

113TH CONGRESS  
1ST SESSION

# H. R. 1221

To require the Federal banking agencies to conduct an impact study on the cumulative effect of certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act before issuing final rules amending the agencies' general risk-based capital requirements for determining risk-weighted assets as proposed in the Standardized Approach for Risk Weighted Assets Notice of Proposed Rulemaking and the Advanced Approaches Risk-based Capital Rule; Market Risk Capital Rule Notice of Proposed Rulemaking, and the Implementation of Basel III, Minimum Regulatory Capital Ratios Notice of Proposed Rulemaking issued in June 2012, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

MARCH 15, 2013

Mr. FINCHER introduced the following bill; which was referred to the  
Committee on Financial Services

---

## **A BILL**

To require the Federal banking agencies to conduct an impact study on the cumulative effect of certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act before issuing final rules amending the agencies' general risk-based capital requirements for determining risk-weighted assets as proposed in the Standardized Approach for Risk Weighted Assets Notice of Proposed Rulemaking and the Advanced Approaches Risk-based Capital Rule; Market Risk Capital Rule Notice of Proposed Rulemaking, and the Implementation of Basel III, Minimum Regulatory Capital Ratios Notice

of Proposed Rulemaking issued in June 2012, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Basel III Capital Im-  
5 pact Study Act”.

6 **SEC. 2. STUDY REQUIRED.**

7       The Office of the Comptroller of the Currency, the  
8 Board of Governors of the Federal Reserve System, and  
9 the Federal Deposit Insurance Corporation (hereinafter,  
10 the “Federal banking agencies”) shall conduct the study  
11 and issue the report to Congress required by section 3,  
12 prior to issuing any final rule amending the agencies’ gen-  
13 eral risk-based capital requirements for—

14           (1) determining risk-weighted assets as pro-  
15 posed in the Standardized Approach for Risk  
16 Weighted Assets Notice of Proposed Rulemaking  
17 issued in June 2012 (hereinafter, the “Standardized  
18 Approach NPR”);

19           (2) determining risk-weighted assets as pro-  
20 posed in the Advanced Approaches Risk-based Cap-  
21 ital Rule; Market Risk Capital Rule Notice of Pro-  
22 posed Rulemaking issued in June 2012 (hereinafter,  
23 the “Advanced Approach NPR”); and

1           (3) determining minimum regulatory capital ra-  
2           tios as proposed in the Regulatory Capital, Imple-  
3           mentation of Basel III, Minimum Regulatory Capital  
4           Ratios, Capital Adequacy, Transition Provisions, and  
5           Prompt Corrective Action Notice of Proposed Rule-  
6           making issued in June 2012 (hereinafter, the “Basel  
7           III NPR”).

8 **SEC. 3. STUDY AND REPORT.**

9           (a) STUDY.—

10           (1) IN GENERAL.—The Federal banking agen-  
11           cies shall, jointly, conduct a study of the impact of  
12           the Standardized Approach NPR and the Advanced  
13           Approach NPR, respectively, on the minimum regu-  
14           latory capital requirements of insured depository in-  
15           stitutions and insured depository institution holding  
16           companies. As part of this study, the Federal bank-  
17           ing agencies shall separately identify the various  
18           provisions of the Dodd-Frank Wall Street Reform  
19           and Consumer Protection Act, and of amendments  
20           made by that Act, that affect capital quality, capital  
21           levels, asset quality, and the risk management activi-  
22           ties of insured depository institutions and insured  
23           depository holding companies (hereinafter “identified  
24           provisions”) and take into consideration the impact  
25           of such provisions. Without excluding any provisions

1 the Federal banking agencies identify as affecting  
2 capital quality, capital levels, asset quality, and the  
3 risk management activities of insured depository in-  
4 stitutions and insured depository holding companies,  
5 the identified provisions shall include the following  
6 provisions of the Dodd-Frank Wall Street Reform  
7 and Consumer Protection Act, and the amendments  
8 made by such provisions of such Act:

9 (A) Section 115 (regarding enhanced su-  
10 pervision and prudential standards).

11 (B) Section 165 (regarding enhanced su-  
12 pervision and prudential standards).

13 (C) Section 166 (regarding early remedi-  
14 ation requirements).

15 (D) Section 171 (regarding leverage and  
16 risk-based capital requirements).

17 (E) Section 619 (regarding prohibitions on  
18 proprietary trading and certain relationships  
19 with hedge funds and private equity funds).

