



## H.R. 4566: Alleviating Stress Test Burdens to Help Investors Act (Rep. Poliquin, R-ME)

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### FLOOR SCHEDULE:

Expected to be considered on March 20, 2018 under a [structured rule](#).

The rule makes in order one amendment, described below.

The rule would also provide for consideration of H.R. 5247, the Trickett Wendler, Frank Mongiello, Jordan McLinn, and Matthew Bellina Right to Try Act of 2018.

The rule would waive through March 23, 2018, the requirement of a two-thirds vote for consideration of a rule on the same day it is reported by the Rules Committee. This is sometimes referred to as “martial law”.

The rule would also provide for suspension authority through March 23, 2018. Under the rules of the House, motions to suspend the rules are only permitted on Monday, Tuesday, and Wednesday.

Finally, some conservatives may be pleased that the rule would extend the [Holman Rule](#) standing order through the end of the 115th Congress. The Holman Rule allows for amendments to appropriations bills to reduce the amount of funds made available by the bill; reduce the number or salaries of officers of the United States; or, reduce the compensation of any person paid out of the Treasury. Under [H. Res. 5](#), the resolution Adopting the Rules of the House of Representatives for the 115th Congress, the Holman Rule was only reinstated for the First Session of the 115<sup>th</sup> Congress and had expired.

### TOPLINE SUMMARY:

[H.R. 4566](#) would exempt certain nonbank financial institutions from the Dodd-Frank stress test requirement.

### COST:

The [Congressional Budget Office](#) (CBO) estimates that “enacting the bill would have a negligible effect on its [the Federal Reserve’s] spending in the near term. Although some types of stress testing may begin under current law at some point over the 2018-2027 period, CBO anticipates that those activities probably would not be affected by the restrictions in this bill. In addition, based on information from the Federal Reserve, CBO estimates that provisions in the bill that may exempt some financial companies from certain capital planning requirements would have no significant effect on the operating costs of the Federal Reserve. As a result, CBO estimates that implementing the bill would have no significant effect on Federal Reserve remittances to the U.S. Treasury, which are recorded in the budget as revenues.”

## 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?** The bill would allow the SEC and the CFTC to issue regulations that would require financial companies that have total consolidated assets of more than \$10 billion to “conduct periodic analysis of the financial condition of such companies under adverse economic conditions”. Under current law, all financial regulatory agencies (including the SEC and CFTC) are required to establish methodologies to for financial companies with assets of more than \$10 billion to conduct annual stress tests.
- **Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?** No.

## DETAILED SUMMARY AND ANALYSIS:

According to the [Committee Report](#):

“under Section 165(i)(1)(A) of the Dodd-Frank Act, requires the Federal Reserve to conduct annual stress tests of large bank holding companies and nonbank systemically important financial institutions (SIFIs). By statute, the purpose of these tests is to allow the Federal Reserve to evaluate “whether such companies have the capital necessary to absorb losses as a result of adverse economic conditions.” Section 165(i)(1)(B)(ii) gives the Federal Reserve Board full discretion to require the same tests as nonbank financial companies that are not systemically important, which thus could include registered funds and investment advisers. In addition to bank holding companies, Section 165(i)(2) of the Dodd-Frank Act requires “financial companies” with total consolidated assets of more than \$10 billion, and that have a primary federal financial regulatory agency, to conduct annual stress tests in accordance with regulations issued by the relevant agency. The term “financial company” is defined broadly and sweeps in registered investment companies (e.g., mutual funds) and registered investment advisers.”

H.R. 4566 would exempt nonbank financial institutions that are not under the supervision of the Federal Reserve from stress test requirements.

The bill would allow the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) to issue regulations that would require financial companies that have total consolidated assets of more than \$10 billion to “conduct periodic analysis of the financial condition of such companies under adverse economic conditions”.

The bill would provide that nothing in the Act shall be construed to limit the authority of the Financial Stability Oversight Council under section 120 of Dodd-Frank.

## AMENDMENT:

1. [Waters \(D-CA\)](#): Would strike the provision of the underlying bill that would exempt nonbank financial institutions that are not under the supervision of the Federal Reserve from stress test requirements. The amendment would allow stress tests for nonbank financial institutions if the test is requested by a majority of the FSOC, the test is conducted in accordance with the company’s business model, and the test is not already required by the company’s primary financial regulator. The amendment would also strike the \$10 billion threshold in the underlying bill for which the SEC and CFTC can “conduct periodic analysis of the financial condition of such companies under adverse economic conditions”.

**COMMITTEE ACTION:**

H.R. 4566 was introduced on December 6, 2017, and referred to the Committee on Financial Services. The Committee marked up and reported the bill on January 18, 2018, by a 47 – 8 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: The constitutional authority on which this bill rests is the power of Congress “To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes:” as enumerated in Article 1, Section 8 of the United States Constitution.”

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