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$150 Billion Spark Bipartisanship and Changes the Definition of "Worthy"

By Cremeithius Riggins, J.D. Candidate 2020 | October 23, 2017

Congress and White House personnel are attempting to raise the financial threshold for a banking institution to be considered a "Systematically Important Financial Institution" (SIFI). On its face, this may seem to bring about banking reform; however, this would lead to a dramatic decrease in federal oversight and transparency. Considering the 2008 financial crisis, it is difficult to understand why any banking institution would not be considered systematically important. Nevertheless, the arguably arbitrary $50 billion threshold is taking center stage for what has already been a controversial Trump agenda.

At a time when there has been very little to celebrate about our government's ability to work in a bipartisan manner, it appears that economics has forced the hand of some, including top White House economic advisor, Gary Cohen. Cohen was considered the "most important person" in Washington and on Wall Street. Cohen has been working with Democrats and Republicans to create significant changes in U.S. banking. On October 16, 2017, Cohen told the American Banking Association that the SIFI threshold needs to be raised from $50 billion to $200 billion. Is the U.S. banking system ready for a $150 million-dollar threshold increase only seven years after the $50 billion threshold was implemented?

Let's put this into perspective. The 2008 financial crisis was the most stifling financial dilemma since the Great Depression. Several economic markets were crashing. The financial sector, credit industry, real estate market, and auto industry required federal funding to prevent economic turmoil. Many companies failed and many people lost their assets in the aftermath. It is also important to consider that the United States was not the only country that experienced the shock. The economic shock was so profound that it traveled across the Atlantic Ocean and devastated many European markets.

As a result of the financial crisis, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The Dodd-Frank Act was the culmination of studies conducted by the Commodity Futures Trading Commission (CFTC) and implemented an increase in regulation of swap market dealers. The current listing of swap dealers features more than 100 banking institutions considered SIFIs because they possess more than $50 billion dollars in assets. These banking institutions face greater federal oversight to increase transparency and lower risk to Americans. The $50 billion threshold was implemented to protect Americans; however, some economists attribute a negative impact to the threshold because it limits banks from lending to "worthy" customers. Does a $150 billion increase in the threshold change the definition of a worthy customer?

The worthy customer is as ambiguous and arbitrary as the slogan, "let banks be banks again," used by President Trump to support the proposed $150 billion threshold increase. It is unclear exactly how many of the approximately one-hundred SIFIs would be free from governmental oversight. However, if letting banks be banks again means allowing institutions to engage in

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risky transactions to the detriment of Americans, it is as undesirable as waking up to the loss of all your fantasy stock.