Client Update
FinReg Reform Steps Continue: Treasury Report and CHOICE 2.0

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INTRODUCTION

On June 12, 2017, the U.S. Department of the Treasury issued the first in a series of reports (the "Report") pursuant to President Trump's Executive Order on "Core Principles" for regulating the U.S. financial system (the "EO").[1] The Report, which covers the depository system (banks and credit unions), is notable because it suggests a measured approach that would leave key capital, stress testing / capital planning, resolution planning and other pillars of post-financial crisis reforms in place but recommends a number of important changes that, if adopted, could materially streamline various of regulations and processes. Further, the Report comes on the heels of the Financial CHOICE Act ("CHOICE 2.0") being passed by the House of Representatives on June 8, 2017.[2]

In this Client Update, we discuss the recommendations made by the Treasury Department in the Report and compare the recommendations with corresponding provisions of CHOICE 2.0. In particular, as illustrated in the accompanying tables, which are based on the enumeration of recommendations included in Appendix B of the Report, the Report tends to present a much more granular analysis and set of proposed changes as compared to CHOICE 2.0.

THE "CORE PRINCIPLES" AND LIMITED SCOPE OF THE REPORT

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1 The complete Report is available here.

2 For more information regarding CHOICE 2.0, see our May 19, 2017, Client Update, "CHOICE 2.0 and New Presidential Memoranda," available here.

As noted in our previous Client Update,[3] the EO directs the Treasury Secretary to consult with member agencies of the Financial Stability Oversight Council ("FSOC") and report on whether existing legal and regulatory frameworks for the financial sector promote the following "Core Principles":

- Empower Americans to make independent financial decisions and informed choices in the marketplace, save for retirement, and build individual wealth;
- Prevent taxpayer-funded bailouts;
- Foster economic growth and vibrant financial markets through more rigorous regulatory impact analysis that addresses systemic risk and market failures, such as moral hazard and information asymmetry;
- Enable American companies to be competitive with foreign firms in domestic and foreign markets;
- Advance American interests in international financial regulatory negotiations and meetings;
- Make regulation efficient, effective, and appropriately tailored; and
- Restore public accountability within federal financial regulatory agencies and rationalize the federal financial regulatory framework.

Though the President's directive to the Treasury Department required a full-scale review of the U.S. financial services system, the recently issued Report focuses on the depository system, covering banks, savings associations and credit unions, of all sizes, types and regulatory charters. Subsequent reports will address: (1) the capital markets; (2) the asset management and insurance industries, including retail and institutional investment products and vehicles; and (3) nonbank financial institutions, FinTech and other financial innovation.

Moreover, the current Report does not address the President's Memoranda to the Treasury Secretary on the Orderly Liquidation Authority and FSOC.[4] The Treasury Department intends to address these matters in separate releases.

SUMMARY OF RECOMMENDATIONS

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[3] For more information regarding the Core Principles, see our February 5, 2017, Client Update, "Executive Order and DOL Memo Signal Shift in Federal Financial Regulatory Agenda," available here.

[4] For more information on the Presidential Memoranda regarding the Orderly Liquidation Authority and FSOC, see our May 19, 2017, Client Update, "CHOICE 2.0 and new Presidential Memoranda," available here.

Below, we provide a summary of the Report's recommendations, organized according to the nine categories specified in the Executive Summary of the Report. In some cases, the recommendations could be implemented through action by various regulatory agencies; in other cases, action by Congress is necessary. But, in all events, it appears that in the near term, focus will shift to the agencies, as they consider whether to move forward with some of the recommendations, while the process for legislative change may proceed over a longer time horizon. On June 22, 2017, the Senate Banking Committee held a hearing at which officials from each of the federal bank regulatory agencies testified. The testimony at this hearing seems to indicate there is a consensus to move forward with some of the recommendations, although the details and timing remain less certain.

Addressing the U.S. Regulatory Structure

- Reduce fragmentation, overlap and duplication in the U.S. regulatory structure, including by consolidating regulators with similar missions and more clearly defining regulatory mandates.
- Expand FSOC's role in coordinating and directing regulatory and supervisory policies, including the authority to appoint a lead regulator in instances of potentially conflicting and overlapping regulatory jurisdiction.
- Restructure the Office of Financial Research ("OFR") by making it a functional part of Treasury with its Director appointed by the Secretary, without a fixed term, and removable at will; subject OFR's budget to the Treasury appropriation and budget process.
- Increase coordination of supervision, examination and enforcement among agencies, such that only one regulator leads enforcement actions related to a single incident or set of facts.

Refining Capital, Liquidity, and Leverage Standards

- Raise the asset threshold for the company-led annual Dodd-Frank Act Stress Tests ("DFAST") from $10 billion to $50 billion, while also giving banking regulators the flexibility to implement a threshold for mandatory stress testing that is tailored to business model, balance sheet, and organizational complexity.
- Eliminate the mid-year DFAST cycle and reduce the number of supervisory scenarios to only the baseline and severely adverse scenarios, while permitting banks to determine the appropriate number of models for company-run stress tests based on the complexity of the organization and the nature of its assets.

- Revise the threshold for the application of enhanced prudential standards ("EPS") from the current $50 billion threshold to more appropriately tailor the standards to bank holding companies' ("BHC") risk profiles.
- Revise the threshold for the application of Comprehensive Capital Analysis and Review ("CCAR") to match that of the revised EPS threshold.
- Reduce the frequency of CCAR to a two-year cycle, with the potential for off-cycle submissions in the event of extraordinary events or financial distress.
- Eliminate the CCAR qualitative assessment as a sole objection to a capital plan.
- Simplify and clarify the capital regime by giving further emphasis to the use of standardized approaches over advanced approaches for risk-weighting assets, and use a more transparent, rules-based approach when calculating operational risk capital.
- Require the Federal Reserve Board ("FRB") to submit its stress-testing and capital planning review frameworks to public notice and comment.
- Create a CHOICE 2.0-style "off-ramp" from all capital and liquidity requirements, most EPS, and the Volcker Rule for sufficiently well-capitalized banks.
- Apply the Single Counterparty Credit Limits ("SCCL") only to banks subject to the revised threshold for the application of EPS.
- Narrow the scope of the Liquidity Coverage Ratio ("LCR") to include only "internationally active" banks. Allow for greater reliance on an organization's historical experience when calculating and applying the LCR.
- Delay the U.S. implementation of the Net Stable Funding Ratio ("NSFR") and Fundamental Review of the Trading Book ("FRTB") rules until they can be appropriately assessed.
- Require U.S. prudential regulators to review the potential impact of the FASB Current Expected Credit Losses ("CECL") standard on banks' capital levels to harmonize the application of the standard with regulators' supervisory efforts.
- Amend Dodd-Frank to remove the Federal Deposit Insurance Corporation ("FDIC") from the living wills process, raise the asset threshold for the living wills requirements to the revised threshold for the application of EPS and reduce the submission frequency to a two-year cycle. Improve regulatory guidance by subjecting living wills guidance to notice and comment before

becoming final, and require the FRB to complete its review and provide feedback on firms' living wills submissions within six months.

