

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.

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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

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## 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 arized 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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