

Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.

Congress Passes Dodd Frank Rollback Bill

05/29/2018

Ever since the financial crisis nearly ten years ago, the passage of Dodd Frank has meant more regulatory scrutiny for banks across the nation. Last week, Congress passed the “Economic Growth, Regulatory Relief, and Consumer Protection Act,” which means that many banks will be subject to fewer regulatory requirements.

The changes to Dodd Frank are significant. As provided in the bill’s summary, noteworthy highlights for banks include:

- For Federal Reserve Board (FRB) supervised nonbank financial companies and certain bank holding companies;
- The asset threshold amount that triggers stricter regulatory requirements is raised from \$50 billion to \$250 billion, and the FRB has discretion in subjecting financial institutions with assets or \$100 billion or more to the stricter standard.
- The asset threshold amount that triggers company-run stress test requirements is raised from \$10 billion to \$50 billion.
- The asset threshold amount that triggers mandatory risk committees is raised from \$10 billion to \$50 billion.
- Banks with less than \$10 billion in total assets and trading assets and liability of less than 5% total assets are exempt from the Volcker Rule. The Volcker Rule is a risk management rule that prohibits certain banks from making risky investments such as engaging in proprietary trading or investing in certain hedge funds.
- Banks with assets less than \$10 billion will be subject to a Community Bank Leverage Ratio (the ratio of a bank’s tangible equity capital to its average total consolidated assets) between eight and ten percent. If a bank exceeds this ratio, it is deemed compliant with all other capital and leverage requirements.
- The permissible debt level for bank holding companies meeting certain requirements is raised from \$1 billion to \$3 billion.
- Depository institutions may no longer be subject to higher capital standards for “high-volatility commercial real-estate” (HVCRE) exposure unless it is an HVCRE acquisition, development, or construction loan.
- Certain municipal obligations must now be treated as level 2B liquid assets if they are “investment grade, liquid, and readily marketable.” Under current law, corporate debt securities and publicly traded common-equity shares, but not municipal obligations, may be treated as level 2B liquid assets (which are considered to be high-quality assets).

President Trump signed the bill and it became law on May 24, 2018. In light of these and the many other changes to Dodd Frank, seeking legal advice from counsel who is well-versed and up-to-date on banking regulations should make the compliance process easier for financial institutions.

Read the Act [here](#).