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H. R. 3711

To reduce risks to the financial system by limiting banks' ability to engage in certain risky activities and limiting conflicts of interest, to reinstate certain Glass-Steagall Act protections that were repealed by the Gramm-Leach-Bliley Act, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 11, 2013

Mr. TIERNEY (for himself and Mr. JONES) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To reduce risks to the financial system by limiting banks' ability to engage in certain risky activities and limiting conflicts of interest, to reinstate certain Glass-Steagall Act protections that were repealed by the Gramm-Leach-Bliley Act, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "21st Century Glass-
5 Steagall Act of 2013".

1 **SEC. 2. FINDINGS AND PURPOSE.**

2 (a) FINDINGS.—Congress finds that—

3 (1) in response to a financial crisis and the en-
4 suing Great Depression, Congress enacted the Bank-
5 ing Act of 1933, known as the “Glass-Steagall Act”,
6 to prohibit commercial banks from offering invest-
7 ment banking and insurance services;

8 (2) a series of deregulatory decisions by the
9 Board of Governors of the Federal Reserve System
10 and the Office of the Comptroller of the Currency,
11 in addition to decisions by Federal courts, permitted
12 commercial banks to engage in an increasing num-
13 ber of risky financial activities that had previously
14 been restricted under the Glass-Steagall Act, and
15 also vastly expanded the meaning of the “business of
16 banking” and “closely related activities” in banking
17 law;

18 (3) in 1999, Congress enacted the “Gramm-
19 Leach-Bliley Act”, which repealed the Glass-Steagall
20 Act separation between commercial and investment
21 banking and allowed for complex cross-subsidies and
22 interconnections between commercial and investment
23 banks;

24 (4) former Kansas City Federal Reserve Presi-
25 dent Thomas Hoenig observed that “with the elimi-
26 nation of Glass-Steagall, the largest institutions with

1 the greatest ability to leverage their balance sheets
2 increased their risk profile by getting into trading,
3 market making, and hedge fund activities, adding
4 ever greater complexity to their balance sheets.”;

5 (5) the Financial Crisis Inquiry Report issued
6 by the Financial Crisis Inquiry Commission con-
7 cluded that, in the years between the passage of
8 Gramm-Leach Bliley and the global financial crisis,
9 “regulation and supervision of traditional banking
10 had been weakened significantly, allowing commer-
11 cial banks and thrifts to operate with fewer con-
12 straints and to engage in a wider range of financial
13 activities, including activities in the shadow banking
14 system.”. The Commission also concluded that
15 “[t]his deregulation made the financial system espe-
16 cially vulnerable to the financial crisis and exacer-
17 bated its effects.”;

18 (6) a report by the Financial Stability Over-
19 sight Council pursuant to section 123 of the Dodd-
20 Frank Wall Street Reform and Consumer Protection
21 Act states that increased complexity and diversity of
22 financial activities at financial institutions may
23 “shift institutions towards more risk-taking, increase
24 the level of interconnectedness among financial
25 firms, and therefore may increase systemic default

1 risk. These potential costs may be exacerbated in
2 cases where the market perceives diverse and com-
3 plex financial institutions as ‘too big to fail,’ which
4 may lead to excessive risk taking and concerns about
5 moral hazard.”;

6 (7) the Senate Permanent Subcommittee on In-
7 vestigations report, “Wall Street and the Financial
8 Crisis: Anatomy of a Financial Collapse”, states that
9 repeal of Glass-Steagall “made it more difficult for
10 regulators to distinguish between activities intended
11 to benefit customers versus the financial institution
12 itself. The expanded set of financial services invest-
13 ment banks were allowed to offer also contributed to
14 the multiple and significant conflicts of interest that
15 arose between some investment banks and their cli-
16 ents during the financial crisis.”;

17 (8) the Senate Permanent Subcommittee on In-
18 vestigations report, “JPMorgan Chase Whale
19 Trades: A Case History of Derivatives Risks and
20 Abuses”, describes how traders at JPMorgan Chase
21 made risky bets using excess deposits that were
22 partly insured by the Federal Government;

23 (9) in Europe, the Vickers Independent Com-
24 mission on Banking (for the United Kingdom) and
25 the Liikanen Report (for the Euro area) have both

