



H.R. 6392 – Systemic Risk Designation Improvement Act of 2016 (Rep. Luetkemeyer, R-MO)

CONTACT: [Jennifer Weinhart](#), 202-226-0706

FLOOR SCHEDULE:

Expected to be considered on December 1, 2016 under a structured [rule](#).

TOPLINE SUMMARY:

[H.R. 6392](#) would require the [Financial Stability and Oversight Council](#) (FSOC) to use an indicator-based system of measurement when determining the risk to U.S. financial stability associated with a bank holding company in deciding whether such an institution can be designated as a systemically important financial institution (SIFI), rather than using a basic asset threshold test of \$50 billion.

COST:

The Congressional Budget Office (CBO) estimate is not yet available.

Rule 28(a)(1) of the Rules of the Republican Conference prohibit measures from being scheduled for consideration under suspension of the rules without an accompanying cost estimate. Rule 28(b) provides that the cost estimate requirement may be waived by a majority of the Elected Leadership.

CONSERVATIVE CONCERNS:

There are no substantive concerns.

- **Expand the Size and Scope of the Federal Government?** No.
- **Encroach into State or Local Authority?** No.
- **Delegate Any Legislative Authority to the Executive Branch?** No.
- **Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?** No.

DETAILED SUMMARY AND ANALYSIS:

The SIFI [designation](#), originating under Dodd Frank, gives the FSOC the ability to label financial institutions that could pose a risk to the financial stability of the United States due to failure or questionable activity. Institutions receiving a SIFI designation are subject to greater scrutiny and oversight by the Federal Reserve. They must undergo [stress tests](#), which the Federal Reserve has vowed to [toughen](#), and are subject to enhanced capital requirements. Currently, nonbank financial institutions American International Group, General Electric Capital Corporation, Prudential Financial, and MetLife have received SIFI designations, though GE Capital Global Holdings had its designation rescinded in June of 2016. In the U.S., eight banks hold SIFI designation: Bank of America, Bank of New York Mellon, Citigroup, Goldman Sachs, JP Morgan Chase, Morgan Stanley, State Street, and Wells Fargo.

Under H.R. 6392, the FSOC, on a non-delegable basis with at least 2/3 of the voting members serving, can determine that a bank holding company may be subject to enhanced supervision and standards because they could pose a threat to the financial stability of the United States after making a determination using an indicator-based measurement which looks at:

- (1) The size of the bank holding company;
- (2) The interconnectedness of the bank holding company
- (3) The extent of readily available substitutes or financial institution infrastructure for the bank holding company's services;
- (4) The global cross-jurisdictional activity of the bank holding company; and
- (5) The complexity of the bank holding company.

This metric is a change from the previous manner of determining SIFI designation, which currently automatically designates bank holding companies that hold \$50 billion or more in consolidated assets.

This legislation would permit the FSOC to begin proceedings to designate bank holding companies as SIFIs through the indicator-based system upon enactment, with a 1-year period before final determination. During the 1-year period, large bank holding companies will be deemed to have been the subject of a final determination. Bank holding companies with at least \$50 billion in assets will be temporarily subject to assessments by the Treasury Department, limited to an aggregate amount collected of \$115,000,000, until 2018--\$60 million of which would be transferred to the FSOC for administrative costs, and \$55 million would be transferred to the Federal Deposit Insurance Corporation to fund any resolution costs. Companies that pay fees in this manner would be exempt from future assessments following a final determination, though the Treasury Department could continue to collect fees for those companies that receive a SIFI designation.

A one-pager can be found [here](#).

AMENDMENTS:

1. [Rep. Davidson \(R-OH\)](#) – This amendment would prohibit the use of international standards that are not expressly provided for in the legislation.

OUTSIDE GROUPS IN SUPPORT

[American Bankers Association](#)

[U.S. Chamber of Commerce](#)

[Financial Services Roundtable](#)

[National Taxpayers Union](#)

COMMITTEE ACTION:

H.R. 6392 was introduced on November 22, 2016, and was referred to the House Committee on Financial Services.

ADMINISTRATION POSITION:

A Statement of Administration Policy, recommending veto, can be found [here](#).

CONSTITUTIONAL AUTHORITY:

Congress has the power to enact this legislation pursuant to the following: Article I, Section 7, Clause 2, and Article I, Section 8, Clause 3 of the United States Constitution.

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