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KEY POINTS ON LARGE REGIONAL BANKS

What are ‘Large Regional’ banks? Large regional banks are banks that hold over \$50 billion in assets but are not among the eight U.S. mega-banks with a global footprint, such as JP Morgan or Citibank.

Large regional banks are among the largest banks in the country and play a key role in the financial system: There are about 25 large regional banks, as opposed to over 6,300 banks with below \$50 billion in assets. This means that large regional banks are among the top one-half of one percent of banks in the country. Collectively, large regional banks hold almost \$4 trillion in assets, or about a quarter of banking system assets.

Large regional banks played a major role in the 2007-2008 financial crisis: Large regional banks like Washington Mutual, Countrywide, and Wachovia all failed during the financial crisis and placed a major strain on the financial system when they did so. These banks also played an important role in the epidemic of irresponsible mortgage lending leading up to the crisis. For example, in 2006 Countrywide generated 17% of all the mortgage lending in the U.S. on a base of less than \$200 billion in assets, less than many large regional banks have today.

The Dodd-Frank Act did not designate large regional banks as ‘systemically significant’ or treat them similarly to giant Wall Street banks, but did mandate that they be subject to enhanced risk protections. Given the failure of oversight of large regional banks prior to the financial crisis, Congress mandated in Dodd-Frank that regulators increase their oversight of these banks. Congress specifically did *not* require that these large regional banks be designated as ‘systemically significant’ or treated in the same manner as giant global banks. Instead, Section 165(a) of the Dodd-Frank Act mandates that all banks over \$50 billion in size be subject to stricter prudential standards than smaller banks, to include stress tests and resolution plans. However, the Act also requires that these prudential standards must be scaled to the size and complexity of the bank, becoming stricter as the bank grows larger. Dodd-Frank grants extensive discretion to regulators to scale regulatory standards in this way. As the chart below shows, regulators have in fact scaled their prudential standards based on bank size.

Current proposals to deregulate large regional banks are radical, opposed by regulators, and would greatly weaken financial oversight: In some cases, regulators have proposed relatively minor changes in Dodd-Frank to enhance their discretion even further in oversight of banks below \$100 billion. Whatever the merit of such proposals, they bear no relation to the radical proposals for deregulation of large regional banks that have been advanced in legislation such as

H.R. 1309 in the House and S. 1484 in the Senate. These proposals would put unprecedented limits on the authority of banking regulators to control risk at major banks. They impose new requirements that large regional banks must be ‘designated’ through a two-thirds vote of ten different financial regulators on the Financial Stability Oversight Council (FSOC) before new Dodd-Frank prudential standards can be imposed. These changes would not just undo important parts of the Dodd-Frank Act, they would reduce regulatory authority even beyond what it was prior to the financial crisis. Key regulators such as Federal Reserve Chair Janet Yellen have made it clear that they oppose these changes.

REGULATIONS APPLYING TO BANKS OF DIFFERENT SIZES

		Additional LISCC Stress Test and Resolution Requirements
		TLAC Debt Requirement
		SIFI Capital Surcharge
		Enhanced Supplementary Leverage Ratio
	Supplementary Leverage Ratio	Supplementary Leverage Ratio
	Advanced Approaches	Advanced Approaches
	Full Liquidity Rule	Full Liquidity Rule
Basic Liquidity Rule	Basic Liquidity Rule	Basic Liquidity Rule
CCAR / Stress Tests	CCAR / Stress Tests	CCAR / Stress Tests
Resolution Planning	Resolution Planning	Resolution Planning
Basel Capital Rules	Basel Capital Rules	Basel Capital Rules
BANKS \$50-\$250 BILLION IN SIZE	BANKS \$250-\$700 BILLION IN SIZE	SYSTEMICALLY SIGNIFICANT BANK