



H.R. 4293: Stress Test Improvement Act of 2017 (Rep. Zeldin, R-NY)

CONTACT: [Matt Dickerson](#), 202-226-9718

FLOOR SCHEDULE:

H.R. 4293 is expected to be considered on April 11, 2018, under a [closed rule](#).

The rule considers as adopted an [amendment](#) that is meant to offset the cost of the bill.

The rule also provides for consideration of H.R. 4061, the Financial Stability Oversight Council Improvement Act of 2017.

TOPLINE SUMMARY:

[H.R. 4293](#) would reduce the number of required stress tests for financial institutions to annually rather than semiannually, and would make other changes to the stress test process.

COST:

The [Congressional Budget Office](#) (CBO) estimates that “enacting H.R. 4293 would increase the deficit by \$14 million over the 2018-2027 period. That figure includes an increase in direct spending of \$16 million and an increase in revenues of \$2 million... The estimated budgetary effects of H.R. 4293 stem from the small chance that the Federal Deposit Insurance Corporation (FDIC) would incur additional costs to resolve failed financial institutions... CBO estimates that implementing H.R. 4293 would reduce the average amount of capital held by all large, systemically important banking institutions by less than 1 percent... Changes in the amount of capital that a financial institution holds may affect both that institution’s likelihood of failure and the costs incurred by the OLF [Orderly Liquidation Fund] or DIF [Deposit Insurance Fund] to resolve failed assets. Most of the costs from enacting the legislation would primarily be incurred by the OLF. CBO estimates that implementing the bill would increase the deficit by \$14 million, or by roughly 0.02 percent of that baseline’s projection of the FDIC’s programs over the next decade. That total consists of an increase in direct spending of \$16 million and an increase of revenues of \$2 million. CBO expects that most of the costs over the 2018-2027 period under the bill would be offset after 2027 by an increase in fees paid to the FDIC by financial institutions.”

The rule considers as adopted an [amendment](#) that would reduce the limitation on the Federal Reserve Surplus Fund by \$20 million (from \$7.5 billion to \$ 7,480,000,000). Any amounts of the Surplus Fund that exceed the limit are required to be transferred to the General Fund of the Treasury. This amendment is meant to offset the cost of the bill. However, some conservatives may be concerned that transfers from the Federal Reserve Surplus Fund can be considered a budget gimmick. According to the [Committee for a Responsible Federal Budget](#), this type of transfer “results in one-time savings on paper but no actual change in the amount of revenue the Treasury would receive over the long term.”

[Section 5111](#) of the FY 2018 Budget Resolution prohibits the use of the Federal Reserve Surplus Fund from being counted as an offset in the House of Representatives.

CONSERVATIVE 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:

According to the [Committee Report](#):

“The Board of Governors of the Federal Reserve System (“Federal Reserve”) administers a set of “stress tests” to determine the ability of U.S. bank holding companies to withstand periods of economic turmoil. The Federal Reserve administers contemporaneously two stress tests, the Comprehensive Capital Analysis and Review (CCAR) and the Dodd-Frank Act Stress Tests (DFAST) which together constitute one of the greatest expansions of the Federal Reserve’s powers in recent history... In addition to the stress test’s economic costs and questionable contributions to financial stability, it is hard to believe that the stress tests’ current structure could occur in a country like the United States, which prizes the rule of law and adherence to due process.”

H.R. 4293 would reform the stress test process by requiring the Comprehensive Capital Analysis and Review (CCAR) be conducted annually, rather than twice per year.

The bill would reduce the number of supervisory scenarios as a part of the stress test from three to two, baseline and severely adverse scenario, while eliminating the adverse scenario.

The bill would prohibit the Federal Reserve from objecting to a bank holding company’s capital plan on the basis of qualitative deficiencies in the company’s capital planning process.

The bill also includes a rule of construction to provide that the bill may not be construed to prohibit a federal banking agency from ensuring the safety and soundness of a regulated financial entity or ensuring compliance with applicable laws.

COMMITTEE ACTION:

H.R. 4293 was introduced on November 7, 2017, and referred to the House Financial Services Committee. The Committee marked up and reported the bill on November 15, 2017, by a 38 – 12 vote.

ADMINISTRATION POSITION:

No Statement of Administration Policy is available at this time.

CONSTITUTIONAL AUTHORITY:

“Congress has the power to enact this legislation pursuant to the following: Article 1, Section 8 of the United States Constitution.” No specific enumerating clause was provided.

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