EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 29, 2016
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

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

The Administration strongly opposes H.R. 6392, the Systemic Risk Designation Improvement Act of 2016. Actions taken in the years since enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) are curbing excessive risk-taking, closing regulatory gaps, and making our financial system safer and more resilient, for both markets and consumers. H.R. 6392 would severely weaken these reforms, put in place to discourage dozens of the Nation's largest banks from engaging in the risky behavior that precipitated the 2008 financial crisis. We have made great progress as a result of the Dodd-Frank Act, and we cannot afford to return to the days of deregulation and lax oversight.

The financial crisis revealed grave weaknesses in the Nation's financial regulatory framework. By passing and signing the landmark reforms of the Dodd-Frank Act, the Congress and the President, respectively, took significant steps to limit risks to financial stability and protect taxpayers from the consequences of such risks. Because of the Dodd-Frank Act, the financial regulators have better tools to deal with financial shocks when they occur, and are able to protect Main Street and taxpayers from Wall Street's recklessness. The law, among many other risk controls, provides the prudential regulators, and in particular the Federal Reserve Board of Governors, the ability to apply enhanced prudential standards to bank holding companies with more than $50 billion in total consolidated assets. In conjunction, the law provides for a rigorous stress-testing regime, along with capital, liquidity and living will requirements, to better ensure that financial institutions are prepared for severe economic circumstances. Only a financial system strong enough to withstand a major financial shock is capable of promoting sustainable economic growth.

Bank holding companies of all sizes were already subject to the Federal Reserve's supervision prior to enactment of the Dodd-Frank Act. In light of the greater risks posed by the Nation's largest banks as exhibited in the financial crisis, the Congress directed the Federal Reserve to simply apply stricter and escalating prudential standards to these few institutions with more than $50 billion in total consolidated assets. This crucial underpinning of Wall Street reform better positions our regulators to shed light on emerging threats and reduce the likelihood of another financial crisis.

H.R. 6392 would eliminate the $50 billion threshold, impairing the application of enhanced prudential standards to trillions of dollars of assets managed by dozens of the Nation's largest banks. Under H.R. 6392, only eight U.S. global systemically important banks would be subject to enhanced prudential standards without further action by the Financial Stability Oversight Council (FSOC). All other bank holding companies – including more than 20 large regional banks, each with more than $50 billion in assets and some that played a significant role in the financial crisis and received taxpayer support – would have to go through an extensive process

and be individually designated by the FSOC as a precondition for increased oversight. While an extensive designation process is appropriate for nonbank financial companies that would be newly regulated by the Federal Reserve, such a process is inappropriate for bank holding companies already supervised by the Federal Reserve. The new administrative burden imposed by H.R. 6392 would only distract the FSOC from focusing on its mission to proactively identify and protect against risks in the financial system before they wreak havoc on the Nation's economy. Requirements that impede the ability of regulators to apply common-sense safeguards in a tiered and tailored manner to large financial institutions only expose taxpayers to the very risks that led to the financial crisis.

The President has been clear about his opposition to any legislation that would weaken or reduce oversight of the financial system. H.R. 6392 would hamper oversight of dozens of the largest banks in the country and drastically roll back necessary provisions in the Dodd-Frank Act, hamstringing regulators charged with monitoring and regulating the largest financial institutions and reverting to deficient, pre-crisis standards.

If the President were presented with H.R. 6392, his senior advisors would recommend he veto the bill.

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