



UNITED STATES SENATE

Ending Too Big To Fail:

Terminating Bailouts for Taxpayer Fairness Act Bill Summary

- The bill would force regulators to create a new capital regime based largely on two comment letters sent by Senators Brown and Vitter.
- Regulators would walk away from BASEL 3, and institute new capital rules that don't rely on risk weights and are simple, easy to understand, and easy to comply with.
 - Regulators will determine the appropriate level for banks under \$50 billion in assets.
 - Regional banks will be required to have 8 percent equity to total assets.
 - The largest banks will have a minimum 15 percent capital requirement. They will be faced with a clear choice: either become smaller or raise enough equity to ensure they can weather the next crisis without a bailout. Federal regulators have the option of increasing the capital level as an institution grows.
 - Capital requirements will focus on common equity and other pure, loss-absorbing forms of capital.
 - Regulators will calculate firms' balance sheets in a more accurate way, by counting off-balance-sheet assets and obligations and considering counterparty credit risk in calculating derivatives exposures.
 - Regulators would be able to use risk-based capital as a supplement for banks over \$20 billion, if their supervisory authority proves insufficient to prevent institutions from over-investing in risky assets.
- Subsidiaries of large bank holding companies will be separately capitalized to ensure that they have appropriate market discipline. This will also enhance the ability of the FDIC to resolve institutions under their existing receivership powers or Title II of Dodd-Frank. Insurance companies will continue to have their capital regulated by the state-based regime.
- Bank holding companies will be restricted in their ability to move assets or liabilities from non-banking affiliates to a banking affiliate within the bank holding company structure. This will ensure that the government safety net begins and ends at the commercial bank and other subsidiaries (insurance, securities underwriters, derivatives dealers, etc.) must fend for themselves.
- The Federal Reserve and other banking regulators will be prohibited from allowing non-depositaries access to Federal Reserve discount window lending, deposit insurance, and other federal support programs. This will help reduce market expectations of financial assistance for megabanks.
- Community banks will have their regulatory burden reduced in a reasonable manner, so that they can better compete with mega institutions.
 - Expands the definition of "rural" lenders that can offer balloon mortgages.
 - Reduces some impediments for small banks and thrifts to raise capital or pay dividends.
 - Creates an independent bank examiner ombudsman that institutions can appeal to if they feel that they have been treated unfairly by their examiner.
 - Adopts privacy notice simplification legislation.