U.S. DEPARTMENT OF THE TREASURY

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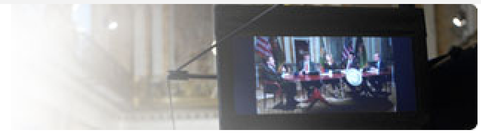

Fact Sheet: Administration’s Regulatory Reform Agenda Moves Forward National Bank Supervisor and Resolution Authority Legislation Sent to Capitol Hill

7/23/2009

TG-229

The Administration today will deliver proposed legislation to Capitol Hill that would address an important source of regulatory arbitrage by creating a National Bank Supervisor and consolidating two federal bank regulators. Over the past two years, the financial system has been threatened by the failure or near failure of some of the largest and most interconnected financial firms. The federal government's ability to deal with these events was severely complicated by the lack of a statutory framework for avoiding the disorderly failure of a nonbank financial firm. That is why the legislation that the Administration will deliver today would also establish a resolution authority for the largest and most interconnected firms to help ensure that the federal government does not, in the future, have to choose between bailouts and financial collapse.

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Address Regulatory Arbitrage in the Bank Regulatory System

Create New National Bank Supervisor: The legislation creates a National Bank Supervisor through the consolidation of the Office of Thrift Supervision (OTS) and the Office of the Comptroller of the Currency (OCC). This consolidation will also eliminate the thrift charter and thrift holding company framework and remove one of the central sources of arbitrage in the bank regulatory system.

End Arbitrage on Bank Regulatory Fees: The legislation requires the Federal Reserve, FDIC, and the National Bank Supervisor to adopt joint rules on bank regulatory fees to end arbitrage between regulators based on bank examination fees. Banks over $10 billion in assets will pay bank examination fees regardless of charter, based on their size, complexity, and financial condition.

Lower Regulatory Fees for Community Banks: The legislation requires that fees assessed on national banks with less than $10 billion in assets cannot be higher than the average charged by states for banks of similar size. This will lower the effective fees for many community banks. There will be no basis for the Federal Reserve or the FDIC to impose new fees on community banks under the Administration's proposal.

Providing a Regulatory Regime That Can Adequately Respond To A Financial Crisis

Provide The Government With Emergency Authority To Resolve Any Large, Interconnected Financial Firm In An Orderly Manner: The Administration's plan gives the federal government the authority necessary to avoid the disorderly resolution of large, interconnected firms when the stability of the financial system is threatened. The proposed resolution authority would supplement (rather than replace) bankruptcy laws and be modeled on the existing resolution regime for insured depository institutions under the Federal Deposit Insurance Act. Use of the authority will be subject to a strict regime of checks and balances, including requiring two-thirds vote by the Federal Reserve Board and the Board of the FDIC or the SEC, as well as the approval of Treasury.

Authority to Appoint a Conservator or Receiver: The resolution authority will give Treasury the ability to appoint the FDIC or the SEC as conservator or receiver for a failing financial firm that poses a threat to financial stability. The conservator or receiver of the firm will have a broad set of powers including authority to take control of the operations of the firm and to sell or transfer all or any part of the assets of the firm. The resolution authority will also include the ability to provide loans, assume liabilities, or inject capital subject to checks and balances and only if a systemic risk determination has been made.

Require Prompt Corrective Action From Large, Interconnected Firms Should Their Capital Levels Decline: Tier 1 FHCs will be subject to a prompt corrective action regime that would require the firm and its supervisory agency to take corrective actions as the firm's regulatory capital levels decline. This regime will mirror the prompt corrective action regime for insured depository institutions established under the Federal Deposit Insurance Corporation Improvements Act (FDICIA).

Require Resolution Plans From All Large, Interconnected Firms: The Federal Reserve will require each Tier 1 FHC to prepare and maintain a credible plan for the rapid resolution of the firm in the event of severe financial distress.

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