CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 19, 2012

H.R. 3128

A bill to amend the Dodd-Frank Wall Street Reform and Consumer Protection Act to adjust the date on which consolidated assets are determined for purposes of exempting certain instruments of smaller institutions from capital deductions

As ordered reported by the House Committee on Financial Services on May 31, 2012

H.R. 3128 would allow a depository institution holding company to use one of two reporting dates to determine whether it must phase out the use of certain financial instruments as regulatory capital. CBO estimates that enacting the legislation would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

Under current law, certain depository institution holding companies must phase out the use of previously issued, trust-preferred securities (preferred stock issued by a wholly owned trust subsidy of a company; also known as TruPS) as tier 1 capital for regulatory purposes. Tier 1 capital is a measure used by regulators to gauge a bank's financial strength. Smaller institutions (defined as those with less than $15 billion in total consolidated assets as of December 31, 2009) may continue to use TruPS issued before May 19, 2010, to meet capital requirements.

H.R. 3128 would expand the definition of a small institution, for purposes of this exemption, to include depository institution holding companies with total consolidated assets of less than $15 billion as reported on either December 31, 2009, or March 30, 2010. CBO estimates that the expanded definition would allow TruPS issued by one institution to count as tier 1 capital that would not otherwise qualify under current law. As a result, that institution may reduce other types of tier 1 capital that would be more flexible if its capital position were to deteriorate; however, CBO does not expect any significant effect on either the institution's probability of failure or assistance provided by the federal government. As such, CBO estimates no effect on the federal budget over the next 10 years.

H.R. 3128 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Daniel Hoople. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.