



Mutual Alert

Federal Reserve Board Governor Voices Support For Expansion Of The AMB Promoted Small Bank Capital Exemption

In a recent speech see link at

<http://www.federalreserve.gov/newsevents/speech/tarullo20141107a.htm>,

FRB Governor Tarullo cited a revision of the FRB's small bank consolidated capital policy exemption as an example of appropriate tiered regulation.

He said:

The original policy statement set the maximum size of qualifying holding companies at \$150 million in total consolidated assets. This threshold was increased to \$500 million in 2006 to address the effects of inflation, industry consolidation, and asset growth. The intervening eight years have obviously brought dramatic changes in the financial, business, and regulatory environments. Accordingly, I believe it is worth considering raising the asset threshold once again, this time to \$1 billion. Approximately 85 percent of all bank holding companies qualified after the threshold was raised in 2006, a figure that has dropped to about 75 percent today. Raising the threshold to \$1 billion would recoup that lost coverage and go a bit further, covering 89 percent of holding companies....

Of course, the policy statement was issued by the Board and thus one might think the Board could raise the threshold on its own. However, the Collins amendment to Dodd-Frank¹⁹ effectively eliminates any authority of the Board to extend the capital treatment in the policy statement to holding companies with assets greater than the threshold in effect on May 19, 2010, or to savings and loan holding companies of any size. Thus, we would need legislative action to effect these changes.

We applaud Governor Tarullo's call to raise the exemption and by implication to include savings and loan associations in the exemption. As Governor Tarullo points out, since the passage of Dodd-Frank the FRB has interpreted the policy not to apply to savings and loan associations at all. We have been urging the FRB and other regulators to support relief for small mutual holding companies from

consolidated capital requirements and have included such a provision in H.R. 1603. It appears someone is listening. Sorry Casey