

TITLE VI: IMPROVEMENTS TO REGULATION OF BANK AND SAVINGS ASSOCIATION HOLDING COMPANIES AND DEPOSITORY INSTITUTIONS

- **Minimum Leverage and Risk-Based Capital Requirements:** Mandated for insured depository institutions and their holding companies as well as non-bank financial companies subject to prudential regulation. Regulators are also required to adapt capital as banks grow in size or engage in “risky” activities. Further, Tier I capital may be composed of only true equity and exclude debit items such as “trust preferred securities.”
- **Concentration Limit:** A financial company cannot acquire or merge with another firm if resulting consolidated liabilities exceed 10% aggregate consolidated liabilities of all financial firms at end of prior year.
- **Nonbank Financial Companies that engage in Proprietary Trading and Invest in Hedge Funds and Private Equity:** The Federal Reserve may subject them to additional capital requirements and quantitative limits.
- **Source of Strength:** Codifies requirement for that for both BHC’s and S&L holding companies serve as a “source of strength” or provider of funds to its subsidiary depository institutions if those funds are needed.
- **Repeals Gramm-Leach-Bliley’s “Fed Lite” Provisions:** Expands the Fed’s authority to examine and prescribe regulations regarding subsidiaries of bank holding companies.
- **Acquisition of Banks:** Regulators must consider whether proposed acquisitions, mergers, or consolidations between banks (and Fed regulated nonbanks) would result in greater systemic banking risk.
- **Moratorium:** Issues a three-year moratorium on applications for FDI insurance by Industrial Loan Corporations, credit card banks and certain trust companies directly or indirectly owned by a commercial firm. No approvals in change of control applications during moratorium. GAO to conduct a study to determine whether it is necessary to eliminate ILC exemption from the Bank Holding Company Act, among other determinations.

