Congressional Budget Office
Cost Estimate

October 11, 2024

H.R. 4206, Bank Safety Act of 2023

As ordered reported by the House Committee on Financial Services on April 17, 2024

By Fiscal Year, Millions of Dollars	2025	2025-2029	2025-2034
Direct Spending (Outlays)	*	*	*
Revenues	*	*	*
Increase or Decrease (-) in the Deficit	*	*	*
Spending Subject to Appropriation (Outlays)	0	0	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	*	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
		Contains intergovernmental mandate?	No
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	*	Contains private-sector mandate?	Yes, Under Threshold

* = between -$500,000 and $500,000.

H.R. 4206 would require banks and bank holding companies with more than $100 billion in assets to include specified net gains and losses when calculating the capital they need to meet risk-based capital requirements. Currently, only large institutions with more than $700 billion in assets are required to include that information in their capital calculations. H.R. 4206 would provide a three-year period for that transition to take place.

Banks and bank holding companies are regulated by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC).

In September 2023, the federal banking regulators published in the *Federal Register* a proposed rule amending bank capital rules that is very similar to the requirements in H.R. 4206.[1]

1. Comptroller of the Currency, the Federal Reserve System, and the Federal Deposit Insurance Corporation, "Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity," Notice of Proposed Rulemaking, 88 *Fed. Reg.* 64028 (September 18, 2023), https://tinyurl.com/24udslkx.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Federal Costs

Costs incurred by the Federal Reserve reduce remittances to the Treasury, which are recorded in the budget as revenues. The operating costs for the FDIC and the OCC are classified as direct spending. The OCC collects fees from financial institutions to offset its operating costs; those fees are recorded as offsetting receipts—that is, as reductions in direct spending. Using information from the affected agencies, CBO estimates that any increases in direct spending or revenues for administrative costs would be insignificant.

CBO has estimated only the additional administrative costs of enacting H.R. 4206 and has not estimated any budgetary effects that might arise from changing the formula for calculating required capital reserves. CBO expects that enacting H.R. 4206 could change the amounts and types of capital that banks hold, which could affect systemic risk in the banking system and thus increase or decrease fees paid by those institutions to the federal government. However, given the range of factors that could have significant effects on bank capital under the new methodology, CBO cannot estimate the direction or magnitude of the effect on the federal budget of the bill's new methodology.

Mandates

H.R. 4206 would impose private-sector mandates as defined by the Unfunded Mandates Reform Act (UMRA) on banks and bank holding companies. CBO estimates that the aggregate cost of the mandates would not exceed the threshold established in UMRA ($200 million in 2024, adjusted annually for inflation).

The bill would require banks and bank holding companies with consolidated assets of more than $100 billion to include certain net gains and losses in their regulatory capital calculations. Because those private entities already collect and calculate such gains and losses, the cost for them to comply with the mandate would be small.

If federal banking regulators increase annual fees to offset the costs of implementing provisions of H.R. 4206, it would increase the costs of an existing private-sector mandate on entities required to pay those fees. CBO estimates that the incremental cost of the mandate would be small.

The bill contains no intergovernmental mandates as defined in UMRA.

The CBO staff contacts for this estimate are Julia Aman (for federal costs) and Rachel Austin (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.

Phillip L. Swagel
Director, Congressional Budget Office