



Fact Sheet: Everything You Need To Know About the \$50 Billion Threshold

Section 165 of the Dodd-Frank Act requires the Federal Reserve (Fed) to establish regulatory standards for bank holding companies with assets greater than \$50 billion that are more stringent than those that apply to bank holding companies with fewer assets, which do not pose similar risks to the financial stability of the United States.

Right now, that requirement affects only 38 of the approximately 6,500 banks in the United States.¹ In other words, the \$50 billion threshold excludes more than 99% of all U.S. banks from enhanced review by the Fed.

Size of Institution	Number of Institutions
\$2 Trillion and Over	2
\$1 Trillion to \$2 Trillion	2
\$500 Billion to \$1 Trillion	2
\$400 Billion to \$500 Billion	2
\$300 Billion to \$400 Billion	3
\$200 Billion to \$300 Billion	4
\$100 Billion to \$200 Billion	14
\$50 Billion to \$100 Billion	9
\$10 Billion to \$50 Billion	66
\$1 Billion to \$10 Billion	Approximately 580
\$1 Billion to Below	Approximately 5830

Source: FDIC and Federal Financial Institution Examination Council as of June 30, 2015

Critics of the Dodd-Frank Act are trying to weaken the Fed’s supervision of the nation’s largest bank holding companies by raising the \$50 billion threshold or removing it altogether. They argue that the \$50 billion threshold is too broad—even though it applies to only 38 bank holding companies—and that the Fed’s requirements are too stringent. But their arguments for changing the \$50 billion threshold ignore the fact that the Fed has the discretion to tailor those standards on a sliding scale of risk.

The \$50 billion threshold is merely the beginning of the analysis of what the Fed might -- or might not -- require upon a closer look at an institution above the threshold. The Dodd-Frank Act grants the Fed significant discretion in tailoring the prudential standards that apply to these large bank holding companies to take into account their size, complexity, activities and other factors that lead to varying risk profiles among large bank holding companies.

¹ <http://www.ffiec.gov/nicpubweb/nicweb/top50form.aspx>

Although Section 165(a) of the Dodd-Frank Act requires the Fed to establish “enhanced supervision and prudential standards” for bank holding companies with more than \$50 billion assets, the statute also provides the Fed with full discretion in applying other enhanced standards. Most importantly, the law grants the Fed broad discretion to tailor **any** standards that it applies under Section 165(a):

Standards the Fed MUST Apply but MAY Tailor As Part of Enhanced Supervision:

- (i) Risk-based Capital Requirements and Leverage Limits;
- (ii) Liquidity Requirements;
- (iii) Overall Risk Management Requirements including the Formation of a Risk Committee;
- (iv) Resolution Plan and Credit Exposure Report Requirements;
- (v) Concentration Limits; and
- (vi) Annual Stress Tests.

Standards the Fed MAY Apply and MAY Tailor As Part of Enhanced Supervision:

- (i) Contingent Capital Requirements;
- (ii) Enhanced Public Disclosures;
- (iii) Limitations on Short-term Debt; and
- (iv) Such Other Prudential Standards as the Board Determines are Appropriate.

The law also gives the Fed the discretion to establish, on its own, a threshold higher than \$50 billion for the application of certain enhanced standards:

Standards From Which the Fed May Exempt Entirely Certain Bank Holding Companies Above \$50 Billion:

- (i) Contingent Capital Requirements;
- (ii) Resolution Plan and Credit Exposure Report Requirements;
- (iii) Concentration Limits;
- (iv) Enhanced Public Disclosures; and
- (v) Limitations on Short-term Debt.

The statute gives the Fed an immense amount of flexibility and discretion. Indeed, even as to the standards that the Fed must apply, the statute gives the Fed discretion to determine how to apply each standard.

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