

MEMO# 27568

September 17, 2013

Federal Reserve Final Rule on Supervision and Regulation Assessments for Certain Bank Holding Companies, Savings and Loan Holding Companies, and Non-Bank "SIFIs"

[27568]

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TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 23-13
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 24-13
SEC RULES COMMITTEE No. 37-13 RE: FEDERAL RESERVE FINAL RULE ON SUPERVISION AND REGULATION ASSESSMENTS FOR CERTAIN BANK HOLDING COMPANIES, SAVINGS AND LOAN HOLDING COMPANIES, AND NON-BANK "SIFIS"

Earlier this year, the Board of Governors of the Federal Reserve System ("Board") proposed a rule to implement Section 318 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). [\[1\]](#) Section 318 requires the Board to collect from certain companies assessments, fees, or other charges equal to the total expenses the Board estimates are necessary or appropriate to carry out its supervisory and regulatory responsibilities with respect to all such companies. These companies ("assessed companies") are: bank holding companies and savings and loan holding companies with \$50 billion or more in total consolidated assets; and nonbank financial companies designated by the Financial Stability Oversight Council ("FSOC") under Section 113 of the Dodd-Frank Act for supervision by the Board (commonly referred to as "nonbank SIFIs"). The Board has adopted a final rule, [\[2\]](#) which is summarized below. The final rule, which is very similar to the proposed rule, will become effective October 25, 2013.

The final rule will implement Section 318 through annual assessments on assessed companies that will be apportioned based on the company's size. The Adopting Release indicates that "[m]any commenters asserted that asset size should not be used as a proxy for the cost of supervision." Due to its concerns with alternative approaches suggested by commenters, however, and based on its belief that size is a reasonable proxy for estimating the amount of the Board's costs for regulating and supervising assessed companies, the Board adopted this aspect of the proposal without change.

The final rule provides a formula for calculating each company's assessment, which includes a "base amount" of \$50,000:

$$\$50,000 + (\text{Total Assessable Assets} \times \text{Assessment Rate}) = \text{Assessment}$$

Based on comments received, under the final rule, when a company becomes an assessed company for the first time, its assessment for that assessment period [3] will be pro-rated based on the quarter in which it became an assessed company. As it had proposed, the Board will collect assessments beginning with the 2012 assessment period.

For nonbank SIFIs that are U.S. companies, "total assessable assets" are defined as the average of the company's total consolidated assets as reported for the assessment period on such regulatory or other reports as are applicable to the nonbank financial company determined by the Board. The "assessment rate" will be determined according to the following formula:

$$\text{Assessment Rate} = \frac{\text{Assessment Basis} - (\text{Number of Assessed Companies} \times \$50,000)}{\text{Total Assessable Assets of All Assessed Companies}}$$

For the 2012, 2013, and 2014 assessment periods, the "assessment basis" is the amount of total expenses the Board estimates is necessary or appropriate to carry out its supervisory and regulatory responsibilities with respect to assessed companies for 2012. For the 2015 assessment period and beyond, the assessment basis is the average amount of total expenses the Board estimates is necessary to carry out its supervisory and regulatory responsibilities with respect to assessed companies for that assessment period and the two prior assessment periods.

Under the final rule, the Board generally will send a notice to each assessed company no later than June 30 of each year following the assessment period and payments will be due by September 15 of that year. [4] An assessed company will have 30 days from June 30 to appeal the Board's determination (1) that it is an assessed company or (2) of its total assessable assets.

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endnotes

[1] See Board of Governors of the Federal Reserve System, Supervision and Regulation Assessments for Bank Holding Companies and Savings and Loan Holding Companies with Total Consolidated Assets of \$50 Billion or More and Nonbank Financial Companies Supervised by the Federal Reserve, 78 Fed. Reg. 23162 (April 18, 2013), available at <http://www.gpo.gov/fdsys/pkg/FR-2013-04-18/pdf/2013-09061.pdf>; see also ICI Memorandum 27198, dated April 24, 2013.

[2] See Board of Governors of the Federal Reserve System, Supervision and Regulation Assessments for Bank Holding Companies and Savings and Loan Holding Companies with Total Consolidated Assets of \$50 Billion or More and Nonbank Financial Companies

Supervised by the Federal Reserve, 78 Fed. Reg. 52391 (August 23, 2013) (“Adopting Release”), available at <http://www.gpo.gov/fdsys/pkg/FR-2013-08-23/pdf/2013-20306.pdf>.

[3] “Assessment period” is defined as January 1 through December 31 of each calendar year. “Assessed companies” would be determined based on their status on December 31 of the assessment period.

[4] For the 2012 assessment period only, the Board will provide the date by which an assessed company must pay its assessment in the 2012 notice of assessments, which the Board anticipates will be sent out shortly after the effective date of the rule (October 25, 2013). The Adopting Release states that the Board anticipates that the date by which an assessed company must pay its assessment will be sometime in December and, in any event, will be no later than December 15, 2013.

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