Regulation of Banks

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The banking industry is among the most highly regulated industries in the United States.

- While most banks are subject to the regulatory authority of more than one agency, a bank's primary regulator is determined by whether it is a commercial or savings institution and whether it has a national or state charter. They include:

  - The Federal Deposit Insurance Corporation (FDIC), which is the primary regulator of approximately 3,533 insured state-chartered institutions.[1]
  - The Office of the Comptroller of the Currency (OCC), which currently regulates approximately 1,162 national banks.
  - The Federal Reserve, which regulates bank holding companies and is also the primary regulator of 791 state-chartered institutions that are members of the Federal Reserve System.
  - The Dodd-Frank Wall Street Reform and Consumer Protection Act, called for the elimination of the Office of Thrift Supervision. On July 21, 2011, supervisory authority over thrift institutions was shifted mainly to the Office of the Comptroller of the Currency.

- State banking agencies also regulate roughly 4,300 state-chartered institutions.
- Regulators assess a bank's financial health and regulatory compliance through extensive on-site examinations and reports that banks must file containing balance sheet and other information.

While banks support many regulatory reforms, over-regulation presents significant challenges for our industry and the broader economy.

- In response to the financial crisis, Congress and the banking agencies strengthened bank regulation and supervision by increasing capital, liquidity and risk-management requirements.

- As of August 2018, the Dodd-Frank Act has created over 26,000 pages of proposed and final rules for banks.

- Banks spend significant amounts of money and resources on compliance which is important, but it also diverts those resources away from day-to-day operations.

- Community banks are the most burdened by excessive regulation. The cost of regulatory compliance as a share of operating expenses is two-and-a-half times greater for small banks than for large banks.

Regulations should be tailored to bank risk and business model

- Regulation is most effective when it takes into account a bank's size, complexity, risk profile and systemic importance.
- In the US, the largest, most complex banks have the toughest regulatory requirements, while small community banks appropriately have less burdensome regulatory requirements.

- Banks are capital intermediaries and it is important that regulatory requirements do not interfere with that role which helps promote economic

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growth and ensures that markets function efficiently.

- In 2018 Congress passed the Economic Growth, Regulatory Relief, and Consumer Protection Act with support from both Democratic and Republican lawmakers. In the House, thirty-three Democrats and nearly all Republicans voted in favor of the legislation. In the Senate, the bill received support from sixteen Democrats, fifty Republicans and one Independent.
- S. 2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act embraces regulatory tailoring and instructs the regulators to continue to identify areas where bank regulation can be made more efficient and effective.
- Regulations are most effective when they are efficient and transparent and simple.
- In June 2017, Treasury released a report containing many recommendations for regulatory reforms that would allow banks to better serve their customers and communities without compromising safety and soundness. We're committed to working with the administration and bank regulators on these recommendations to allow banks to better serve their customers and communities, without compromising safety and soundness.

Source:

[1]*Statistics on Depository Institutions*, FDIC (Q2 2019). Retrieved from www.fdic.gov

