113TH CONGRESS
1ST SESSION

S. ______

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

Mr. SHELBY introduced the following bill; which was read twice and referred to the Committee on ____________________

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 Regulatory Capital Ratios Notice of Proposed Rulemaking issued in June 2012, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘‘Basel III Impact Study Act’’.

SEC. 2. STUDY REQUIRED.

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (in this Act referred to as the ‘‘Federal banking agencies’’) shall conduct the study and issue the report to Congress required by section 3 prior to issuing any final rule amending general risk-based capital requirements for—

(1) revising the advanced-approaches risk-based capital requirements, as proposed in the Advanced Approaches Risk-Based Capital Rule of Notice of Proposed Rulemaking issued in June 2012 and published in the Federal Register on August 30, 2012 (in this Act referred to as the ‘‘Advanced Approach NPR’’);

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

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

(3) determining minimum regulatory capital ratios, as proposed in the Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action Notice of Proposed Rulemaking issued in June 2012 and published in the Federal Register on August 30, 2012 (in this Act referred to as the ''Basel III NPR'' and collectively with the Advanced Approach NPR and the Standardized Approach NPR, the ''NPRs'').

SEC. 3. STUDY AND REPORT.

(a) STUDY.—

(1) IN GENERAL.—The Federal banking agencies shall jointly conduct a quantitative impact study of the effect of the NPRs on the minimum regulatory capital requirements of insured depository institutions and insured depository institution holding companies.

(2) SCOPE OF STUDY.—As part of the study required by this subsection, the Federal banking agencies shall—

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

(B) separately identify specific provisions in—

(i) the Basel III framework devised by the Basel Committee on Banking Supervision (in this Act referred to as the "Basel III provisions"); and

(ii) the Dodd-Frank Wall Street Reform and Consumer Protection Act, and of amendments made by that Act (in this Act referred to as the "Dodd-Frank provisions", and collectively with the Basel III provisions, referred to as the "identified provisions") which shall include from the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the amendments made by that Act—

(I) section 115 (regarding enhanced supervision and prudential standards);

(II) section 165 (regarding enhanced supervision and prudential standards);

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

(IV) section 171 (regarding leverage and risk-based capital requirements);

(V) section 619 (regarding prohibitions on proprietary trading and certain relationships with hedge funds and private equity funds);

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

(VII) section 941 (regarding regulation of credit risk retention and exemption of qualified residential mortgages); and

(VIII) section 1412 (regarding safe harbor and rebuttable presumptions for qualified mortgages); and

(C) estimate and evaluate the impact of such identified provisions on affected United States institutions in accordance with this section.

(3) CONTENTS OF STUDY.—The Federal banking agencies shall—

(A) in conducting the study required by this section, determine and estimate the likely cumulative impact of the NPRs and the identified provisions on required regulatory capital levels, capital quality, asset quality, and risk management at covered United States financial institutions; and

(B) based on such findings, provide an assessment regarding—

(i) changes to required capital levels in the aggregate, per asset class and institution size based on the Basel III provisions, the Dodd-Frank provisions, and separately, on the identified provisions;

(ii) the aggregate increase or decrease of total risk-weighted asset levels for the institutions to which the Advanced Approach NPR and the Standardized Approach NPR would be applicable based on their size and asset class;

(iii) whether the NPRs and identified provisions will cause capital levels at covered institutions to fluctuate with more frequency or by greater amounts than the current rules and indicate what, if any, safety and soundness issues such fluctuations raise for financial institutions or the financial system, including a determination of whether such fluctuations will make the United States financial system more or less safe than the current rules;

(iv) whether the NPRs and the identified provisions will result in the discontinuation of the use of certain risk management tools by covered financial institutions and the impact on the safety and soundness of financial institutions and the financial system;

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

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

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

(III) availability and cost of residential mortgages, home equity lines of credit, auto loans, student loans, and commercial loans, including small business credit;

(vi) the variance in required capital levels, assets, and asset quality between institutions that implement the advanced approaches or approaches to risk weighting of assets, as proposed in the Advanced Approaches NPR, and those that use the standardized approach, as proposed in the Standardized Approach NPR, and the impact on competition between entities using different approaches; and

(vii) historical probability of default and loss given default of residential mortgage loans and the proposed risk weightings in the Standardized Approach NPR, and whether such proposed risk weightings are appropriately and fairly calibrated.

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

(A) shall rely on data available to the agencies through call reports and other data gathering processes already employed by the Federal banking agencies; and

(B) may seek input and participation from insured depository institutions and insured depository institution holding companies, provided that such request shall not impose undue burden on participating institutions and that participation in the study by any insured depository institutions or insured depository institution holding companies shall be voluntary.

(b) REPORT.—

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

(2) CONTENTS.—The Federal banking agencies shall include the methodologies and assumptions used in the study, as well as the required elements of the study listed in subsection (a) in the report required in this subsection.

SEC. 4. COMPETITIVE EQUALITY.

Section 908(a)(1) of the International Lending Supervision Act of 1983 (12 U.S.C. 3907(a)(1)) is amended by adding at the end the following: ''Each appropriate Federal banking agency shall, consistent with safety and soundness, seek to ensure that any differences in rules implementing the capital standards required under this section or other provisions of Federal law for banking institutions, savings associations, bank holding companies, and savings and loan holding companies do not give competitive advantages to any class or group of such institutions, associations, or companies, unless required by other Federal law, and do not undermine any requirements for enhanced supervision and prudential standards required by section 115 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5325).''.