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## Federal Reserve Expands Presumed Exceptions to Financial Stability Analysis

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### **The Federal Reserve Increased Significantly the Transaction-Size and Firm-Size Thresholds at Which a Merger or Acquisition Proposal is Presumed Not to Present Material Financial Stability Concerns**

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In its order<sup>1</sup> approving People's United Financial, Inc.'s acquisition of Suffolk Bancorp, the Board of Governors of the Federal Reserve System ("FRB") revised the presumption it will apply when analyzing whether a proposed bank acquisition transaction would result in greater or more concentrated risks to the stability of the United States banking or financial system. The requirement to consider financial stability in applications involving mergers of banks and bank holding companies was put in place by Section 604(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

A 2012 order<sup>2</sup> approving the acquisition of ING Bank, fsb by Capital One Financial Corporation first established the FRB's presumption that a transaction that involves an acquisition of less than \$2 billion in assets or results in a firm with less than \$25 billion in total assets would not raise material financial stability concerns. That presumption would apply absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities or other risk factors.

In the People's United order, the FRB revised this presumption to apply to a transaction that involves an acquisition of less than \$10 billion in assets or results in a firm with less than \$100 billion in total assets, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities or other risk factors.<sup>3</sup> Notwithstanding the revised presumption, the FRB maintains the authority to review the financial stability implications of any acquisition proposal. Importantly, the People's United order indicates that any acquisition involving a global systemically important bank could warrant a financial stability review, even if the acquisition involves a target bank with less than \$10 billion in assets.<sup>4</sup>

ENDNOTES

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- <sup>1</sup> The People's United order is available at <https://www.federalreserve.gov/newsevents/press/orders/orders20170316a1.pdf>.
- <sup>2</sup> The Capital One order is available at <https://www.federalreserve.gov/newsevents/press/orders/order20120214.pdf>.
- <sup>3</sup> People's United order at 25. The FRB noted that it will continue to presume that corporate reorganizations do not raise material financial stability concerns.
- <sup>4</sup> People's United order at 26.

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