



Mutual Alert

Chairman Hensarling Unveils Elements of Dodd –Frank Reform in Speech At The Economic Club Of New York

This morning Chairman Hensarling introduced his plan for reform of the Dodd-Frank Act. The Plan contains numerous provisions that challenge the fundamental underpinnings of Dodd-Frank ;revamping entirely the approach to SIFI banks, providing an off-ramp from the “Dodd-Frank supervisory regime and Basel III capital and liquidity standards” for banks with high capital, repealing the Title II of Dodd-Frank and replacing it with a new chapter of the Bankruptcy code, and reorganizing the CFPB among other things.

While these changes would have a profound effect on the banking system, there are other changes which are designed to demand accountability from financial regulators and devolve power away from Washington that would have a more direct benefit to community banks. Highlights of these include cost benefits analysis for all proposed regulations, due process reforms and bipartisan commissions.

Finally, the proposal incorporates more than two dozen specific regulatory relief bills for community banks which have been introduced in or passed the House.

It remains to be seen with the current inactivity in the Senate whether any of these proposals will have a practical chance of becoming law in this Congress. Moreover, without a Republican controlled Senate and White House, it is doubtful that we will see much of this proposal ever become law in the near future. Our view is that the proposal is very much a platform for reform which hopefully will encourage some relief for community banks regardless of which party is in control after the upcoming elections. In other words even if the platform will never be used, there are planks in the platform which may be agreeable to a bipartisan group of legislators in the next Congress. The good news for mutual banks is that many of these planks are of great appeal to them and stand a much better chance of receiving bipartisan support in the next Congress than the main columns.