

Daniel K Tarullo: A tiered approach to regulation and supervision of community banks

Speech by Mr Daniel K Tarullo, Member of the Board of Governors of the Federal Reserve System, at the Community Bankers Symposium, Chicago, Illinois, 7 November 2014.

* * *

Earlier this year – also speaking to a conference at the Federal Reserve Bank of Chicago – I explained the need for an explicitly tiered approach to banking regulation and supervision.¹ Today I would like to elaborate on those earlier remarks to suggest in more detail what a tiered approach would mean for community banks. Let me begin, though, by recapitulating my basic premise and the reasoning behind it.

Rationale for regulatory tiering

For more than 75 years following passage of the Banking Act of 1933, the motivation for banking regulation was fairly simple: the government had granted deposit insurance and access to the discount window to depository institutions to forestall runs and panics. The resulting moral hazard and the use of insured deposits as a funding source for these institutions justified prudential measures, including prohibitions on non-banking activities, aimed at maintaining safe and sound banks, which would in turn protect taxpayers. Prudential regulation of bank holding companies by the Federal Reserve under authority granted by the Bank Holding Company Act of 1956 was aimed primarily at protecting insured depository institutions and the federal deposit insurance fund from knock-on effects of problems at affiliated nonbank businesses.

This approach is what we now characterize as microprudential – that is, the focus is on the soundness of individual banks rather than on the financial system more broadly. This is not to say that financial stability had not been important to financial regulators, but this stability was implicitly assumed to follow from having sound individual banks.

Over the years, of course, banking regulation evolved. For example, regulation expanded to encompass fair and open access to financial services for consumers. And, as developments in financial markets and deregulation over the past several decades led to a more concentrated financial sector in which bank holding companies could engage in a much broader range of activities, supervision was tiered within the bank regulatory agencies based on the size and complexity of the regulated institutions. But the financial crisis provoked a fundamental rethink of the aims of prudential regulation.

There is now more widespread agreement that these aims should vary according to the size, scope, and range of activities of banking organizations. Most significantly, banks of a size and complexity such that serious stress or failure could pose risks to the entire financial system need regulation that incorporates the macroprudential aim of protecting financial stability.² There is also a good argument that very large banks that fall short of this level of

¹ Daniel K. Tarullo (2014), "[Rethinking the Aims of Prudential Regulation](#)," speech delivered at the Federal Reserve Bank of Chicago Bank Structure Conference, Chicago, May 8. See also Janet L. Yellen (2014), "[Tailored Supervision of Community Banks](#)," speech delivered at the Independent Community Bankers of America 2014 Washington Policy Summit, Washington, D.C., May 1; Jerome H. Powell (2014), introductory remarks delivered at the Federal Reserve/Conference of State Bank Supervisors Community Banking Research Conference, St. Louis, Missouri, September 23; and Elizabeth A. Duke (2012), "[Opportunities to Reduce Regulatory Burden and Improve Credit Availability](#)," speech delivered to the 2012 Bank Presidents Seminar, Santa Barbara, California, January 13.

² For additional thoughts on the importance of a macroprudential approach, see Daniel K. Tarullo (2013), "[Macroprudential Regulation](#)," speech delivered at the Yale Law School Conference on Challenges in Global

systemic importance should nonetheless be regulated with an eye to macroprudential aims, such as the ability of the banking system as a whole to provide credit.

Although individual community banks may be an important source of credit, particularly in local economies outside urban areas, neither systemic risk nor broad macroprudential considerations are significant in thinking about prudential regulation of community banks. So what *should* the aims of such regulation be? The basic answer is it should protect the deposit insurance fund. In other words, the traditional microprudential approach to safety and soundness regulation continues to be appropriate for these banks. To develop that basic answer, I think it useful to begin with an understanding of both the business model of community banks – that is, how their financial intermediation adds value to the economy – and the ways in which such banks are most likely to encounter problems.

There are roughly 5,700 community banks in the United States, the vast majority of which have less than \$1 billion in total assets.³ These banks represent 98 percent of insured U.S. commercial banks, but collectively hold just under 20 percent of aggregate banking assets. Moreover, the business model of most community banks, especially smaller and rural banks, is built substantially on relationship banking. While community banks have over the years found it increasingly difficult to compete with larger banks in types of lending that can be efficiently scaled through larger volumes and standardized credit models, they maintain a comparative advantage relative to larger competitors through knowledge of their local communities and their individual borrowers.⁴ This means that community banks play a unique role in their local economies, particularly with regard to lending to small- and medium-sized businesses.

