

May 22, 2015

## Senate Banking Committee Approves Regulatory Relief Legislation

### COMMITTEE MARK-UP

On Thursday, May 21<sup>st</sup>, the Senate Committee on Banking, Housing, and Urban Affairs met to [mark-up](#) original legislation, the “Financial Regulatory Improvement Act of 2015” (FRIA). The bill is designed to provide regulatory relief to various components of the financial services industry. In his [opening statement](#) at the markup, Chairman Richard Shelby (R-AL) noted that the committee had held nine hearings to examine areas addressed in the bill, and the legislation is “the result of more than 40 bipartisan staff meetings, briefings, and conference calls to discuss each issue and a possible way forward.” Knowing that Democrats planned to oppose the legislation, Shelby said that the markup represents “just one step in a very long process,” reiterating his desire for bipartisan legislation.

In his [opening statement](#), Ranking Member Sherrod Brown (D-OH) said that committee Democrats were offering an alternative to Shelby’s legislation, which he labeled “a one-sided wish list -- pleasing to various interest groups but lacking any provisions to help the average American trying to navigate our financial system.” Brown also expressed his hope that this was the beginning of the process for legislation to provide regulatory relief.

Several members on the Democratic side of the aisle expressed their displeasure with both the process that led to the markup and some of the provisions contained in the Shelby bill. Of note, an animated Senator Mark Warner (D-VA) offered a scathing assessment of the process, and pledged to use every tool possible to ensure that the Shelby bill, as written, does not pass the Senate.

Ultimately, Shelby’s legislation passed the committee on a 12-10 party vote. After the markup, Shelby told reporters that “we’re not trying to get cloture right now... we’re

moving to the second step to have some serious negotiations.”

## **SUMMARY OF THE FINANCIAL REGULATORY IMPROVEMENT ACT OF 2015**

Chairman Shelby’s [legislation](#) includes eight titles:

**Title I – Regulatory Relief and Protection of Consumer Access to Credit.** Includes 25 provisions intended to ease unnecessary regulatory burdens on the nation’s community banks and credit unions.

**Title II – Systemically Important Bank Holding Companies.** Establishes a framework for evaluation of Bank Holding Companies (BHCs) with more than \$50 billion and less than \$500 billion in total consolidated assets for systemic designation based on certain criteria.

**Title III – Greater Transparency for the FSOC Process for Nonbank Financial Companies.** Increases access for federal agency members to attend FSOC meetings, and provided a de-designation process, or off-ramp, for designated companies.

**Title IV – Improved Accountability and Transparency in the Regulation of Insurance.** Contains three provisions intended to improve accountability and transparency in the regulation of the insurance market.

**Title V – Improving the Federal Reserve System.** Includes several measures aimed at increasing the transparency of the Federal Reserve, including establishing a commission for restructuring the Federal Reserve System and requiring quarterly monetary policy reports to Congress from the Federal Open Market Committee (FOMC), instead of semi-annual reports from the Federal Reserve.

**Title VI – Improved Access to Capital and Tailored Regulation in the Financial Markets.** Contains four provisions that build primarily upon the JOBS Act.

**Title VII – Taxpayer Protections and Market Access for Mortgage Finance.** Contains several provisions that are designed to be a first step in reform of the mortgage finance system.

**Title VIII – Dodd-Frank Wall Street Reform and Consumer Protection Technical Corrections.** Contains technical corrections to the Dodd-Frank Act.

## **AMENDMENTS CONSIDERED AND DISCUSSED**

While many amendments were filed, only three were voted on (plus a managers

amendment). A few additional amendments were discussed by their sponsors before being withdrawn.

**Brown amendment #17** – alternative to the Shelby legislation. Cosponsored by all committee Democrats. Billed as a targeted proposal to help Main Street financial institutions and protect consumers at same time, the amendment struck all of Shelby’s provisions and replaced it with a scaled-back two-title, nine-provision bill. A roll call vote was held on the amendment. **The amendment failed 10-12.**

**Crapo amendment #19** – prohibits Federal banking and credit union regulators from participating in the Department of Justice’s (DOJ) Operation Choke Point. A roll call vote was held on the amendment. **The amendment passed 13-9**, with Senator Donnelly (D-IN) joining all Republicans in support.

**Vitter amendment #14** – ends bias and cronyism at the Securities Investor Protection Corporation (SIPC) by ending the ability of Board members to have current careers and day jobs in the industry while on the Board. Chairman Shelby agreed to hold a hearing on this issue. **WITHDRAWN.**

**Vitter amendment #16** – addresses Too-Big-To-Fail (TBTf) by requiring a minimum equity capital level of 10% for designated firms (using the Brown-Vitter definition of equity capital in the *Terminating Bailouts for Taxpayer Fairness Act* from last Congress). **WITHDRAWN.**

**Toomey amendment** – includes the text of the Cornyn-Toomey *Taxpayer Protection and Responsible Resolution Act* from last Congress which would repeal Title II (Orderly Liquidation Authority provision) of the Dodd-Frank Act and make necessary changes to bankruptcy code, ensuring that if a large BHC were to fail, it would go through bankruptcy and not be bailed out. **WITHDRAWN.**

**Toomey amendment #4** – requires that government-sponsored entities (GSEs) adhere to existing capital requirements. **WITHDRAWN.**

**Toomey amendment #11** – would bring “transparency and proper order” to the international regulatory regime by requiring that federal regulators come to a conclusion within the domestic framework on SIFI designation (i.e. – at FSOC) before going to the international platform (i.e. – FSB). **WITHDRAWN.**

**Toomey amendment #8** – changes from \$10bn to \$50bn the threshold for banks to fall under oversight of the Consumer Financial Protection Bureau (CFPB). Banks would still be examined by their primary regulators, who by law must enforce CFPB regulations, and CFPB examiners could accompany primary regulators during exams, as well as notify those regulators of violations and recommend corrective action. However, the amendment would eliminate separate “costly and time consuming” CFPB examinations. Senator Joe Donnelly (D-IN) co-sponsored the amendment. Ranking

Member Brown said he would oppose the amendment, and offered that a better answer is to coordinate examination cycles. A roll call vote was held on the amendment. **The amendment passed 13-9**, with Senator Donnelly joining all Republicans in support.

**Manager's Amendment** – the manager's amendment contained minor technical corrections, input from regulators, and suggestions from Ranking Member Brown's substitute amendment. **Passed by voice vote.**

**Final passage of the bill, as amended – 12-10, on a party line vote.**