Providing Credit to Fund Consumers and Businesses to Drive Economic Growth

- Restructure the Consumer Financial Protection Bureau ("CFPB") by making its Director removable at will by the President or as an independent multi-member commission or board, funding it via the annual appropriations process, adopting reforms to ensure adequate notice of its legal interpretations, and curbing abuses in investigations and enforcement actions.
- Recalibrate capital requirements that place an undue burden on individual loan assets classes, particularly for mid-sized and community financial institutions.
- Promote financial inclusion in the regulatory environment to bring more consumers into the banking system and out of less regulated markets.

Improving Market Liquidity

- Consider adjustments to the Supplementary Leverage Ratio ("SLR") and enhanced Supplementary Leverage Ratio ("eSLR"), such as excluding cash on deposit with central banks, U.S. Treasury securities, and initial margin for centrally cleared derivatives, from the denominator of total exposure.
- Implement changes to (but not repeal of) the Volcker Rule by simplifying the definitions of proprietary trading and covered fund, providing increased flexibility for market-making, and focusing covered funds restrictions. Amend aspects of the compliance program requirements to decrease the regulatory burden.
- Exempt banks with $10 billion or less in assets from all aspects of the Volcker Rule.
- Exempt banks with greater than $10 billion in assets from the proprietary trading restrictions of the Volcker Rule, unless they exceed a threshold amount of trading assets and liabilities.
- Coordinate guidance and enforcement of the Volcker Rule to ensure consistency among agencies.

Allowing Community Banks and Credit Unions to Thrive

- Exempt community banks with total assets less than $10 billion from the U.S. Basel III risk-based capital regime and possibly the Collins Amendment.
- Raise the Small BHC Policy Statement asset threshold from $1 billion to $2 billion.
- Raise the total asset threshold for Small Creditor Qualified Mortgage ("QM") loans from $2 billion to between $5 and $10 billion to accommodate loans made and retained by a larger set of community financial institutions.
- Streamline requirements for all community financial institutions, such as the scale of Call Reports, and increase coordination between the National Credit Union Administration ("NCUA"), CFPB and state regulators.
- Raise the asset threshold for stress-testing requirements for federally insured credit unions to $50 billion in assets.
- Repeal the rule requiring credit unions with assets greater than $100 million to satisfy a risk-weighted capital framework, replacing it with a simple leverage test, taking into consideration whether additional revisions should be made to promote greater equality with equivalent commercial bank capital requirements.

Advancing American Interests and Global Competitiveness

- Improve interagency coordination to ensure harmonization of U.S. participation in international fora, and only adopt international regulatory standards that have been appropriately tailored to meet the needs of the U.S. financial services industry.
- Finalize the Basel Committee's establishment of a global risk-based capital floor, which should level the playing field between U.S. firms and non-U.S. institutions that, in some cases, have significantly lower capital requirements.
- Reevaluate the recalibration of standards for capital and liquidity that have been imposed on U.S. Global Systemically Important Banks ("G-SIBs"), including the U.S. G-SIB surcharge, the mandatory minimum debt ratio included in the Federal Reserve's Total Loss-Absorbing Capacity ("TLAC") and minimum debt rule, and the calibration of the eSLR.
- Consider the implications for U.S. credit intermediation and systemic risk caused by a revised standardized approach for credit risk under the Basel III capital framework, and require banking agencies to provide clarity on how the U.S.-specific adoption of any new Basel standards will affect capital requirements and risk-weighted asset calculations for U.S. firms.

Improving the Regulatory Engagement Model

- Reform regulatory expectations of the boards of directors of banking organizations ("Boards") to address issues such as (i) the crowding out of critical functions that Boards and Board Committees should play, (ii) blurring the responsibilities between the Board and management, and (iii) imposing a "one-size-fits-all" approach, regardless of the size or operations of an institution.
- Enhance the accountability of Boards by appropriately defining their roles and responsibilities with respect to regulatory oversight and governance.
- Conduct an interagency review of the collective requirements imposed on Boards to reassess and tailor aggregate expectations between regulators, Boards, and bank management.
- Consider a modified regulatory approach to rebalance the volume of regulatory actions based on materiality and the nature of required remediation, including a greater focus on regulatory coordination, supervisory guidance and recommendations as opposed to overly prescriptive actions, such as matters requiring immediate attention.
- Increase interagency cooperation and coordination of regulatory actions and consent orders to improve the transparency and timely resolution of such actions. Regulators and banking organizations also should develop an improved approach to addressing and clearing regulatory actions in a timely fashion.

Enhancing Use of Regulatory Cost-Benefit Analysis

- Make greater use of cost-benefit analyses and notices of proposed rulemakings, particularly with respect to "economically significant" proposed regulations, as defined under EO 12866 (even though independent financial regulatory agencies have long been exempt from EO 12866).

Encouraging Foreign Investment in the U.S. Banking System

- Revise the asset threshold for the application of EPS, including the living will requirement, to foreign banking organizations ("FBOs") to match the revised threshold for U.S. BHCs, as discussed above, and calculate FBOs' assets based on their U.S. risk profile (rather than global consolidated assets).
- Revise the Intermediate Holding Company ("IHC") CCAR threshold to match that recommended for BHCs, with the discretion to impose CCAR requirements on smaller IHCs when warranted by the potential risks.

- Require the FRB to review the recalibration of the internal TLAC requirement, taking into consideration the foreign parent's ability to provide capital and liquidity resources to the U.S. IHC.
- Allow FBOs to meet certain U.S. regulatory requirements, such as living wills and liquidity requirements, through substituted compliance with sufficiently similar home country regimes.

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Please do not hesitate to contact us with any questions.

Comparison of Treasury Recommendations and CHOICE 2.0

The below tables represent a modified version of those published as Appendix B of the Report. The topic headings and the information provided under the left column are reproduced from Appendix B; the right column, entitled "CHOICE 2.0 Treatment," identifies comparable provisions of CHOICE 2.0, as passed by the House of Representatives on June 8, 2017.

