

Bipartisan Senate Bill Advances from Committee Largely Unchanged

December 7, 2017 | Client Update | 3-minute read

The Senate's bipartisan regulatory relief bill advanced out of the Senate Banking Committee this week with only minor changes and remains on a path to a filibuster-proof majority. The bill would provide regulatory relief to regional, community and custody banks, among others—as described in two earlier posts [here](#) and [here](#). During the Senate Banking Committee's markup, the bill's Republican and Democratic sponsors coordinated to accept a limited package of changes while rejecting all other amendments. The bill was successfully reported out of committee and may now be considered by the full Senate. It remains to be seen whether the bill—shepherded through committee by Sen. Mike Crapo—will be similarly shielded from partisan amendments that could jeopardize its passage when taken up on the Senate floor.

The limited package of amendments accepted by the Senate Banking Committee made the following changes to the bill:

- **Community Bank Volcker Exemption.** The bill, as initially proposed, would have amended the Volcker Rule to exempt community banks with \$10 billion or less in total consolidated assets and total trading assets and trading liabilities of 5% or less of total consolidated assets.
 - As revised, the bill would exclude any bank from this exemption if it is controlled by a company that is itself above either the \$10 billion asset threshold or the 5% trading assets and trading liabilities threshold.
- **Supplementary Leverage Ratio (SLR) for Custody Banks.** The bill would direct the U.S. banking agencies to issue a rulemaking excluding certain central bank deposits from the measure of total leverage exposure (the SLR denominator) for custody banks. As initially proposed, a custody bank would have been defined as a banking organization with assets under custody of not less than 30 times consolidated assets.
 - The revised bill replaces this precise definition of a custody bank with a more flexible standard, which the U.S. banking agencies will have discretion to interpret in any implementing regulation—defining a custody bank as a “depository institution holding company predominantly engaged in custody, safekeeping and asset servicing activities,” together with its insured depository institution subsidiaries.
- **Number of Dodd-Frank Act Company-Run Stress Test Economic Scenarios.** The revised bill confirms that the number of economic scenarios would be reduced from three to two for all Dodd-Frank Act stress tests, including the company-run stress tests—eliminating the middle-of-the-road adverse scenario.
- **State Consultation on Community Bank Leverage Ratio and Partial Off-Ramp.** The bill would direct the U.S. banking agencies to establish via rulemaking a community bank leverage ratio for qualifying depository institutions and depository institution holding companies with less than \$10 billion in total consolidated assets, compliance with which would deem the institution or holding company to have met its applicable capital and leverage requirements and its well capitalized minimums for prompt corrective action.
 - The revised bill would require the U.S. banking agencies (1) to consult with the relevant state banking supervisors in implementing the community bank leverage ratio and (2) to notify the relevant state banking supervisor of any qualifying community bank that falls out of compliance with the community bank leverage ratio.

Law Clerk Greg Swanson contributed to this post.

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