

114TH CONGRESS
2D SESSION

H. R. 4647

To establish regulatory relief for certain financial institutions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 26, 2016

Mr. PERLMUTTER (for himself, Mr. LYNCH, Mr. VARGAS, Mr. HECK of Washington, Mr. HINOJOSA, and Mr. WELCH) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To establish regulatory relief for certain financial institutions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Traditional Banking
5 Regulatory Relief Act of 2015”.

6 **SEC. 2. REGULATORY RELIEF FOR TRADITIONAL BANKING**
7 **ORGANIZATIONS.**

8 (a) **REGULATORY CAPITAL REQUIREMENTS.—**

1 (1) IN GENERAL.—Section 18 of the Federal
2 Deposit Insurance Act (12 U.S.C. 1828) is amended
3 by adding at the end the following new subsection:

4 “(aa) TREATMENT OF TRADITIONAL BANKING OR-
5 GANIZATIONS.—

6 “(1) REGULATORY CAPITAL REQUIREMENTS.—

7 “(A) SIMPLE LEVERAGE RATIO.—The ap-
8 propriate Federal banking agencies shall issue
9 regulations establishing a minimum simple le-
10 verage ratio at no less than 10 percent. The
11 simple leverage ratio requirement shall be con-
12 sistent with regulations promulgated pursuant
13 to section 38 (relating to prompt corrective ac-
14 tion).

15 “(B) APPLICATION TO TRADITIONAL
16 BANKING ORGANIZATION.—Notwithstanding
17 any other provision of law, a traditional bank-
18 ing organization that meets the minimum sim-
19 ple leverage ratio established under subpara-
20 graph (A) may elect, by notice to the appro-
21 priate Federal banking agencies, to maintain
22 the minimum simple leverage ratio as its sole
23 measure of capital adequacy.

24 “(C) EXEMPTION FROM RISK-BASED CAP-
25 ITAL REQUIREMENT.—The risk-based capital

1 requirement in section 38(c)(1)(A) shall not
2 apply to a traditional banking organization that
3 makes an election under subparagraph (B) and
4 complies with regulations issued in accordance
5 with this paragraph.

6 “(D) GRACE PERIOD.—A traditional bank-
7 ing organization that makes an election under
8 subparagraph (B) and fails to maintain the
9 minimum simple leverage ratio described in
10 subparagraph (A) (as determined by the first
11 quarterly report of condition issued after mak-
12 ing such an election) shall be exempt from the
13 risk-based capital requirement in section
14 38(c)(1)(A) for a period of 18 months begin-
15 ning on the date of such determination.

16 “(2) RESERVATION OF AUTHORITY.—Notwith-
17 standing any other provision of this subsection, an
18 appropriate Federal banking agency may require ad-
19 ditional capital adequacy measures applicable to a
20 newly chartered traditional banking organization or
21 for an individual traditional banking organization if
22 such measures are required to ensure the safety and
23 soundness of the banking organization or to prevent
24 an unacceptable risk to the Deposit Insurance Fund.

25 “(3) DEFINITIONS.—

1 “(A) TRADITIONAL BANKING ORGANIZA-
2 TION.—The term ‘traditional banking organiza-
3 tion’ means any bank holding company, savings
4 and loan holding company, bank, or savings as-
5 sociation that individually, and when including
6 its parent, subsidiaries, and all affiliates, meets
7 the following requirements:

8 “(i) Has zero trading assets and zero
9 trading liabilities.

10 “(ii) Does not engage in swaps or se-
11 curity-based swaps (as such terms are de-
12 fined in section 1a of the Commodity Ex-
13 change Act (7 U.S.C. 1a)), other than
14 swaps or security-based swaps referencing
15 interest rates or foreign exchange swaps
16 (as such terms are defined in such sec-
17 tion).

18 “(iii) Has a total gross notional expo-
19 sure of swaps and security-based swaps of
20 not more than \$3,000,000,000.

21 “(B) SIMPLE LEVERAGE RATIO.—

22 “(i) IN GENERAL.—The term ‘simple
23 leverage ratio’ means—

24 “(I) total equity less goodwill and
25 deferred tax assets, divided by

1 “(II) total assets less goodwill
2 and deferred tax assets,
3 as measured by generally accepted ac-
4 counting principles.

5 “(ii) MEASUREMENTS.—For purposes
6 of measuring the simple leverage ratio cap-
7 ital requirements of a traditional banking
8 organization, the appropriate Federal
9 banking agencies may, by regulation, re-
10 quire—

11 “(I) the exclusion, from total eq-
12 uity, of other intangible assets; or

13 “(II) the addition, to total assets,
14 of off-balance sheet items.