I. Regulatory Structure

Treasury Recommendation	CHOICE 2.0 Treatment
REGULATORY OVERLAP AND DUPLICATION	
• Congress should take action to reduce regulatory fragmentation, overlap, and duplication.	Streamlines various provisions of the Dodd-Frank Act.
• The Financial Stability Oversight Council's ("FSOC") statutory mandate should be broadened so that it can assign a lead regulator as primary regulator on issues where agencies have conflicting or overlapping jurisdiction. • FSOC should be reformed to further facilitate information sharing and coordination among member agencies.	Does not include these provisions; instead would curtail FSOC's powers, including by removing designation authority. *CHOICE 2.0, tit. I.*
• Congress should reform the structure and mission of the Office of Financial Research (the "OFR") to improve its effectiveness and to ensure greater accountability. • The OFR should become part of the Treasury, with its Director subject to appointment by the Secretary, without a fixed term and subject to removal at will, and that the budget of the OFR come under the control of the Treasury appropriations and budget process.	Provides for a wholesale repeal and elimination of the OFR. *CHOICE 2.0, § 151(a)(1).*
CYBER SECURITY	
• Treasury recommends that federal and state financial regulatory agencies establish processes for coordinating regulatory tools and examinations across sub-sectors. o Financial regulatory agencies should work to harmonize regulations, including using a common lexicon. o Financial regulators should work to harmonize interpretations and implementation of specific rules and guidance around cybersecurity.	N/A.

II. Capital and Liquidity

Treasury Recommendation	CHOICE 2.0 Treatment
APPROPRIATELY TAILORED RULES FOR BANKS	
• **Appropriate tailoring of DFAST, CCAR, LCR, and SCCL**	
○ **Dodd-Frank Act Stress Test ("DFAST") Threshold:** The threshold for participation for company-run DFAST should be raised to $50 billion in total assets (from the current threshold of more than $10 billion). The banking regulators should be granted authority to further calibrate this threshold on an upward basis by reference to factors related to the degree of risks and complexity of the institution.	N/A.
○ **DFAST Process:** The mid-year DFAST cycle should be eliminated, and the number of supervisory scenarios should be reduced from three to two—the baseline and severely adverse scenario. Further, as a company-led process, leeway should be granted for banks to determine the appropriate number of models that are sufficient to develop appropriate output results, aligned with the scale and complexity of the banking organization and nature of its asset mix.	Eliminates the mid-year DFAST cycle. *CHOICE 2.0, § 151.*
○ **Enhanced Prudential Standards and Comprehensive Capital Analysis and Review ("CCAR") Thresholds:** The threshold in Section 165 of Dodd-Frank for enhanced prudential standards should be raised to be better tailored to the complexity of bank holding companies. The Federal Reserve should also revise the threshold for the application of CCAR to match the revised threshold for the application of the enhanced prudential standards.	N/A.
○ **Liquidity Coverage Ratio ("LCR"):** The scope of application of the LCR should be narrowed to apply only to internationally active banks: the U.S. LCR should be limited to Global Systemically Important Banks ("G-SIB") and a less stringent standard (*i.e.*, an LCR that is not "super-compliant") should be applied to internationally active bank holding companies that are not G-SIBs.	N/A.
○ **Single Counterparty Credit Limit ("SCCL"):** The scope of application of the SCCL should apply only to banks that are subject to the revised threshold for the application of the enhanced prudential standards.	N/A.
• **Creating an "off-ramp" for well-capitalized banks:** Consider establishing a "regulatory off-ramp" from all capital and liquidity requirements, nearly all aspects of Dodd-Frank's enhanced prudential standards, and the Volcker Rule for depository institution holding companies and insured depository	Provides off-ramp based on 10% leverage capital threshold. *CHOICE 2.0, tit. VI.*

Treasury Recommendation	CHOICE 2.0 Treatment
institutions. This approach would require the institution to elect to maintain a sufficiently high level of capital, such as a 10% non-risk-weighted leverage ratio.	
REDUCE UNNECESSARY BURDENS AND IMPROVE TRANSPARENCY	
• Improve capital and liquidity supervisory process and guidance	
○ **CCAR:** The Federal Reserve should (i) reassess assumptions in the CCAR process that create unrealistically conservative results, such as the assumption that firms continue to make capital distributions and grow their balance sheets and risk-weighted asset exposure in severely adverse scenarios; (ii) improve its modeling practices by better recognizing firms' unique risk profiles; and (iii) consider changing the CCAR process to a two-year cycle (with more frequent reviews permitted to allow revisions to capital plans in the case of extraordinary events).	Requires CCAR to run on a two-year, rather than one-year, planning cycle. Incorporates certain recommendations to improve the stress testing process made by the Government Accountability Office ("GAO") in November 2016. *CHOICE 2.0, § 151(b).*
○ **Pending Rules:** U.S. banking regulators should delay adoption of the Net Stable Funding Ratio and Fundamental Review of the Trading Book standards until U.S. regulators can appropriately assess and calibrate them.	N/A.
○ **Simplifying the capital regime:** Treasury recommends keeping the standardized approaches for calculating risk-weighted assets but reducing reliance upon the advanced approaches for calculating firms' overall risk-based capital requirements. However, U.S. regulators should consider where it would be appropriate to introduce more appropriate risk sensitivity such as in the measurement of derivative and securities lending exposures for the standardized approaches and the proposed SCCL.	N/A.
○ **Current Expected Credit Losses ("CECL"): U.S.** prudential regulators should review the potential impact of the CECL standard on banks' capital levels and formulate recommendations to harmonize the application of the standard with regulators' supervisory efforts.	N/A.
• Improving the transparency of the CCAR and other supervisory processes	
○ **Improving CCAR transparency:** The Federal Reserve should subject its stress-testing and capital planning review frameworks to public notice and comment, including with respect to its models, economic scenarios, and other material parameters and methodologies.	Requires scenarios be subject to public notice and comment. *CHOICE 2.0, § 151(b).*

