

Memorandum

Federal Reserve Expands Presumptive Safe Harbors for Financial Stability Risk Reviews of M&A Transactions

March 16, 2017

Earlier today, the Federal Reserve issued an order authorizing People's United Financial, Inc. to acquire Suffolk Bancorp (the "People's United Order").¹ The People's United Order is notable because the Federal Reserve has expanded the presumptive safe harbors it applies when reviewing bank merger and acquisition proposals under the Bank Holding Company Act of 1956 for risks to U.S. financial stability.²

Since 2012, the Federal Reserve has presumed that a proposal that involves an acquisition of less than \$2 billion in assets or that results in a firm with less than \$25 billion in total assets does not raise material financial stability concerns, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other factors.³ In the People's United Order, the Federal Reserve said that its "experience has shown that proposals involving an acquisition of less than \$10 billion in assets, or that result in a firm with less than \$100 billion in total assets, are generally not likely to create institutions that pose systemic risks."

Accordingly, the Federal Reserve will now presume that a proposal does not raise material financial stability concerns if it involves the 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 factors. For qualifying transactions, this change is significant because it will substantially reduce the need to provide information relating to financial stability indicators and may accelerate the processing of applications by the Federal Reserve.

¹ Simpson Thacher & Bartlett LLP represented People's United in connection with this transaction.

² The Federal Reserve is statutorily required to take into consideration "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system." 12 U.S.C. § 1842(c)(7).

³ See *Capital One Financial Corporation*, FRB Order No. 2012-2 (Feb. 14, 2012). The Federal Reserve also presumes that a proposal involving a corporate reorganization does not raise material financial stability concerns. This presumption is not affected by the People's United Order.

A copy of the People's United Order is available [here](#). For more information, please contact any member of the Firm's Financial Institutions Group, including those listed below.

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