ICBA News Watch this week / US Weekly Bell

Too-Big-To-Fail

ICBA Backs Bill to Break Up Too-Big-To-Fail Megabanks

ICBA expressed support for legislation that would take on the problem of too-big-to-fail financial firms.

The legislation, introduced by Sen. Bernie Sanders (I-Vt.) and Rep. Brad Sherman (D-Calif.), would require regulators to identify and break up institutions whose failure would cause a catastrophic effect without a taxpayer bailout. Additionally, these entities would be barred from accessing the taxpayer-funded safety net, including Federal Reserve programs and federal capital injections.

“ICBA agrees that the too-big-to-fail megabanks are too big to exist,” ICBA President and CEO Cam Fine said. **Read ICBA Release.** **Read More on the Bill.**

Too-Big-To-Fail

Yellen: Too-Big-To-Fail Key Piece of Financial Crisis

Market perceptions that some institutions were too big to fail encouraged excessive leverage in the run-up to the financial crisis, Federal Reserve Chair Janet Yellen said. Large financial institutions had an incentive to move assets to undercapitalized off-balance-sheet vehicles, and their complexity also may have impeded market discipline, Yellen said. **Read Yellen’s Speech.**

Washington Policy Summit

Tarullo: Let’s Simplify Capital Rules for Community Banks

Federal banking regulators should explore simplifying capital rules for community banks, Federal Reserve Governor Daniel Tarullo said at the ICBA Washington Policy Summit. Speaking to community bankers gathered in Washington, Tarullo said the Basel III rules may be particularly costly for community banks.

Tarullo said a simpler set of requirements would be much closer to Basel I in terms of the detail and number of risk categories, which could maintain safety and soundness because community banks maintain capital levels well above minimum regulatory levels. He also cited additional regulations that could be amended to exclude community banks entirely, such as the Volcker Rule and incentive-compensation requirements.

ICBA has repeatedly called for a community bank exemption from the Basel III capital rules. The association strongly supports the Community Bank Access to Capital Act (H.R. 1523), legislation inspired by ICBA's Plan for Prosperity that would exempt community banks with $50 billion or less in assets from Basel III. Community bankers in Washington advocated this and other regulatory relief measures in their congressional meetings.

Meanwhile, community bankers back home can express their support for H.R. 1523 and other regulatory relief bills via customizable letters to Congress available on ICBA's Be Heard grassroots website. **Contact Congress Today.**

Security

ICBA Backs Bill Expanding Data-Security Rules to Retailers

ICBA expressed strong support for new legislation that would apply consistent data-security standards to all industries that handle sensitive consumer information.

The Data Security Act of 2015 (H.R. 2205) would implement a top ICBA priority following last week's ICBA Washington Policy Summit. At the summit, nearly 1,000 community bank advocates called for uniform data-security standards following massive retailer data breaches.

The bill, introduced by House Subcommittee on Financial Institutions and Consumer Credit Chairman Randy Neugebauer (R-Texas) and Rep. John Carney (D-Del.), also recognizes that financial institutions are already subject to strict data-protection and consumer-notice requirements under the Gramm-Leach-Bliley Act.

In a coalition letter to the lawmakers, ICBA and other organizations wrote that the bill would better serve consumers by making it easier for businesses and government agencies to take the steps necessary to adequately protect all Americans from identity theft and account fraud. **Read the Coalition Letter.**

Congress

ICBA-Backed Bill Would Increase Bank-Qualified Debt Limit

ICBA-advocated legislation to permanently increase issuer limitations for bank-qualified municipal bonds was introduced in the House. The Municipal Bond Market Support Act of 2015 would increase the bank-qualified annual debt limit from $10 million to $30 million, index that amount for inflation and apply it to individual borrowers.

The current $10 million limit was established under law passed in 1986. Bank-qualified debt allows small governments and authorities to directly place their debt with banks, particularly community banks, which can then deduct a percentage of the carrying costs for purchasing these bonds. As a result, local governments pay up to 0.5 percentage points less in borrowing costs for their debt. ICBA will continue working with Congress to advance the legislation.

In the News

Congressional Op-Ed: Operation Choke Point Targets Legal Businesses

Operation Choke Point is a backdoor effort to target legitimate businesses, House Financial Services Committee member Dennis A. Ross (R-Fla.) wrote in a new American Banker op-ed. Ross wrote that the initiative, which targets firms that process payments for businesses engaged in “higher-risk” activities, can sever relationships between banks and small businesses that go back years.

ICBA has been the voice for community bank concerns over Operation Choke Point. The association supports legislation reintroduced by Housing and Insurance Subcommittee Chairman Blaine Luetkemeyer (R-Mo.) that would dictate that regulatory agencies cannot request or order a financial institution to terminate a banking relationship unless the regulator has material reason.

Following pressure from ICBA and lawmakers, the FDIC earlier this year encouraged supervised institutions to take a risk-based approach in assessing individual customer relationships rather than declining to provide banking services to entire categories of customers.