Treasury Recommendation	CHOICE 2.0 Treatment
○ **CCAR qualitative assessment:** The qualitative CCAR element should no longer be the sole basis for the Federal Reserve's objection to capital plans for all banks subject to CCAR. The qualitative assessment should be adjusted to the horizontal capital review for all banking organizations (as the Federal Reserve has already implemented for non-complex banks with less than $250 billion in assets).	Prohibits the Federal Reserve Board ("FRB") from objecting to a company's capital plan on the basis of qualitative deficiencies in the company's capital planning process. *CHOICE 2.0, § 151(b).*
○ **Other CCAR transparency modifications:** The CCAR process could also be modified to provide management with greater control of capital distribution planning by providing firms an accurate understanding of the capital buffers they would have after considering the projected results of the Federal Reserve's supervisory models under the severely adverse scenario. This additional certainty about the size of a firm's capital cushion could be achieved through (i) changing the sequence of the CCAR process; or (ii) integrating the risk-based capital and CCAR stress testing regimes, without increasing post-stress capital requirements.	Requires FRB to establish procedures for responding to inquiries from companies subject to CCAR. *CHOICE 2.0, § 151(b).*
○ **Countercyclical capital:** Any countercyclical capital measures should be implemented through the existing CCAR and DFAST stress testing processes rather than through the countercyclical capital buffer (currently included in the risk-based capital rules).	N/A.
○ **Operational risk capital requirements:** The method of calculating operational risk capital requirements under the advanced approaches should be made more transparent as compared to the current approach.	Prohibits the FRB, Federal Deposit Insurance Corporation ("FDIC") and Office of the Comptroller of the Currency ("OCC") from establishing operational risk capital requirements unless the requirements are based on a banking organization's current activities and businesses, are appropriately risk sensitive, and are determined under forward looking assessment of potential losses, among other criteria. *CHOICE 2.0, § 152.*
IMPROVING REGULATORY COHERENCE TO IMPROVE THE FUNCTIONING OF CAPITAL MARKETS	
• **Addressing the impact of the Supplementary Leverage Ratio ("SLR"):** Significant adjustments should be made to the calculation of the SLR. In particular, deductions from the leverage exposure denominator should be made, including for: (i) cash on deposit with central banks; (ii) U.S. Treasury securities; and (iii) initial margin for centrally cleared derivatives.	N/A.
• **Changing liquidity requirements:** There should be expanded treatment of certain qualifying instruments as High Quality Liquid Assets ("HQLA"). This would include categorizing high-grade	N/A.

Treasury Recommendation	CHOICE 2.0 Treatment
municipal bonds as Level 2B liquid assets (rather than generally not being counted as HQLA currently). In addition, improvements should be made to the degree of conservatism in cash flow assumptions incorporated into calculations of the LCR to more fully reflect banks' historical experience with calculation methodologies.	
RECALIBRATING U.S. IMPLEMENTATION OF CERTAIN INTERNATIONAL FINANCIAL REGULATORY STANDARDS	
• U.S. rules implementing international standards that should be revisited include (i) the G-SIB risk-based surcharge for U.S. G-SIBs, including the short-term wholesale funding component; (ii) the mandatory minimum debt ratio included in the Federal Reserve's Total Loss-Absorbing Capacity ("TLAC") and minimum debt rule; and (iii) the calibration of the enhanced Supplementary Leverage Ratio ("eSLR") for G-SIBs.	N/A.
APPROACH TO INTERNATIONAL STANDARD SETTING PROCESSES	
• Treasury generally supports efforts to finalize remaining elements of the international reforms at the Basel Committee, including establishing a global risk-based capital floor to promote a more level playing field for U.S. firms and strengthen the capital adequacy of global banks. The banking agencies should carefully consider the implications on U.S. credit intermediation and systemic risk from the implementation in the United States of a revised standardized approach for credit risk under the Basel III capital framework.	N/A.
• Treasury recommends that the United States lead efforts to narrow the scope of standard-setting bodies' initiatives, specifically by streamlining their mandates and eliminating existing overlapping objectives. In addition, Treasury recommends increased transparency and accountability, so that the views and concerns of external stakeholders are appropriately and timely considered and accounted for. Finally, Treasury recommends that the U.S. members continue to advocate for and shape international regulatory standards that are in alignment with domestic financial regulatory objectives.	Subjects FRB, FDIC, OCC, Securities and Exchange Commission ("SEC") and Commodity Futures Trading Commission ("CFTC") participation in international processes to various notice and comment requirements. *CHOICE 2.0, § 371.*

III. Community Financial Institutions

Treasury Recommendation	CHOICE 2.0 Treatment
RECOMMENDATIONS FOR COMMUNITY BANKS	

Treasury Recommendation	CHOICE 2.0 Treatment
• **Simplifying the capital regime for community banks:** Treasury recommends that bank regulators explore exempting community banks from the risk-based capital regime implementing the Basel III standards. In addition, if required, Dodd-Frank's Collins Amendment should be amended (Dodd-Frank Section 171). Regulators should simplify and improve the calculation of capital requirements for mortgage servicing assets ("MSA"), as well as simplify and clarify the definition of high volatility commercial real estate ("HVCRE") loans to avoid the application of higher risk-weights for loans where it would be unnecessary.	Exempts all institutions subject to the Small Bank Holding Company and Savings and Loan Holding Company Policy Statement from application of Dodd-Frank's Collins Amendment. *CHOICE 2.0, § 526(b).*
• **Raising the Small Bank Holding Company Policy Statement asset threshold:** Treasury recommends raising the asset threshold of the Federal Reserve's Small Bank Holding Company and Savings and Loan Holding Company Policy Statement to $2 billion (from the current $1 billion).	Raises the asset threshold to $10 billion from the current threshold of $1 billion. *CHOICE 2.0, § 526(a).*
RECOMMENDATIONS FOR COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS ("CDFIs") AND MINORITY DEPOSITORY INSTITUTIONS ("MDIs")	
• It may be appropriate to grant CDFI banks and MDIs additional flexibility in utilizing subordinated debt or capital, particularly capital that is borrowed by the holding company and injected into the bank. Such capital may include program-related investments received from foundations or impact investors.	N/A.
RECOMMENDATIONS FOR FEDERALLY-INSURED CREDIT UNIONS	
• **Easing the National Credit Union Administration ("NCUA") regulations relating to credit union capital and stress-testing requirements:** NCUA should revise the risk-based capital requirements to only apply to credit unions with total assets in excess of $10 billion or eliminate altogether risk-based capital requirements for credit unions satisfying a 10% simple leverage (net worth) test.	Insured credit unions would be eligible for the qualifying banking organization ("QBO") off-ramp. *CHOICE 2.0, § 605(2)(B).*
• **Raising the scope of application for stress-testing requirements for credit unions to $50 billion:** In line with the tailoring of capital regulations for banks, Treasury recommends generally raising the scope of application for stress testing of federally insured credit unions to $50 billion in assets (from the current $10 billion threshold).	N/A.
• **Allowing appropriate supplemental capital:** Treasury supports allowing credit unions to rely in part on appropriately designed supplemental capital to meet a portion of their risk-based capital requirements. Such supplemental capital instruments, if required to have essential prudential features (e.g., noncumulative perpetual preferred stock and subordinated debt with long-maturity and lack of early event acceleration) will allow credit unions to increase their capital from investors rather than	N/A.

