



## A Note on Breaking Up the Banks\*

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June, 2012

Calls to break up the banks fail to acknowledge that Congress already has given federal regulators this power.

Since 1978, the Federal Reserve Board has had the express authority to force bank holding companies to divest banking or non-banking subsidiaries upon a finding that continued control of the bank or non-banking subsidiary “is inconsistent with sound banking principles.” This authority, which appears in section 5(e) of the Bank Holding Company Act, was granted to the Board in response to the failures of some mortgage banking and real estate subsidiaries of bank holding companies in the mid 1970s.

More recently, in section 121 of the Dodd-Frank Act, Congress gave the Federal Reserve Board, in conjunction with the Financial Stability Oversight Council, the authority to force the sale of any assets of a large bank holding company or a nonbank financial company supervised by the Board upon a finding that bank holding company or nonbank financial company “poses a grave threat to the financial stability of the United States.” That authority became effective on July 21, 2010, when Dodd-Frank was signed into law.

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