20 (F) Section 939 (regarding the removal of  
21 statutory references to credit ratings).

22 (G) Section 941 (regarding regulation of  
23 credit risk retention and exemption of qualified  
24 residential mortgages).

1 (H) Section 1412 (regarding safe harbor  
2 and rebuttable presumptions for qualified mort-  
3 gages).

4 (2) CONTENTS OF STUDY.—In conducting the  
5 study required in paragraph (1), the Federal bank-  
6 ing agencies shall determine and make projections of  
7 the likely cumulative impact of the Standardized Ap-  
8 proach NPR, the Advanced Approach NPR, the  
9 Basel III NPR, and the identified provisions on re-  
10 quired regulatory capital levels, capital quality, asset  
11 quality, and risk management at covered financial  
12 institutions. Based on these findings, the Federal  
13 banking agencies shall provide an assessment re-  
14 garding—

15 (A) changes to required capital levels;

16 (B) the aggregate increase or decrease of  
17 total risk-weighted asset levels for the institu-  
18 tions to which the Standardized Approach NPR  
19 or Advanced Approach NPR would be applica-  
20 ble based on current assets;

21 (C) whether the NPRs and identified pro-  
22 visions will cause capital levels at covered insti-  
23 tutions to fluctuate with more frequency or by  
24 greater amounts than the current rules and in-  
25 dicate what, if any, safety and soundness issues

1 such fluctuations raise for financial institutions  
2 or the financial system;

3 (D) whether the NPRs and the identified  
4 provisions will result in the discontinuation of  
5 the use of certain risk management tools by  
6 covered financial institutions and the impact on  
7 the safety and soundness of financial institu-  
8 tions and the financial system;

9 (E) the impact the NPRs and the identi-  
10 fied provisions will have on residential mortgage  
11 lending and home equity lines of credit;

12 (F) the likely cumulative impact of the  
13 NPRs and the identified provisions will have on  
14 the availability of credit, generally and in low-  
15 and moderate-income areas;

16 (G) the variance in required capital levels,  
17 assets, and asset quality between institutions  
18 that implement the advanced approaches or ap-  
19 proaches to risk weighting of assets and those  
20 that use the Standardized Approach NPR or  
21 the Advanced Approach NPR and the impact  
22 on competition between entities using different  
23 approaches; and

24 (H) historical probability of default and  
25 loss given default of residential mortgage loans

1           and the proposed risk weightings in the Stand-  
2           ardized Approach NPR and the Advanced Ap-  
3           proach NPR, and whether such proposed risk  
4           weightings are appropriately and fairly cali-  
5           brated.

6           (3) VOLUNTARY PARTICIPATION.—The Federal  
7           banking agencies may seek input and participation  
8           from insured depository institutions and insured de-  
9           pository institution holding companies, however, par-  
10          ticipation in the study by insured depository institu-  
11          tions and insured depository institution holding com-  
12          panies shall be voluntary.

13          (b) REPORT.—

14               (1) IN GENERAL.—The Federal banking agen-  
15               cies shall issue a report to the Committee on Bank-  
16               ing, Housing, and Urban Affairs of the Senate and  
17               the Committee on Financial Services of the House of  
18               Representatives on the results of the study required  
19               by subsection (a).

20               (2) CONTENTS.—The Federal banking agencies  
21               shall include the methodologies and assumptions  
22               used in the study as well as the required elements  
23               of the study listed in subsection (a) in the report re-  
24               quired in this subsection.

1 **SEC. 4. COMPETITIVE EQUALITY.**

2 Section 908(a)(1) of the International Lending Su-  
3 pervision Act of 1983 (12 U.S.C. 3907(a)(1)) is amended  
4 by inserting at the end the following:

5 “Each appropriate Federal banking agency shall,  
6 consistent with safety and soundness, seek to ensure that  
7 any differences in rules implementing the capital stand-  
8 ards required under this section or other provisions of  
9 Federal law for banking institutions, savings associations,  
10 bank holding companies, and savings and loan holding  
11 companies do not give competitive advantages to any class  
12 or group of such institutions, associations, or companies  
13 unless required by other Federal law, and do not under-  
14 mine any requirements for enhanced supervision and pru-  
15 dential standards required by section 115 of the Dodd-  
16 Frank Wall Street Reform and Consumer Protection Act  
17 (12 U.S.C. 5325).”.

○