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Bank Failure Fallout Spells Tougher Regulation for Regional Banks Ahead

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Troutman Pepper Partner James Stevens was quoted in the *S&P Global Market Intelligence* article, "[Bank Failure Fallout Spells Tougher Regulation for Regional Banks Ahead](#)" on March 23, 2023.

The annual stress testing requirement would be particularly burdensome for regional banks, said James Stevens, co-leader of the financial services industry group at Troutman Pepper. Currently, banks with more than \$250 billion in assets are subject to annual stress testing, while banks with between \$100 billion and \$250 billion are subject to stress testing every two years. Banks with below \$100 billion in assets are generally not subject to stress testing.

"Providing information to your regulator to enable them to do the stress test is a big project," Stevens said in an interview. "Having a regulator review something that you do yourself, versus giving them information and then having them do it are different."

Among other requirements, banks would also have to meet a ratio designed to measure assets that are available to meet their near-term liquidity needs, known as the liquidity coverage ratio, Stevens said.

"That's a ratio that is complicated to calculate and it requires a great deal of liquidity," the Troutman Pepper attorney said.

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"I think that it's just hard to say that exposing [Silicon Valley Bank and Signature Bank] to the liquidity coverage ratio or to supervisory stress tests or more frequent reporting as to capital levels and things of that nature would have been dispositive and prevented this failure," Troutman Pepper's Stevens said.

"I think we're going to find, in hindsight, that it's much more complicated, with lots of contributing factors," Stevens added.

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