

113TH CONGRESS
1ST SESSION

S. 737

To require the Federal banking agencies to conduct a quantitative impact study on the cumulative effect of the Basel III framework devised by the Basel Committee on Banking Supervision before issuing final rules amending the agencies' general risk-based capital requirements for determining risk-weighted assets, as proposed in the Advanced Approaches Risk-Based Capital Rules Notice of Proposed Rulemaking, the Standardized Approach for Risk-Weighted Assets 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 SENATE OF THE UNITED STATES

APRIL 16, 2013

Mr. SHELBY introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To require the Federal banking agencies to conduct a quantitative impact study on the cumulative effect of the Basel III framework devised by the Basel Committee on Banking Supervision before issuing final rules amending the agencies' general risk-based capital requirements for determining risk-weighted assets, as proposed in the Advanced Approaches Risk-Based Capital Rules Notice of Proposed Rulemaking, the Standardized Approach for Risk-Weighted Assets Notice of Proposed Rulemaking, and the Implementation of Basel III, Minimum Regu-

latory 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 Impact Study
 5 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 (in this Act
 10 referred to as the “Federal banking agencies”) shall con-
 11 duct the study and issue the report to Congress required
 12 by section 3 prior to issuing any final rule amending gen-
 13 eral risk-based capital requirements for—

14 (1) revising the advanced-approaches risk-based
 15 capital requirements, as proposed in the Advanced
 16 Approaches Risk-Based Capital Rule of Notice of
 17 Proposed Rulemaking issued in June 2012 and pub-
 18 lished in the Federal Register on August 30, 2012
 19 (in this Act referred to as the “Advanced Approach
 20 NPR”);

21 (2) determining risk-weighted assets, as pro-
 22 posed in the Standardized Approach for Risk-
 23 Weighted Assets Notice of Proposed Rulemaking
 24 issued in June 2012 and published in the Federal

1 Register on August 30, 2012 (in this Act referred to
2 as the “Standardized Approach NPR”); and

3 (3) determining minimum regulatory capital ra-
4 tios, as proposed in the Regulatory Capital, Imple-
5 mentation of Basel III, Minimum Regulatory Capital
6 Ratios, Capital Adequacy, Transition Provisions, and
7 Prompt Corrective Action Notice of Proposed Rule-
8 making issued in June 2012 and published in the
9 Federal Register on August 30, 2012 (in this Act
10 referred to as the “Basel III NPR” and collectively
11 with the Advanced Approach NPR and the Stand-
12 ardized Approach NPR, the “NPRs”).

13 **SEC. 3. STUDY AND REPORT.**

14 (a) STUDY.—

15 (1) IN GENERAL.—The Federal banking agen-
16 cies shall jointly conduct a quantitative impact study
17 of the effect of the NPRs on the minimum regu-
18 latory capital requirements of insured depository in-
19 stitutions and insured depository institution holding
20 companies.

21 (2) SCOPE OF STUDY.—As part of the study re-
22 quired by this subsection, the Federal banking agen-
23 cies shall—

1 (A) determine current capital levels (as of
2 December 31, 2012) at financial institutions
3 covered by such report;

4 (B) separately identify specific provisions
5 in—

6 (i) the Basel III framework devised by
7 the Basel Committee on Banking Super-
8 vision (in this Act referred to as the
9 “Basel III provisions”); and

10 (ii) the Dodd-Frank Wall Street Re-
11 form and Consumer Protection Act, and of
12 amendments made by that Act (in this Act
13 referred to as the “Dodd-Frank provi-
14 sions”, and collectively with the Basel III
15 provisions, referred to as the “identified
16 provisions”) which shall include from the
17 Dodd-Frank Wall Street Reform and Con-
18 sumer Protection Act, and the amend-
19 ments made by that Act—

20 (I) section 115 (regarding en-
21 hanced supervision and prudential
22 standards);

23 (II) section 165 (regarding en-
24 hanced supervision and prudential
25 standards);

1 (III) section 166 (regarding early
2 remediation requirements);

3 (IV) section 171 (regarding lever-
4 age and risk-based capital require-
5 ments);

6 (V) section 619 (regarding prohi-
7 bitions on proprietary trading and
8 certain relationships with hedge funds
9 and private equity funds);

10 (VI) section 939 (regarding the
11 removal of statutory references to
12 credit ratings);

13 (VII) section 941 (regarding reg-
14 ulation of credit risk retention and ex-
15 emption of qualified residential mort-
16 gages); and

17 (VIII) section 1412 (regarding
18 safe harbor and rebuttable presump-
19 tions for qualified mortgages); and

20 (C) estimate and evaluate the impact of
21 such identified provisions on affected United
22 States institutions in accordance with this sec-
23 tion.