Treasury Recommendation	CHOICE 2.0 Treatment
relying solely on retained earnings.	
ENCOURAGING DE NOVO ACTIVITY	
• Treasury recommends implementing changes to the existing regulatory capital requirements and other burdensome rules for community banks and a critical review of capital requirements applicable to de novo banks. The application process of obtaining deposit insurance should be significantly streamlined, and Treasury supports the FDIC's recent efforts to encourage de novo charters.	Exempts all institutions subject to the Small Bank Holding Company and Savings and Loan Holding Company Policy Statement from application of the Collins Amendment and raises asset threshold for the Statement's application from \$1 billion to \$10 billion. *CHOICE 2.0, § 526.*
REGULATORY REPORTING	
• Treasury recommends that the regulators continue to streamline current regulatory reporting requirements for all community financial institutions. Treasury recommends that the regulators focus their efforts on applicability of each line item.	N/A.
EXAMINATIONS	
• **Reviewing examination overlap and duplication:** Treasury recommends that: (i) Congress consider raising the current asset threshold for smaller banks eligible for an 18 month examination cycle; (ii) the NCUA implements parallel changes to extend examination cycles for smaller credit unions; and (iii) all regulators expand upon current efforts to further coordinate and rationalize their examination and data collection procedures to promote accountability and clarity.	Establishes an Office of Independent Examination Review to review examination procedures and investigate complaints. Creates a right to independent review of material supervisory determinations. Requires timelier reporting of examination results. *CHOICE 2.0, § 536.*
AGRICULTURAL AND RURAL CREDIT	
• **Minimizing compliance burdens for rural and agriculture lenders:** Providing banking services in rural areas is particularly difficult given the scarcity of key service providers, such as appraisers and other legal and compliance staff. As such, the regulators need to recognize these circumstances and provide special consideration to agriculture and rural banks' compliance challenges.	N/A.
INCREASING THRESHOLD FOR MAKING SMALL CREDITOR QUALIFIED MORTGAGE ("QM") LOANS	
• **Reforming mortgage requirements:** A detailed evaluation of mortgage requirements is addressed in	N/A.

Treasury Recommendation	CHOICE 2.0 Treatment
the Residential Mortgage section.	

IV. Improving the Regulatory Engagement Model

Treasury Recommendation	CHOICE 2.0 Treatment
REASSESSING REGULATORY REQUIREMENTS ON A BANKING ORGANIZATION'S BOARD OF DIRECTORS	
• Treasury recommends an inter-agency review of the collective requirements imposed on Boards in order to reassess and better tailor these aggregate expectations and restore balance in the relationship between regulators, Boards, and bank management.	N/A.
ENHANCED USE OF REGULATORY COST-BENEFIT ANALYSIS	
• Federal financial regulatory agencies should follow the principles of transparency and public accountability by conducting rigorous cost-benefit analyses and making greater use of notices of proposed rulemakings to solicit public comment. In particular, Treasury recommends that financial regulatory agencies perform and make available for public comment a cost-benefit analysis with respect to at least all "economically significant" proposed regulations, as such term is used in Executive Order 12866. Such analysis should be included in the administrative record of the final rule.	Prohibits agencies from issuing a notice of proposed rulemaking ("NPRM") unless the agency includes in the NPRM a detailed cost-benefit analysis containing the specified requisite information. *CHOICE 2.0, tit. III, subtit. A.*
IMPROVING THE PROCESS FOR REMEDIATING IDENTIFIED REGULATORY ISSUES	
• Treasury recommends an interagency reassessment of the volume and nature of matters requiring attention ("MRAs"), matters requiring immediate attention ("MRIAs"), and consent orders ("COs") to evaluate impact, consistency and overlap and to establish consistent interagency standards.	Requires agencies to implement policies and procedures to minimize duplication of enforcement efforts, including establishing when joint investigations, administrative actions or judicial actions are necessary and appropriate and requiring the designation of a lead agency to avoid duplication of efforts in the event of a joint action. *CHOICE 2.0, § 391.*
• Treasury recommends that regulators and banking organizations develop an improved approach to addressing and clearing regulatory actions.	N/A.
COMMUNITY REINVESTMENT ACT ("CRA")	

Treasury Recommendation	CHOICE 2.0 Treatment
• It is very important to have the benefits arising from banks' CRA investments better align with the interest and needs of the communities that they serve and to improve the current supervisory and regulatory framework for CRA. Treasury expects to comprehensively assess how the CRA could be improved to achieve these goals, which will include soliciting input from individual consumer advocates and other stakeholders. Aligning the regulatory oversight of CRA activities with a heightened focus on community investments will become a high priority for the Secretary.	N/A.

V. Living Wills

Treasury Recommendation	CHOICE 2.0 Treatment
RAISE THRESHOLD FOR LIVING WILL REQUIREMENTS	
• Treasury recommends changing the threshold for compliance with living will requirements from current level of $50 billion to match the revised threshold for application of enhanced prudential standards.	N/A.
ADJUST LIVING WILL SUBMISSION FREQUENCY	
• Agencies should formalize a change of the living will process to a two-year cycle. The agencies could require firms to provide notice of material events that occur between living will submissions.	Agencies may not require submission of a living will more often than once every two years. *CHOICE 2.0, § 151(c).*
IMPROVE LIVING WILL GUIDANCE	
• The agencies should be held accountable to develop specific, clear, and accountable guidance for living will submissions as well as the assessment framework for determining deficiencies in living will submissions (including remediation procedures). All assessment framework and guidance should be subject to a public notice and comment process.	Requires the Federal Reserve to publicly disclose the assessment framework used to review living wills, provide a notice-and-comment period before finalizing that assessment framework and provide feedback on submitted living wills within six months. *CHOICE 2.0, § 151(b).*
CONSOLIDATE REGULATORY OVERSIGHT AND IMPROVE TIMELINESS OF FEEDBACK	
• Treasury recommends that section 165(d) of Dodd-Frank be amended to remove the FDIC from the	Amends Dodd-Frank § 165(d) in several places to remove

Treasury Recommendation	CHOICE 2.0 Treatment
living wills process. • The Federal Reserve should be required to complete its review and give feedback to firms on their living wills within six months.	reference to the FDIC. CHOICE 2.0, § 111(b)(1).

VI. Foreign Banking Organizations ("FBO")

Treasury Recommendation	CHOICE 2.0 Treatment
APPLYING ENHANCED PRUDENTIAL STANDARDS FOR FBOS BASED UPON THEIR U.S. FOOTPRINTS RATHER THAN GLOBAL CONSOLIDATED ASSETS	
• The application of enhanced prudential standards and living will requirements to FBOs should be based on their U.S. risk profile (using the same revised threshold as is used for the application of enhanced prudential standards to U.S. bank holding companies ("BHC")) and should not be based on global consolidated assets.	N/A.
RECALIBRATING INTERMEDIATE HOLDING COMPANY ("IHC") REQUIREMENTS	
• Consistent with the thresholds recommended for U.S. BHCs, the threshold for IHCs to comply with U.S. CCAR should be raised from the current $50 billion level to match the revised threshold for enhanced prudential standards, subject to the ability of the Federal Reserve to impose these requirements on smaller IHCs in cases where the potential risks posed by the firm justify the additional requirements.	N/A.
• Other IHC regulatory standards, such as resolution planning and liquidity, should also be recalibrated. In considering such a recalibration, greater emphasis should be given to the degree to which home country regulations are comparable to the regulations applied to similar U.S. BHCs. Where regulations are sufficiently comparable, FBOs should be allowed to meet certain U.S. requirements through compliance with home country regimes.	N/A.
RECALIBRATING THE FEDERAL RESERVE'S LONG-TERM DEBT AND TLAC RULE	
• Treasury recommends the Federal Reserve consider recalibration of the internal TLAC requirement. In assessing the appropriate calibration, the Federal Reserve should consider the foreign parent's ability to provide capital and liquidity resources to the U.S. IHC, provided arrangements are made with home country supervisors for deploying unallocated TLAC from the parent, among other	N/A.