Numerous studies have documented this advantage and its value to economic development. One recent study found that loans extended by rural community banks to small businesses default less frequently than similar loans granted by their urban counterparts, and that the performance advantage is greater when the bank and the borrower are located in the same county. This finding suggests that the “soft” information obtained from their local relationships usefully informs rural community banks’ underwriting.⁵ Federal Reserve research also suggests that many community banks that adhered to the traditional relationship banking model of funding local lending with customer deposits continued to thrive even during the worst years of the financial crisis.⁶

Financial Services, New Haven, Connecticut, September 20; and Ben S. Bernanke (2011), [“Implementing a Macroprudential Approach to Supervision and Regulation,”](#) speech delivered at the 47th Annual Conference on Bank Structure and Competition, Chicago, May 5.

³ For supervisory purposes, the Federal Reserve typically defines community banks as those with \$10 billion or less in total assets. In addition, these remarks will refer to both “community banks” and “community banking organizations.” While the former typically refers to depository institutions and the latter refers to banking groups more generally, including holding companies, for purposes of my remarks today these are used interchangeably unless indicated otherwise.

⁴ Of course, larger banks may also devote important parts of their business to relationship lending, but it is sometimes suggested that, even so, smaller banks whose management is present in local communities are better adapted to relationship lending business models.

⁵ See Robert DeYoung, Dennis Glennon, Peter Nigro, and Kenneth Spong (2012), [“Small Business Lending and Social Capital: Are Rural Relationships Different? \(PDF\)”](#) University of Kansas Center for Banking Excellence Research Paper #2012–1, June.

⁶ See, for example, R. Alton Gilbert, Andrew P. Meyer, and James W. Fuchs (2013), [“The Future of Community Banks: Lessons from Banks That Thrived During the Recent Financial Crisis \(PDF\)”](#), Federal Reserve Bank of St. Louis *Review*, vol. 95 (March/April), pp. 115–143; and Dean F. Amel and Robin A. Prager (2014), [“Community Bank Performance: How Important are Managers? \(PDF\)”](#) Finance and Economics Discussion Series 2014–26 (Washington: Board of Governors of the Federal Reserve System, March 18). For a study finding relationship lending benefits in an international context, see Franco Fiordelisi, Stefano Monferra, and Gabriele Sampagnaro (2014), “Relationship Lending and Credit Quality,” *Journal of Financial Services Research*, vol. 46, pp. 295–315.

In contrast, many small banks that turned to a more transactional model and funded construction loans – often outside of their local market – with borrowings, rather than core deposits, failed. And, precisely because of their business model, community banks do have their vulnerabilities. They are more likely to have geographic and portfolio concentrations that can make them vulnerable to localized economic problems. Of course, the failure of a community bank in these circumstances will only exacerbate these problems. Especially in rural areas, the disappearance of community banks could result in a permanent reduction in this local kind of credit, as the slack may not all be picked up by larger banks.⁷ Additionally, of course, there will usually be issues requiring supervisory and management consideration for at least a time. At present, as I know you have been hearing from your supervisors, these issues include cybersecurity and interest rate risks.

To return, then, to the aims of prudential regulation of community banks, it seems that we can fill out the basic aims of protecting the deposit insurance fund and supporting the availability of relationship lending across the country by concentrating on traditional capital regulation to ensure solvency and on traditional examination practice to monitor the basic soundness of the relationship lending practices. We may also need to increase scrutiny when community banks move beyond their traditional business model and enter lines or markets that are more complex or with which they may not be familiar. But many rules and examinations that are important for institutions that are larger, more complex, or both, do not make sense in light of the nature of the risks to community banks. We must avoid importing measures from large bank oversight that make relationship banking more costly.

With that explanation of the purposes of community bank oversight, let me now turn to more specific discussion of how we are tailoring regulation and supervision of community banks to achieve those aims.

