



Newsroom Shelby Opening Remarks at Hearing on Examining the Regulatory Regime for Regional Banks

March 24, 2015

WASHINGTON, DC – Tuesday, March 24, 2015 – U.S. Senator Richard Shelby (R-Ala.), Chairman of the United States Senate Committee on Banking, Housing, and Urban Affairs, today delivered the following opening remarks during a full committee hearing on “Examining the Regulatory Regime for Regional Banks.”

The text of Chairman Shelby’s remarks, as prepared, is below.

“Last week, the Committee continued its examination of the existing regulatory framework for regional banks by hearing from the regulators. Today, we will hear from a broad panel of experts, including those who have witnessed first-hand the impact of the current regulatory structure, and those who have analyzed this issue in depth.

“Current law subjects all banks with assets of \$50 billion or more to enhanced prudential standards, regardless of whether the bank has \$51 billion, \$251 billion, or trillions in assets.

“Five years after this threshold was fixed in statute, no legislator or regulator has properly explained where it came from, why it was deemed appropriate at the time, or what analysis supported it. I believe that five years is long enough to know if an arbitrary threshold is appropriate and whether it should be changed.

“Last week, we heard from regulators that there are alternative ways to measure systemic risk instead of relying solely upon an arbitrary asset threshold. We also heard that the existing statutory requirements limit the regulators’ flexibility to tailor prudential standards based on the actual systemic risk of an institution.

“The current framework should address systemic risk, as current law intends. I believe that there is a way to do this without preventing regional financial institutions from growing, remaining competitive, and expanding into new communities.

“Ironically, the arbitrary \$50 billion threshold may create a competitive advantage for Wall Street institutions by imposing costly compliance barriers for region-based banks that are a fraction of their size.

“Instead of giving our regulators the flexibility to properly direct resources by focusing on the institutions that present the most risk, the law creates a clear line of demarcation based purely on the institution’s size. Therefore, the regulators are unable to scale regulation in a manner that reflects a bank’s risk profile and activities.

“I am concerned that a regulatory system that is too rigid imposes unwarranted costs without enhancing safety and soundness. These costs are then passed along to consumers and businesses by restricting credit and other financial services.

“Restricted lending means slower growth and fewer opportunities. The ideal regulatory regime should allow for the maximum level of economic growth while also ensuring the safety and soundness of our financial system. It is becoming more apparent that current law has not struck the appropriate balance and changes are in order.

“Today’s witnesses will discuss some of those changes and give us the benefit of their expertise as we consider possible refinements to current law.”

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