# M E M O R A N D U M

**TO:** Members of the Committee on Financial Services

**FROM:** Committee Majority Staff

**DATE:** September 4, 2025

**SUBJECT:** September 9, 2025, Subcommittee on Financial Institutions Hearing: "Promoting the Health of the Banking Sector: Reforming Resolution and Broadening Funding Access for Long-Term Resilience"

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On Tuesday, September 9, 2025, at 2:00 p.m., the Subcommittee on Financial Institutions will hold a hearing in Room 2128 of the Rayburn House Office Building, titled "Promoting the Health of the Banking Sector: Reforming Resolution and Broadening Funding Access for Long-Term Resilience." The following witnesses will testify:

- **Mr. Dory Wiley**, President and CEO, Commerce Street Holdings
- **Mr. James B. Barresi,** Partner, Squire Patton Boggs
- **Mr. Hugh Carney,** Executive Vice President of Financial Institution Policy and Regulatory Affairs, American Bankers Association
- **Dr. Norbert Michel**, Vice President and Director, Cato Institute Center for Monetary and Financial Alternatives
- **Mr. Robert James**, President and CEO, Carver Financial Corporation, on behalf of National Bankers Association

This hearing will evaluate the Federal Deposit Insurance Corporation's (FDIC) resolution process for failed banks, with a focus on how existing practices may be accelerating industry consolidation and diminishing competition. Additionally, the hearing will explore reforms regarding several regulatory topics that would support a healthy banking sector for institutions of all sizes—including ways to improve access to funding and capital; right-size the capital framework for community banks and mid-sized institutions; streamline capital-raising efforts; and have a more functional process for regulatory approvals of bank M&A to avoid creating a "barbell" banking system.

**Legislation Noticed**

1. **H.R. 3234, *To amend the Federal Deposit Insurance Act to modify the amount of reciprocal deposits of an insured depository institution that are not considered to be funds obtained by or through a deposit broker, and for other purposes* (Emmer):** This bill amends the *Federal Deposit Insurance Act* to modify the amount of reciprocal deposits of an insured depository institution that are not considered to be brokered deposits on a graduated scale based on an institution's total liabilities and asset size. This replaces the current hard cap of the lesser of $5 billion or 20 percent of an institution's

total liabilities. It also allows institutions that receive a '3' CAMELS composite rating to use this framework.

2. **H.R. ___, the *Bank Competition Modernization Act* (Fitzgerald):** This discussion draft amends the *Federal Deposit Insurance Act*, the *Bank Holding Company Act*, and the *Home Owners' Loan Act* to expand the competitive factors considered in reviewing bank mergers and acquisitions. It requires the Attorney General to account for products and services offered by not only other banks but also industrial loan companies, credit unions, Farm Credit institutions, and certain nonbank financial companies, while also providing that transactions resulting in institutions under $10 billion are presumed not to harm competition for the purpose of this analysis.

3. **H.R. ___, the *Merchant Banking Modernization Act* (Williams):** This discussion draft amends the *Bank Holding Company Act* to permit the holding of merchant banking investments for up to 15 years.

4. **H.R. ___, the *Community Bank Deposit Access Act of 2025*:** This discussion draft amends the *Federal Deposit Insurance Act* to establish that reciprocal deposits of an insured depository institution are not considered to be brokered deposits as long as the total amount does not exceed 20 percent of an institution's total liabilities. This applies to institutions under $10 billion in assets.

5. **H.R. ___, the *Community Bank Capital Flexibility and Growth Act of 2025*:** This discussion draft amends the *Economic Growth, Regulatory Relief, and Consumer Protection Act* to lower the statutory range for the community bank leverage ratio from 8-10 percent to 6-8 percent. The Federal banking regulators must propose a rule within 180 days and finalize within one year of enactment.

6. **H.R. ___, the *Least Cost Exception Act:*** This discussion draft amends the *Federal Deposit Insurance Act* to allow the FDIC to waive the least cost resolution if the agency determines the selected alternative is the least costly to the Deposit Insurance Fund (DIF) of all alternatives that does not include a transaction with a global systemically important banking organization and does not exceed the cost of liquidating the institution, the cost to the DIF is no greater than 120 percent of the cost of the alternative, the additional cost the DIF is mitigated by limiting concentration in the banking sector, or a person purchasing assets or assuming liabilities of the institution agrees to pay an assessment to the DIF.

7. **H.R. ___, the *Enhancing Bank Resolution Participation Act*:** This discussion draft directs the Federal Reserve, Office of the Comptroller of the Currency, and FDIC to jointly study the agency's use of shelf charters, including conditionally or preliminary shelf charter approvals granted since 2008, whether such charters were considered in connection with the 2023 bank failures, and the extent to which greater use of shelf charters may provide benefits to competition and financial stability.

8. **H.R. ___, the *Failing Bank Acquisition Fairness Act* (Lynch):** This discussion draft amends the *Federal Deposit Insurance Act* to restrict large financial institutions holding more than 10% of U.S. deposits from acquiring failed banks if smaller institutions submit qualifying bids.