Tiered regulation for community banks

There are two complementary ways to implement a tiered approach to prudential regulation. One is to apply specific regulations only to those classes of banking organizations whose activities and scale require those measures. The second is to tailor the application of generally applicable measures based on the size, complexity, and possibly other characteristics of banking organizations. We are following both approaches in putting into place an explicitly tiered method of regulating community banks.⁸

An example of tailoring generally applicable regulations is the revised capital guidelines that were issued in 2013.⁹ It was clear in the wake of the financial crisis that strong capital positions were essential for banks of all sizes, including community banks. But a number of changes that were appropriate for large banks did not make sense for community banks. As I

⁷ Counties that experience failures of community banks are likely to see significantly lower income and compensation growth, higher poverty rates, and lower employment. See John Kandrac (2013), [“Bank Failure, Relationship Lending, and Local Economic Performance \(PDF\).”](#)

⁸ While not directly the subject of these remarks, it also bears noting that additional tiering of expectations is increasingly taking place even among larger banking organizations. For example, capital planning and stress testing requirements are more extensive for the very largest, most systemically important firms than they are for smaller regional banking organizations. Likewise, liquidity and capital requirements are or will be higher for the most systemically important firms than for other large banking organizations.

⁹ See Federal Deposit Insurance Corporation (FDIC) (2013), [“Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-Weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule \(PDF\).”](#) interim final rule, *Federal Register*, vol. 78, pp. 55340–55598; and Board of Governors of the Federal Reserve System (Board of Governors) and Office of the Comptroller of the Currency (OCC) (2013), [final rule of the same name \(PDF\)](#), *Federal Register*, vol. 78, pp. 62017–62291.

am sure you all recall, community banks gave us quite a bit of help in identifying which portions of the originally proposed rule were, and were not, appropriate for community banks. Following publication of the final capital rule, the three federal banking agencies developed a streamlined, supplemental *Community Bank Guide* to assist bank management in understanding the applicability of the rules to smaller, non-complex institutions.¹⁰ This exercise is an example of a broader effort to be explicit as to how prudential regulations that are sometimes quite detailed apply to community banks. By including such explanations in the introductory portions of broadly applicable regulations, our hope is that community bankers will be relieved of the task of wading through extensive regulatory texts just to find out what portions apply to their banks.

This is a good point at which to note that the federal banking agencies have, in accordance with the terms of the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA), recently launched a review to identify banking regulations that are outdated, unnecessary, or unduly burdensome.¹¹ One theme that has already been notable is the belief of community bankers that many regulations could be tailored more appropriately for community banks. I encourage you to participate in the EGRPRA process by giving us specific examples of regulations that should be modified in this way and, even more helpfully, by suggesting specific ways in which they might be usefully be tailored.¹²

As to exempting community banks entirely from certain regulations, I should note first that many of the statutory requirements introduced by the Dodd-Frank Wall Street Reform and Consumer Protection Act do not by their own terms apply to community banks. So, for example, the extensive enhanced prudential standards required by section 165 of Dodd-Frank for bank holding companies with more than \$50 billion in assets do not apply to smaller banks. Nor do the requirements for stress testing and resolution planning.¹³ Similarly, the banking agencies have used their discretion to exclude community banks from the coverage of some new regulations adopted following the crisis. For example, we recently approved a final rule implementing in the United States a Basel agreement that establishes a quantitative minimum liquidity requirement, but limited its coverage to banking organizations with more than \$50 billion in assets.¹⁴ We excluded community and smaller regional banks, which generally have relatively simple funding profiles and do not pose a significant potential risk to the financial system.

However, some statutory requirements by their terms apply to all banks. Even if we do not believe that they actually advance safety and soundness aims for community banks, or produce only a small benefit at a disproportionately large compliance cost, we must still enforce them. It would be worthwhile to consider amendments to these statutory provisions to carve out their applicability to community banks.

I have previously suggested two candidates for consideration: the Volcker rule and the incentive compensation requirements in section 956 of Dodd-Frank.¹⁵ The risks addressed by

¹⁰ Board of Governors, FDIC, and OCC (2013), [New Capital Rule: Community Bank Guide \(PDF\)](#) (Washington: Board of Governors, FDIC, and OCC, July).

