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Higher Threshold for Enhanced Prudential Standards Comes into Focus

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The long conversation about raising the Dodd-Frank $50 billion asset threshold for enhanced prudential standards took a step forward today. Treasury Secretary Mnuchin, responding to a question from Rep. Hensarling in a House Financial Services Committee hearing, said that the threshold should be increased “substantially,” to at least $250 billion or $300 billion. These comments mark the first time that a Trump administration official has publicly stated a number for a higher enhanced prudential standards threshold. The June 2017 **Treasury report** recommended raising the threshold “to more appropriately tailor these standards to the risk profile of bank holding companies” but did not propose a particular number. In his remarks today, Mnuchin also suggested that regulators should be able to exempt noncomplex institutions that are above the higher enhanced prudential standards threshold, signaling support for a framework that takes into account both asset size and risk profile. Mnuchin’s “at least” phrasing suggests to us that the $250-300 billion level would likely be a floor as a revised framework is considered. But for the moment, based on asset size alone, a $300 billion threshold would include 11 institutions; a $400 billion threshold would include 7 institutions. We **continue to believe** that the ultimate standard will likely be a mix and match of asset size and risk profile.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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