Treasury Recommendation	CHOICE 2.0 Treatment
factors.	

VII. Improving the Volcker Rule

Treasury Recommendation	CHOICE 2.0 Treatment
EXEMPT SMALLER INSTITUTIONS FROM THE VOLCKER RULE	
• Exempt banking entities with $10 billion or less in assets from the Volcker Rule. • Exempt banking entities with over $10 billion in assets that are not subject to the market risk capital rules from the proprietary trading prohibitions of the Volcker Rule.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
IMPROVE REGULATORY COORDINATION	
• Agencies should ensure their guidance and enforcement of the Volcker Rule is consistent and coordinated.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
SIMPLIFY THE DEFINITION OF PROPRIETARY TRADING	
• Eliminate the 60-day rebuttable presumption from the definition of proprietary trading.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
• Assess whether to eliminate the purpose test from the definition of proprietary trading.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
PROVIDE INCREASED FLEXIBILITY FOR MARKET-MAKING	
• Regulators should give banks additional flexibility to adjust their determinations of the reasonable amount of market-making inventory: for illiquid securities, banks should have greater leeway to anticipate changes in markets; for over-the-counter derivatives, regulators should focus more on ensuring that banks appropriately hedge the positions they maintain; banks that have not yet	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*

Treasury Recommendation	CHOICE 2.0 Treatment
established a market-making presence in a particular asset class should have more discretion to meet the Reasonably Expected Near Term Demand ("RENTD") condition; banking entities should be able to enter into block trades even if they involve a trading volume outside of historical averages.	
• Policymakers should evaluate the benefits of other potential modifications to the RENTD framework, including an ability for banking entities to opt out of the RENTD requirement altogether if they adopt enhanced trader mandates or hedge all significant risks.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
REDUCE THE BURDEN OF HEDGING BUSINESS RISKS	
• Banks should not be required to maintain ongoing calibration of a hedge over time.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
• Eliminate the requirement to maintain documentation of the specific assets and risks being hedged.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
REDUCE THE BURDENS OF THE VOLCKER RULE'S COMPLIANCE REGIME	
• The existing "enhanced" compliance program under the regulations should apply only to those banking entities with at least $10 billion in trading assets and liabilities on a consolidated basis (current application is to all banking entities with over $50 billion in total consolidated assets).	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
• Banks should be given greater ability to tailor their compliance programs to the particular activities engaged in by the bank and the particular risk profile of that activity.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
• Agencies should eliminate any required metrics for reporting that are not necessary for effective supervision.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
FOCUS AND SIMPLIFY COVERED FUNDS RESTRICTIONS	
• Regulators should adopt a simple definition of covered funds that focuses on the characteristics of hedge funds and private equity funds with appropriate additional exemptions as needed.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
• The exemptions in Section 23A of the Federal Reserve Act should be restored in the Volcker Rule so	Provides for a full-scale repeal of the Volcker Rule.

Treasury Recommendation	CHOICE 2.0 Treatment
that they apply to banking entities' transactions with their covered funds.	*CHOICE 2.0, tit. IX.*
• The initial "seeding period" exemption from the covered funds investment restriction should be extended to three years, rather than one year, to provide banking entities with additional time to stand up new funds and allow them to establish the track records they need to attract investors.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
• Banking entities other than depository institutions and their holding companies should be permitted to share a name with funds they sponsor, provided that the separate identity of the funds is clearly disclosed to investors.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
• An exemption of the Volcker Rule's definition of "banking entity" should be provided for foreign funds owned or controlled by a foreign affiliate of a U.S. bank or a foreign bank with U.S. operations.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*
CREATE AN OFF-RAMP FOR HIGHLY CAPITALIZED BANKS	
• Consideration should be given to permitting a banking entity that is sufficiently well-capitalized, such that the risks posed by its proprietary trading are adequately mitigated by its capital, to opt out of the Volcker Rule altogether, if the institution remains subject to trader mandates and ongoing supervision and examination to reduce risks to the safety net.	Provides for a full-scale repeal of the Volcker Rule. *CHOICE 2.0, tit. IX.*

VIII. Consumer Financial Protection Bureau (the "CFPB")

Treasury Recommendation	CHOICE 2.0 Treatment
ADOPTING STRUCTURAL REFORMS TO MAKE THE CFPB MORE ACCOUNTABLE TO THE PRESIDENT, CONGRESS AND THE AMERICAN PEOPLE	
• The for-cause removal protection for the CFPB Director impermissibly limits the President's authority, disperses executive power, and renders the CFPB less politically accountable than other agencies. The most straightforward remedy is to make the Director removable at-will by the President. As an alternative, the CFPB could be restructured as an independent multi-member commission or board, which would create an internal check on the exercise of agency power.	Eliminates the provision stating that the President may remove the Director of the CFPB, which is to be renamed as the Consumer Law Enforcement Agency (the "CLEA"), for cause. *CHOICE 2.0, § 711.*