¹¹ Board of Governors, FDIC, and OCC (2014), "[Federal Bank Regulatory Agencies Seek Comment on Interagency Effort to Reduce Regulatory Burden](#)," press release, June 4. See also the Federal Financial Institutions Examination Council's (FFIEC) EGRPRA website at <http://egrpra.ffiec.gov/>.

¹² See <http://egrpra.ffiec.gov/>.

¹³ For more information about large-bank capital planning and stress testing requirements, see the Board's website at www.federalreserve.gov/bankinforeg/stress-tests-capital-planning.htm.

¹⁴ Board of Governors, OCC, and FDIC (2014), "[Liquidity Coverage Ratio: Liquidity Risk Measurement Standards \(PDF\)](#)," final rule, *Federal Register*, vol. 79 (October 10), pp. 61439–61541.

¹⁵ The Volcker rule applies to all banking entities that engage in prohibited activities, irrespective of size, and the Dodd-Frank incentive compensation requirements apply to all banks and holding companies with total assets of \$1 billion or more.

these statutory provisions are far more significant at larger institutions than they are at community banks.¹⁶ Moreover, in the unlikely event that a community bank engages in practices in either of these areas that raise heightened concerns, we would be able to address these concerns as part of the normal safety-and-soundness supervisory process. While the banking agencies have used the other method of tiering and tried to tailor the Volcker rule (as we will do with section 956), I believe that both community banks and supervisors would benefit from not having to focus on formal compliance with regulation of matters that are unlikely to pose problems at smaller banks.

Today I would like to add a third candidate for consideration – a statutory amendment that would permit the Federal Reserve Board to raise the size of banks covered by our Small Bank Holding Company Policy Statement.¹⁷ As background, the Board originally issued the policy statement in 1980 to facilitate the transfer of ownership of small community banks. The Board generally discourages the use of debt by bank holding companies to finance acquisitions, because debt can impair the ability of the holding company to serve as a source of strength to subsidiary banks. However, the Board also recognizes that limited access to equity funding by small institutions means that the transfer of ownership of small banks often requires the use of acquisition debt.

The policy statement allows small, noncomplex bank holding companies to operate with higher levels of debt than would normally be permitted, subject to restrictions to ensure that higher debt does not pose an undue risk to subsidiary banks and that leverage is reduced over time. Bank holding companies that are subject to the policy statement are exempt from the Board's risk-based and leverage capital guidelines, and are subject to reduced regulatory reporting requirements.¹⁸

The original policy statement set the maximum size of qualifying holding companies at \$150 million in total consolidated assets. This threshold was increased to \$500 million in 2006 to address the effects of inflation, industry consolidation, and asset growth. The intervening eight years have obviously brought dramatic changes in the financial, business, and regulatory environments. Accordingly, I believe it is worth considering raising the asset threshold once again, this time to \$1 billion. Approximately 85 percent of all bank holding companies qualified after the threshold was raised in 2006, a figure that has dropped to about 75 percent today. Raising the threshold to \$1 billion would recoup that lost coverage and go a bit further, covering 89 percent of holding companies.

Such an increase would entail some policy tradeoffs, of course, which obviously become of greater concern as the threshold rises further. But I think the balance of considerations argues for taking this action to facilitate transfers of ownership of small banks. For example, while exempting more bank holding companies could result in increased leverage, subsidiary banks remain subject to normal capital requirements. Supervisory and applications approval processes are available to limit instances in which holding companies could take on

¹⁶ As indicated in guidance for community banks that was issued with the final Volcker rule, in practice the agencies believe that the vast majority of community banks do not engage in prohibited activities. Because they are not expressly exempted from the Volcker rule provisions, however, if community bankers have any questions about whether their bank engages in prohibited activities, they may feel obliged to conduct due diligence on a very complex rule. Given the limited de facto applicability to community banks, I would suggest that exempting them from Volcker compliance and resolving issues through the supervisory process would be a more effective use of bank and supervisory resources. See Board of Governors, FDIC, and OCC (2013), "[The Volcker Rule: Community Bank Applicability \(PDF\)](#)," December 10.

¹⁷ See 12 CFR part 225, appendix C, www.gpo.gov/fdsys/pkg/CFR-2014-title12-vol3/pdf/CFR-2014-title12-vol3-part225-appC.pdf.

