



The Dodd-Frank Wall Street Reform and Consumer Protection Act: Prudential Regulation

Thrift Charter

- **Background:** The new law merges the Office of Thrift Supervision into the Office of the Comptroller of the Currency, but preserves the thrift charter. Certain OTS responsibilities and authorities are transferred to the FDIC and the Federal Reserve. The Fed retains its supervision of bank holding companies and state-chartered banks and becomes the supervisor of thrift holding companies.
- **ICBA Position:** ICBA opposed the merger of the regulators and was instrumental in preserving the thrift charter.
- **What's Next:** The OTS will be merged into the OCC one year from the date of the bill's enactment, unless the Treasury secretary decides to delay the transfer for up to an additional six months.
- **What It Means for Community Banks:** *Maintaining multiple federal bank agencies ensures that community bank perspectives continue to be represented.*

Fed Oversight of State Member Banks

- **Background:** The law preserves the Federal Reserve's authority to examine state-chartered community banks and small bank holding companies.
- **ICBA Position:** ICBA fought aggressively to include this provision.
- **What's Next:** No further action is necessary.
- **What It Means for Community Banks:** *This provision allows the regional Federal Reserve Banks to keep their finger on the pulse of Main Street communities.*

Lending Limits

- **Background:** The law does not include an ICBA-opposed measure that would have imposed national lending limits on state-chartered banks. It includes a provision barring state banks from engaging in derivatives transactions (broadly defined to include any contract or agreement that is base in whole or in part on the value of, or interest in, or the occurrence of, any event relating to commodities, securities, currencies, interest or other rates, indices or other assets) until their state rules are amended to include such transactions in the lending limit. States have 18 months to adjust their laws before the restrictions take effect. However, derivative transactions, repurchase transactions, reverse repurchase transactions, securities lending transactions or securities borrowing transactions are included in national bank lending limits.
- **ICBA Position:** The broader amendment was dropped following a high-powered ICBA campaign.
- **What's Next:** States will have 18 months to adjust their laws to account for derivatives in lending limits.
- **What It Means for Community Banks:** *State regulators continue to have the discretion to set lending limits for state-chartered institutions.*

Industrial Loan Corporations

- **Background:** The law imposes a three-year moratorium on deposit-insurance applications for new credit card banks, industrial loan corporations and trust banks owned by commercial companies.
- **ICBA Position:** ICBA fought for permanently closing the ILC loophole.
- **What's Next:** ICBA will continue working with policymakers to permanently close the loophole.
- **What It Means for Community Banks:** *Mixing banking and commerce is bad public policy that produces a dangerous concentration of economic power and risk that is bad for the community banking industry and the nation. Permanently closing the ILC loophole is essential.*