Treasury Recommendation	CHOICE 2.0 Treatment
• The CFPB should be funded through the annual congressional appropriations process to enable Congress to exercise greater oversight and control over how taxpayer dollars are spent.	The CLEA will be funded through congressional appropriations; for fiscal years 2017 and 2018, it shall be appropriated an amount equal to the aggregate amount of funds transferred by the FRB to the CFPB during fiscal year 2015. *CHOICE 2.0, § 712 ("Bringing the Agency into the Regular Appropriations Process").*
• The CFPB should be subject to Office of Management and Budget ("OMB") apportionment.	N/A.
• CFPB's other funding mechanism, the Consumer Financial Civil Penalty Fund, should be reformed to permit the CFPB to retain and use only those funds necessary for payments to the bona fide victims of activities for which the CFPB has imposed civil money penalties. The CFPB should remit to the Treasury any funds in excess of payments to victims.	Amends Dodd-Frank § 1017 to require the CLEA to establish and maintain a segregated account in the Civil Penalty Fund each time the CLEA obtains a civil penalty against any person in any judicial or administrative action under Federal consumer financial laws. The CLEA has sixty days from the date of deposit to the Fund to identify the class of victims. It then has two years from the date that such victims were identified to locate and make payments to each victim. Any amounts remaining in a segregated account at the end of the two-year period shall be deposited into the general fund of the Treasury. *CHOICE 2.0, § 722 ("Reform of Consumer Financial Civil Penalty Fund").*
ENSURING THAT REGULATED ENTITIES HAVE CERTAINTY REGARDING CFPB INTERPRETATIONS OF THE LAW BEFORE SUBJECTING THEM TO ENFORCEMENT ACTIONS	
• The CFPB should issue rules or guidance subject to public notice and comment procedures before bringing enforcement actions in areas in which clear guidance is lacking or the CFPB's position departs from the historical interpretation of the law.	Not specifically addressed, but requires the Office of Economic Analysis to conduct a cost-benefit analysis prior to taking enforcement action. *CHOICE 2.0, § 716.*
• The CFPB should adopt regulations that more clearly delineate its interpretation of the Unfair, Deceptive, or Abusive Acts and Practices ("UDAAP") standard. The agency should seek monetary sanctions only in cases in which a regulated party had reasonable notice— by virtue of a CFPB	Removes UDAAP authority from the CFPB. *CHOICE 2.0, § 735 ("Removal of Agency UDAAP authority").*

Treasury Recommendation	CHOICE 2.0 Treatment
regulation, judicial precedent, or Federal Trade Commission ("FTC") precedent— that its conduct was unlawful. The CFPB could implement this reform administratively through issuance of a regulation limiting the application of monetary sanctions to cases that satisfy this notice standard.	
• The CFPB should make the requirements for CFPB no-action relief less onerous. The CFPB should align its policies for issuing no-action letters or analogous documents with the more effective policies of the SEC, CFTC, and FTC. To make the CFPB no-action letter policy a more useful tool for the providers and consumers of financial services, the CFPB should adopt the following changes: (a) expand the scope of the policy beyond "new" products; (b) require a consumer benefit, but not a "substantial" consumer benefit; (c) require some regulatory uncertainty to issue a no-action letter, but not "substantial" uncertainty; (d) address a broader number and range of UDAAP questions; and (e) revisit the requirement that applicants be required to share potentially proprietary data with CFPB, which the agency may not be able to adequately safeguard.	Essentially offers no-action relief through advisory opinions. *CHOICE 2.0, § 721.*
ADOPTING PROCEDURAL REFORMS TO CURB EXCESSES AND ABUSES IN INVESTIGATIONS AND ENFORCEMENT ACTIONS	
• The CFPB should bring enforcement actions in federal district court rather than use administrative proceedings. To the extent CFPB continues to pursue some enforcement actions through administrative adjudications, it should promulgate a regulation specifying binding criteria that it will use when deciding whether to bring an action in federal court or before an Administrative Law Judge ("ALJ") in the first instance.	Allows for private parties to move enforcement to federal court and allow it to be appealable to federal court, rather than through an ALJ. It is less direct than Treasury's recommendation, but it appears that it would achieve a similar result. *CHOICE 2.0, § 714.*
• The Civil Investigative Demand ("CID") process should be reformed to ensure subjects of an investigation receive the benefit of existing statutory protections, backed by judicial review. The CFPB should adopt guidance to ensure that all CIDs comply with the standard set forth by the D.C. Circuit in the ACICS case. In addition, the CFPB should adopt procedures to ensure that review of a CID appeal remains confidential if requested. Congress should amend the Dodd-Frank Act to permit persons who receive a CID to proactively file a motion in federal district court to modify or set aside a CID, rather than limiting recourse to an appeal to the Director.	Provides that a recipient of a CID may file, in the appropriate judicial district, a petition for an order modifying or setting aside the demand. *CHOICE 2.0, § 715.*
EXPANDING REGULATORY REVIEW REQUIREMENT	
• The CFPB should promulgate a regulation committing it to regularly reviewing all regulations that it administers to identify outdated or otherwise unnecessary regulatory requirements imposed on	Requires the Office of Economic Analysis to engage in regular

Treasury Recommendation	CHOICE 2.0 Treatment
regulated entities.	review of proposed and existing regulations. *CHOICE 2.0, § 716.*
IMPROVING SAFEGUARDS FOR CONSUMER COMPLAINT DATABASE	
• The CFPB's Consumer Complaint Database should be reformed to make the underlying data available only to federal and state agencies, and not to the general public.	Prohibits Agencies from making information from the Consumer Complaint Database publicly available unless required by law. *CHOICE 2.0, § 725.*
ELIMINATING CFPB'S DUPLICATIVE AND UNNECESSARY SUPERVISORY AUTHORITY	
• Congress should repeal the CFPB's supervisory authority. The responsibility to supervise banks should be entrusted to the prudential regulators. Supervision of nonbanks should be returned to state regulators.	Repeals the CFPB's supervisory authority. *CHOICE 2.0, § 727.*

IX. Residential Mortgage Lending

Treasury Recommendation	CHOICE 2.0 Treatment
MORTGAGE LOAN ORIGINATION	
• **Adjust and Clarify the Ability-to-Repay ("ATR") Rule and Eliminate the "Qualified Mortgage ("QM") Patch":** The CFPB should engage in a review of the ATR/QM rule and work to align QM requirements with Government-Sponsored Enterprise ("GSE") eligibility requirements, ultimately phasing out the QM Patch and subjecting all market participants to the same transparent set of requirements. These requirements should make ample accommodation for compensating factors that should allow a loan to be a QM loan even if one particular criterion is deemed to fall outside the bounds of the existing framework, such as when a borrower has a high debt-to-income ratio with compensating factors.	Treats residential mortgage loans made by depository institutions as QMs if they are held on that depository institution's balance sheet for the life of the loan, exempting the institution from suit under the ATR rule. *CHOICE 2.0, § 516(a).* Makes the definition of "high-cost mortgage," which triggers additional disclosure requirements and prohibits certain debt features, more stringent. *CHOICE 2.0, § 502.*