¹⁸ Bank holding companies with less than \$500 million in assets may still be required to file regulatory reports with the same detail and frequency as larger bank holding companies if they meet certain criteria that are set forth in the instructions for the Federal Reserve [FR Y-9SP and FR Y-9C regulatory reports](#) or to otherwise meet supervisory needs.

excessive debt. Similarly, because most bank holding companies under \$1 billion have limited activities outside of their banks, and we will still receive detailed quarterly bank data, the reduced regulatory reporting requirements for qualifying holding companies should not be problematic for supervisors.

Of course, the policy statement was issued by the Board and thus one might think the Board could raise the threshold on its own. However, the Collins amendment to Dodd-Frank¹⁹ effectively eliminates any authority of the Board to extend the capital treatment in the policy statement to holding companies with assets greater than the threshold in effect on May 19, 2010, or to savings and loan holding companies of any size. Thus, we would need legislative action to effect these changes.

Tiered supervision

Federal banking regulators have long organized supervision into portfolios of institutions based predominantly – though for larger firms, not exclusively – on asset size. Various provisions of Dodd-Frank motivated the Federal Reserve to modify the composition of the portfolios somewhat. We have four such groups: (1) community banks, (2) regional banking organizations, (3) large banking organizations, and (4) firms overseen by the Large Institution Supervision Coordinating Committee (LISCC).²⁰ This arrangement is not simply a matter of organizational convenience. Nor is it only a means for promoting consistency of treatment among similar banks throughout the Federal Reserve System, important as that goal is. As with tiered regulation, this tiered approach to supervision is intended to take account of differences in business models, risks, relative regulatory burden, and other salient considerations. Where specific regulatory goals for the different portfolios vary, the supervisory programs should reflect those differences. And where the goals are similar across portfolios, supervisory programs should take account of the differences among banks noted a moment ago. A tiered approach to prudential regulation calls not for a single state of the art in supervision, but for distinct state-of-the-art approaches to each supervisory portfolio. Some important implications for community bank supervision follow from this principle.

First, the characteristics and business model of community banks must be reflected in the supervisory program. Detailed rules, regulations, and supervisory expectations are clearly needed at times for overseeing the systems created in large, geographically dispersed organizations where the distance from head office to operating branches can be very far indeed. But in a well-run community bank where the president may oversee a relatively small staff and can communicate and enforce expectations and standards face-to-face, some kinds of supervisory expectations needed for larger banks may be unnecessary. In fact, such supervision can be burdensome, because community banks have a smaller balance sheet across which to amortize compliance costs. Such rules can also sometimes conflict with the flexibility that is important to community banks meeting their customers' needs. For instance, community banks should readily comply with expectations that they extend credit on safe and sound terms. However, to the extent that supervisors dictate the precise details of what terms are safe and sound, banks may find it more difficult to structure a loan in a way that matches a borrower's needs or credit situation. This can result in a lessening of credit availability and economic activity. Attention to a bank's practices in making its relationship

¹⁹ Section 171 of the Dodd-Frank Act.

²⁰ Community banking organizations generally are those with \$10 billion or less in total assets, regional banking organizations are those with total assets between \$10 billion and \$50 billion, large banking organizations are those with total assets over \$50 billion, and LISCC firms are the subset of large banking organizations that are largest and most systemically important. For more information on the LISCC, including the firms currently in the LISCC portfolio, see the Board's website at www.federalreserve.gov/bankinfo/reg/large-institution-supervision.htm.

lending decisions, and on the performance of the loans that have been made, may be supervisory time better spent.

A similar observation can be made with respect to consumer compliance supervision of community banks, for which the Federal Reserve implemented a new examination program in January 2014.²¹ While we have traditionally applied a risk-focused approach to consumer compliance examinations, the new program more explicitly links examination intensity to the individual community bank's risk profile. Here again, the scale of community banks is directly relevant to supervisory choices. Community banks do not have large, standardized systems for dealing with many customers across a far-flung geographic footprint. They *do* have much more direct contact between customers and bank management. The new program calls for examiners to spend less time on low-risk compliance issues at community banks. In addition, we revised our consumer compliance examination frequency policy to lengthen the time between on-site consumer compliance and Community Reinvestment Act examinations for many community banks with less than \$1 billion in total consolidated assets.

