
Senate Banking Committee chair urges Fed, OCC to review big bank M&A oversight

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Senate Banking Committee Chairman Sherrod Brown, D-Ohio, urged the Federal Reserve Board and the Office of the Comptroller of the Currency to join the Federal Deposit Insurance Corp. in reviewing and reconsidering their approach to big bank mergers.

"The federal banking agencies must all adopt a posture toward bank merger reviews that prioritizes competition, financial stability, and the needs of working families and small businesses," Brown wrote in an April 6 letter addressed to Fed Chair Pro Tempore Jerome Powell and Acting Comptroller of the Currency Michael Hsu.

Consolidation of the "biggest banks" has enriched big bank shareholders and executives, but their gains have come at the expense of consumers and small businesses with less access to low-cost financial services, Brown said. Consolidation among banks also supports consolidation in non-financial industries, undermining small enterprises, while community banks serving rural and smaller communities and supporting more small business lending compared to Wall Street banks are "forced to compete on an uneven playing field with nonbank fintech companies," he added.

Additionally, megamergers form new "too big to fail" institutions, jeopardize financial stability, according to Brown, who noted a Fed finding that the failure of a single large bank has a greater negative impact on the economy than the failures of multiple banks that are together the size of the large bank.

"We need a more energetic, more vigilant framework for bank merger review — one that reflects today's banking landscape and understands how market concentration undermines competition," Brown said. "This framework would enable regulators to carefully scrutinize a merger's impact on our economy and the communities served."

Brown urged the Fed and the OCC to initiate a public comment process on bank merger review, similar to what the FDIC has done. He also recommended that the Fed and the OCC work with the Department of Justice, whose antitrust division requested additional public comments on whether and how it should revise the 1995 Bank Merger Competitive Review guidelines, to make sure there is a fair and competitive financial system.

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