15 “(iii) RULE OF CONSTRUCTION.—The
16 simple leverage ratio shall not be construed
17 to be a generally applicable leverage capital
18 requirement for purposes of section 171 of
19 the Dodd-Frank Wall Street Reform and
20 Consumer Protection Act (12 U.S.C.
21 5371).”.

22 (2) PHASE-IN FOR CERTAIN ORGANIZATIONS.—

23 (A) IN GENERAL.—Notwithstanding the
24 minimum simple leverage ratio requirement
25 under section 18(aa)(1)(B) of the Federal De-

1 posit Insurance Act, a traditional banking orga-
2 nization with a simple leverage ratio of 8 per-
3 cent or more may make an election under such
4 section 18(aa)(1)(B) during the 18-month pe-
5 riod beginning on the date of the enactment of
6 this Act.

7 (B) REQUIREMENT TO MEET THE MIN-
8 IMUM SIMPLE LEVERAGE RATIO.—A traditional
9 banking organization making an election pursu-
10 ant to subparagraph (A) shall have until the
11 end of the 18-month period described under
12 subparagraph (A) to meet the minimum simple
13 leverage ratio, or the organization’s election
14 under section 18(aa)(1)(B) of the Federal De-
15 posit Insurance Act shall be terminated.

16 (C) DEFINITIONS.—For purposes of this
17 paragraph:

18 (i) MINIMUM SIMPLE LEVERAGE
19 RATIO.—The term “minimum simple lever-
20 age ratio” means the minimum simple le-
21 verage ratio established under section
22 18(aa)(1)(A) of the Federal Deposit Insur-
23 ance Act.

24 (ii) OTHER TERMS.—The terms “sim-
25 ple leverage ratio” and “traditional bank-

1 ing organization” have the meaning given
2 those terms, respectively, under section
3 18(aa)(3) of the Federal Deposit Insur-
4 ance Act.

5 (b) SHORT FORM CALL REPORT.—Section 7(a) of
6 the Federal Deposit Insurance Act (12 U.S.C. 1817(a))
7 is amended by adding at the end the following:

8 “(12) SHORT FORM REPORTING.—The appro-
9 priate Federal banking agencies shall issue regula-
10 tions allowing for a reduced reporting requirement
11 for a traditional banking organization that elects to
12 maintain a simple leverage ratio as its sole measure
13 of capital adequacy pursuant to section 18(aa).”.

14 (c) ON-SITE EXAMINATIONS.—Section 10(d) of the
15 Federal Deposit Insurance Act (12 U.S.C. 1820(d)) is
16 amended—

17 (1) in paragraph (4)—

18 (A) in the paragraph heading, by inserting
19 “AND TRADITIONAL BANKING ORGANIZATIONS”
20 after “CERTAIN SMALL INSTITUTIONS”;

21 (B) in subparagraph (A), by inserting “or
22 is a traditional banking organization defined in
23 section 18(aa)(3)” after “\$1,000,000,000”;

1 (C) by striking subparagraph (B) and re-
2 designating subparagraphs (C) through (E) as
3 subparagraphs (B) through (D), respectively;

4 (D) in subparagraph (B) (as so redesign-
5 ated), by striking “condition” and all that fol-
6 lows through “\$200,000,000” and inserting
7 “condition was found to be outstanding or
8 good”;

9 (E) in subparagraph (C) (as so redesign-
10 ated), by striking “and” at the end;

11 (F) in subparagraph (D) (as so redesign-
12 ated), by striking the period at the end and in-
13 serting “; and”; and

14 (G) by adding at the end the following new
15 subparagraph:

16 “(E) the appropriate Federal banking
17 agency believes the 18-month period is con-
18 sistent with the safety and soundness of the
19 banking organization.”; and

20 (2) by striking paragraph (10).

21 (d) STRESS TESTING.—Section 165(i)(2)(A) of the
22 Dodd-Frank Wall Street Reform and Consumer Protec-
23 tion Act (12 U.S.C. 5365(i)(2)(A)) is amended by insert-
24 ing “, unless such companies are traditional banking orga-

1 nizations (as defined in section 18(aa)(3) of the Federal
2 Deposit Insurance Act)” after “annual stress tests”.

3 (e) TECHNICAL AMENDMENT.—Section 18 of the
4 Federal Deposit Insurance Act (12 U.S.C. 1828) is
5 amended by moving subsection (y) so as to appear above
6 subsection (z).

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