A second implication of supervisory tiering is that supervision must not inadvertently undo the decisions made through regulatory tiering. This point raises the oft-cited concern about "supervisory trickle down," whereby supervisory expectations – or even regulatory requirements – formulated for larger banks are de facto applied in part to community banks. The concern has been particularly acute in the context of capital stress testing, though it is by no means limited to that area. Let me repeat here what all three federal banking agencies have explained in the clearest possible terms, both publicly, in examiner training, and in one-on-one discussions with bankers: that Dodd-Frank Act Stress Test (DFAST) and Comprehensive Capital Analysis and Review requirements and expectations for enterprise-wide capital stress testing do not apply to community banking organizations, either explicitly or implicitly.²² For example, while it may be sensible supervisory practice to inquire of a growing \$9 billion bank if it has begun thinking about how it would meet DFAST requirements should it reach the current \$10 billion statutory threshold, that bank does not need to start meeting those requirements until it has actually crossed the threshold. And there is simply no reason for examiners to make a \$5 billion bank begin to develop capital stress testing capabilities.

Third, the relatively straightforward business model of community banks, along with their relatively small scale and number of branches, provides the opportunity to increase the use of off-site supervisory oversight, in accordance with informing principles of risk-based supervision. For example, last year we pilot-tested a voluntary program under which some aspects of the loan review process were conducted off-site, relying on the bank's electronic records to assess loan quality and underwriting practices. Overall, community bankers that were part of the pilot expressed strong support for this approach, which reduced the time examiners needed to spend on-site at bank offices. As a result, we plan to continue using this approach in future examinations at qualified banks that maintain electronic loan records and wish to participate in this approach. This initiative could tangibly reduce burden on community banking organizations.

More generally, the Federal Reserve has invested substantial resources in developing technological tools for examiners to improve the efficiency of both off-site and on-site supervisory activities. These tools should lead to greater consistency and more efficient, effective, and risk-focused examinations as they assist staff in tailoring the scope of

²¹ Board of Governors, Division of Consumer and Community Affairs (2013), "[Community Bank Risk-Focused Consumer Compliance Supervision Program](#)," Consumer Affairs Letter CA 13–19 (November 18); and "[Consumer Compliance and Community Reinvestment Act \(CRA\) Examination Frequency Policy](#)," Consumer Affairs Letter CA 13–20 (November 18).

²² See, for example, Board of Governors, FDIC, and OCC (2012), "[Statement to Clarify Supervisory Expectations for Stress Testing by Community Banks](#)," May 14.

examinations to the activities and risks at individual banks. The automation of various parts of the community bank examination process can also save examiners and bank management time, as a bank can submit requested pre-examination information electronically rather than mailing paper copies to a Federal Reserve Bank.

These observations relate to another issue that I might note in passing. As you know, there have been questions raised as to whether the level of required reporting is itself a regulatory burden that might be mitigated for small banks. The banking agencies are considering these issues under the auspices of the Federal Financial Institutions Examination Council. I do think there may be some opportunities to streamline the content or frequency of reporting for smaller banks. However, I would observe that many of the efficiency improvements that I have previously described were dependent on the data collected each quarter in Call Reports. For example, the availability of this data was a factor in raising the threshold for eligibility for the 18-month examination cycle from \$250 million to \$500 million. Similarly, the regular Call Report data for subsidiary banks buttress the case for increasing the threshold for application of the Small Bank Holding Company Policy Statement. Thus, there may be some tradeoffs among various possible simplifying supervisory measures.

Conclusion

As I noted in my speech six months ago, the old unitary approach to prudential oversight has in practical terms been supplanted by various statutory, regulatory, and supervisory measures, particularly since the financial crisis. Tiered regulation and supervision is a reality. My hope is that by acknowledging and, indeed, applauding that reality, legislators and prudential regulators can shape an oversight regime that most effectively realizes the complementary goals of banking soundness, financial stability, and economic growth. Post-crisis attention has understandably been focused on too-big-to-fail issues and other sources of systemic risk. But now is a good time to look at the other end of the banking industry, where the contrast is substantial. Smaller banks present a very different set of business models. Their risks and vulnerabilities tend to grow from different sources. An explicit and sustained tailoring of regulation and supervision for community banks not only seems reasonable, it seems an important and logical next step in financial regulatory reform.