Treasury Recommendation	CHOICE 2.0 Treatment
• **Modify Appendix Q of the ATR Rule:** Appendix Q should be simplified and the CFPB should make much clearer, binding guidance for use and application. The CFPB should review Appendix Q standards for determining borrower debt and income levels to mitigate overly prescriptive and rigid requirements. Review of these requirements should be particularly sensitive to considerations for self-employed and non-traditional borrowers.	N/A.
• **Revise the Points and Fees Cap for QM Loans:** The CFPB should increase the $103,000 loan threshold for application of the 3% points and fees cap, which would encourage additional lending in the form of smaller balance loans. The CFPB should scale points and fees caps in both dollar and percentage terms for loans that fall below the adjusted loan amount threshold for application of the 3% points and fees cap.	Amends the definition of "high-cost mortgage" under the Truth in Lending Act ("TILA"), but does not otherwise refer to this issue. *CHOICE 2.0, § 506.*
• **Increase the Threshold for Making Small Creditor QM Loans:** Raising the total asset threshold for making Small Creditor QM loans from the current $2 billion to a higher asset threshold of between $5 and $10 billion is recommended to accommodate loans made and retained by small depository institutions. In order to maintain a level playing field across institution types, an alternative approach to this recommendation would be to undertake a rulemaking to amend the QM rule and related processes for all lenders regardless of type.	N/A.
• **Clarify and Modify TILA-RESPA Integrated Disclosures ("TRID"):** The CFPB could resolve uncertainty regarding what constitutes a TRID violation through notice and comment rulemaking and/or through the publication of more robust and detailed FAQs in the Federal Register. The CFPB should allow a more streamlined waiver for the mandatory waiting periods, in consultation with all market participants, including both lenders and realtors. The CFPB should allow creditors to cure errors in a loan file within a reasonable period after closing.	N/A.
• **Improve Flexibility and Accountability of Loan Originator Compensation Rule:** The CFPB should improve flexibility and accountability of the Loan Originator Compensation Rule, particularly in those instances where an error is discovered post-closing, in order to facilitate post-closing corrections of non-material errors. The CFPB should establish clear ex ante standards through notice and comment rulemaking, which will clarify its enforcement priorities with respect to the Loan Originator Compensation Rule.	Establishes a safe harbor for loan originators, exempting them from the Loan Originator Compensation Rule where the creditor for the loan is a depository institution which intends to hold the loan on its balance sheet until full repayment. *CHOICE 2.0, § 516(a).*
• **Delay Implementation of Home Mortgage Disclosure Act ("HMDA") Reporting Requirements:** The CFPB should delay the 2018 implementation of the new HMDA requirements until borrower privacy is adequately addressed and the industry is better positioned to implement the new	Delays the implementation of the new HMDA reporting requirements until January 1, 2019; requires the Comptroller General of the U.S. to conduct a study to evaluate the risk of

Treasury Recommendation	CHOICE 2.0 Treatment
requirements. The new requirements should be examined for utility and cost burden, particularly on smaller lending institutions. Consideration should be given to moving responsibility for HMDA back to bank regulators, discontinuing public use, and revising regulatory applications.	the HMDA requirements' data privacy issues, among other things. *CHOICE 2.0, § 571.* Provides exceptions from the requirements of section 304(a)-(b) of HMDA for depository institutions originating a *de minimis* amount of closed-end mortgage loans and open-end lines of credit. *CHOICE 2.0, § 576.*
MORTGAGE LOAN SERVICING	
• **Place a Moratorium on Additional Mortgage Servicing Rules:** The CFPB should place a moratorium on additional rulemaking in mortgage servicing while the industry updates its operations to comply with the existing regulations and transitions from Home Affordable Modification Program ("HAMP") to alternative loss mitigation options. In addition, the CFPB should work with prudential regulators and state regulators to improve alignment where possible in both regulation and examinations.	Does not place a moratorium on additional rulemaking in mortgage servicing, but directs the CLEA to issue regulations to "provide exemptions to, or adjustments for, the provisions of [section 6 of the Real Estate Settlement Procedures Act of 1974] for a servicer that annually services 20,000 or fewer mortgage loans." *CHOICE 2.0, § 531(b).*
PRIVATE SECTOR SECONDARY MARKET ACTIVITIES	
• **Repeal or Revise Residential Mortgage Risk Retention Requirement:** Repeal or substantially revise the residential mortgage risk retention requirement. If the requirement is revised rather than repealed, the legislation should designate one agency from among the six rule-writing agencies to be responsible for the interpretation of the risk retention rule.	Provides an exemption from the "Nonresidential Mortgage Risk Retention Requirement," but not for the "Residential Mortgage Risk Retention Requirement." It does not designate any one agency to be responsible for the interpretation of the rule, but strikes the provision stating that the Chairperson of FSOC shall coordinate all joint rulemaking required under the section. *CHOICE 2.0, § 842.*
• **Enhance Private Label Mortgage-Backed Securities ("PLS") Investor Protections:** Congress should consider legislation providing additional protections for investors in PLS.	N/A.
• **Clarify Limited Assignee Liability for Secondary Market Investors:** Secondary market investors,	N/A.

Treasury Recommendation	CHOICE 2.0 Treatment
who do not exercise control over the loan origination process, should receive clear, authoritative guidance on their assignee liability under existing rules.	
• **Improve the Alignment of the Regulatory Capital Framework for Structured Mortgage Products:** Prudential bank regulators should review the regulatory framework for risk-weighting and stress-testing applicable to securitization in order to better align the framework with the risk of the asset and with international standards for securitized products.	N/A.
• **Amend Reg AB II:** The SEC should amend Reg AB II as it applies to registered securitizations to reduce the number of required reporting fields.	N/A.
• **Evaluate Impact of Liquidity Rules on the PLS Market:** U.S. banking regulators should consider the impact that capital and liquidity rules implementing Basel III standards would have on secondary market activity, and calibrate them to reduce complexity and avoid punitive capital requirements.	N/A.

X. Leveraged Lending

Treasury Recommendation	CHOICE 2.0 Treatment
• The banking regulators should re-issue the 2013 leveraged lending guidance for public comment.	N/A.
• Banks should be encouraged to incorporate a clear but robust set of metrics when underwriting a leveraged loan, instead of solely relying on a 6x leverage ratio discussed in the 2013 leveraged lending guidance.	N/A.

XI. Small Business Lending

Treasury Recommendation	CHOICE 2.0 Treatment
• Simplify, adjust, or change certain financial regulations for financial institutions serving small	*See, e.g.*, *supra*, § III. Community Financial Institutions.

Treasury Recommendation	CHOICE 2.0 Treatment
businesses (as noted elsewhere in this report).	
• Reduce regulation and reconsider guidance regarding real estate collateral. Regulators should consider alternatives to assessing concentration risk to allow banks engaged in commercial real estate lending to maximize access to credit for small businesses and optimize balance sheet usage while still maintaining safety and soundness.	N/A.
• Consider re-calibration of the SLR for lines of credit to small and mid- sized businesses.	N/A.
• Repeal the provisions of Section 1071 of Dodd-Frank pertaining to small businesses to ensure that the intended benefits of Section 1071 do not inadvertently reduce the ability of small businesses to access credit at a reasonable cost.	Repeals § 704B of the Equal Credit Opportunity Act, which was created by § 1071 of the Dodd-Frank Act. *CHOICE 2.0, § 561.*