24 (3) CONTENTS OF STUDY.—The Federal bank-
25 ing agencies shall—

1 (A) in conducting the study required by
2 this section, determine and estimate the likely
3 cumulative impact of the NPRs and the identi-
4 fied provisions on required regulatory capital
5 levels, capital quality, asset quality, and risk
6 management at covered United States financial
7 institutions; and

8 (B) based on such findings, provide an as-
9 sessment regarding—

10 (i) changes to required capital levels
11 in the aggregate, per asset class and insti-
12 tution size based on the Basel III provi-
13 sions, the Dodd-Frank provisions, and sep-
14 arately, on the identified provisions;

15 (ii) the aggregate increase or decrease
16 of total risk-weighted asset levels for the
17 institutions to which the Advanced Ap-
18 proach NPR and the Standardized Ap-
19 proach NPR would be applicable based on
20 their size and asset class;

21 (iii) whether the NPRs and identified
22 provisions will cause capital levels at cov-
23 ered institutions to fluctuate with more
24 frequency or by greater amounts than the
25 current rules and indicate what, if any,

1 safety and soundness issues such fluctua-
 2 tions raise for financial institutions or the
 3 financial system, including a determination
 4 of whether such fluctuations will make the
 5 United States financial system more or
 6 less safe than the current rules;

7 (iv) whether the NPRs and the identi-
 8 fied provisions will result in the discontinu-
 9 ation of the use of certain risk manage-
 10 ment tools by covered financial institutions
 11 and the impact on the safety and sound-
 12 ness of financial institutions and the finan-
 13 cial system;

14 (v) the cumulative impact that the
 15 NPRs and the identified provisions will
 16 have on—

17 (I) the United States economic
 18 growth, in general, and specifically, on
 19 the Gross Domestic Product;

20 (II) availability and cost of credit
 21 in low- and moderate-income areas;
 22 and

23 (III) availability and cost of resi-
 24 dential mortgages, home equity lines
 25 of credit, auto loans, student loans,

1 and commercial loans, including small
 2 business credit;

3 (vi) the variance in required capital
 4 levels, assets, and asset quality between in-
 5 stitutions that implement the advanced ap-
 6 proaches or approaches to risk weighting
 7 of assets, as proposed in the Advanced Ap-
 8 proaches NPR, and those that use the
 9 standardized approach, as proposed in the
 10 Standardized Approach NPR, and the im-
 11 pact on competition between entities using
 12 different approaches; and

13 (vii) historical probability of default
 14 and loss given default of residential mort-
 15 gage loans and the proposed risk
 16 weightings in the Standardized Approach
 17 NPR, and whether such proposed risk
 18 weightings are appropriately and fairly
 19 calibrated.

20 (4) VOLUNTARY PARTICIPATION.—In carrying
 21 out the study required by this section, the Federal
 22 banking agencies—

23 (A) shall rely on data available to the
 24 agencies through call reports and other data

1 gathering processes already employed by the
2 Federal banking agencies; and

3 (B) may seek input and participation from
4 insured depository institutions and insured de-
5 pository institution holding companies, provided
6 that such request shall not impose undue bur-
7 den on participating institutions and that par-
8 ticipation in the study by any insured deposi-
9 tory institutions or insured depository institu-
10 tion holding companies shall be voluntary.

11 (b) REPORT.—

12 (1) IN GENERAL.—Not later than 9 months
13 after the date of enactment of this Act, the Federal
14 banking agencies shall issue a report to the Com-
15 mittee on Banking, Housing, and Urban Affairs of
16 the Senate and the Committee on Financial Services
17 of the House of Representatives on the results of the
18 study required by subsection (a).

19 (2) CONTENTS.—The Federal banking agencies
20 shall include the methodologies and assumptions
21 used in the study, as well as the required elements
22 of the study listed in subsection (a) in the report re-
23 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 adding at the end the following: “Each appropriate
5 Federal banking agency shall, consistent with safety and
6 soundness, seek to ensure that any differences in rules im-
7 plementing the capital standards required under this sec-
8 tion or other provisions of Federal law for banking institu-
9 tions, savings associations, bank holding companies, and
10 savings and loan holding companies do not give competi-
11 tive advantages to any class or group of such institutions,
12 associations, or companies, unless required by other Fed-
13 eral law, and do not undermine any requirements for en-
14 hanced supervision and prudential standards required by
15 section 115 of the Dodd-Frank Wall Street Reform and
16 Consumer Protection Act (12 U.S.C. 5325).”.

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