threshold.

"Comptroller of the Currency Thomas Curry has testified that there are currently non-systemically important banks being regulated as systemically important due to the current threshold.

“One might ask what the practical consequences are of misapplying these regulatory standards. This year, our Committee has held several hearings examining the regulatory burdens facing community financial institutions. These burdens cause bank consolidation, limited consumer choice for products, and increased cost of credit for consumers.

“The issue before us today is no different. Money spent to comply with unnecessary regulations can be better allocated to loans for small businesses and consumers. Another perverse outcome of the current Dodd-Frank construct is that it encourages some financial institutions to continue getting larger to achieve economies of scale.

“For example, one bank CEO, whose institution is just below the $50 billion threshold, publicly stated, ‘If you are going to go over $50 billion anyways, it’s better to be $70 billion than $52 billion,’ to achieve economies of scale. That certainly can’t be the intention of Dodd-Frank.

“As policymakers, we must always strive to be precise when improving legislative frameworks as to minimize unintended consequences.

“Before I conclude today, I want to applaud Rep. Luetkemeyer for bringing together a significant group of bipartisan House supporters who want to tackle this important issue.

“Additionally, Senate Banking Committee Chairman Richard Shelby has put forth a very credible plan. I am encouraged that bipartisan discussions are continuing in the Senate.”