1 found that there is no inherent reason to bundle “re-
2 tail banking” with “investment banking” or other
3 forms of relatively high risk securities trading, and
4 European countries are set on a path of separating
5 various activities that are currently bundled together
6 in the business of banking;

7 (10) private sector actors prefer having access
8 to underpriced public sector insurance, whether ex-
9 plicit (for insured deposits) or implicit (for “too big
10 to fail” financial institutions), to subsidize dan-
11 gerous levels of risk-taking, which, from a broader
12 social perspective, is not an advantageous arrange-
13 ment; and

14 (11) the financial crisis, and the regulatory re-
15 sponse to the crisis, has led to more mergers be-
16 tween financial institutions, creating greater finan-
17 cial sector consolidation and increasing the domi-
18 nance of a few large, complex financial institutions
19 that are generally considered to be “too big to fail”,
20 and therefore are perceived by the markets as hav-
21 ing an implicit guarantee from the Federal Govern-
22 ment to bail them out in the event of their failure.

23 (b) PURPOSE.—The purposes of this Act are—

1 (1) to reduce risks to the financial system by
2 limiting banks' ability to engage in activities other
3 than socially valuable core banking activities;

4 (2) to protect taxpayers and reduce moral haz-
5 ard by removing explicit and implicit government
6 guarantees for high-risk activities outside of the core
7 business of banking; and

8 (3) to eliminate conflicts of interest that arise
9 from banks engaging in activities from which their
10 profits are earned at the expense of their customers
11 or clients.

12 **SEC. 3. SAFE AND SOUND BANKING.**

13 (a) INSURED DEPOSITORY INSTITUTIONS.—Section
14 18(s) of the Federal Deposit Insurance Act (12 U.S.C.
15 1828(s)) is amended by adding at the end the following:

16 “(6) LIMITATIONS ON BANKING AFFILI-
17 ATIONS.—

18 “(A) PROHIBITION ON AFFILIATIONS WITH
19 NONDEPOSITORY ENTITIES.—An insured depos-
20 itory institution may not—

21 “(i) be or become an affiliate of any
22 insurance company, securities entity, or
23 swaps entity;

1 “(ii) be in common ownership or con-
2 trol with any insurance company, securities
3 entity, or swaps entity; or

4 “(iii) engage in any activity that
5 would cause the insured depository institu-
6 tion to qualify as an insurance company,
7 securities entity, or swaps entity.

8 “(B) INDIVIDUALS ELIGIBLE TO SERVE ON
9 BOARDS OF DEPOSITORY INSTITUTIONS.—

10 “(i) IN GENERAL.—An individual who
11 is an officer, director, partner, or employee
12 of any securities entity, insurance com-
13 pany, or swaps entity may not serve at the
14 same time as an officer, director, employee,
15 or other institution-affiliated party of any
16 insured depository institution.

17 “(ii) EXCEPTION.—Clause (i) does not
18 apply with respect to service by any indi-
19 vidual which is otherwise prohibited under
20 clause (i), if the appropriate Federal bank-
21 ing agency determines, by regulation with
22 respect to a limited number of cases, that
23 service by such an individual as an officer,
24 director, employee, or other institution-af-
25 filiated party of an insured depository in-

1 stitution would not unduly influence the in-
2 vestment policies of the depository institu-
3 tion or the advice that the institution pro-
4 vides to customers.

5 “(iii) TERMINATION OF SERVICE.—

6 Subject to a determination under clause
7 (i), any individual described in clause (i)
8 who, as of the date of enactment of the
9 21st Century Glass-Steagall Act of 2013,
10 is serving as an officer, director, employee,
11 or other institution-affiliated party of any
12 insured depository institution shall termi-
13 nate such service as soon as is practicable
14 after such date of enactment, and in no
15 event, later than the end of the 60-day pe-
16 riod beginning on that date of enactment.

17 “(C) TERMINATION OF EXISTING AFFILI-
18 ATIONS AND ACTIVITIES.—

19 “(i) ORDERLY TERMINATION OF EX-
20 ISTING AFFILIATIONS AND ACTIVITIES.—

21 Any affiliation, common ownership or con-
22 trol, or activity of an insured depository in-
23 stitution with any securities entity, insur-
24 ance company, or swaps entity, or any
25 other person, as of the date of enactment

1 of the 21st Century Glass-Steagall Act of
2 2013, which is prohibited under subpara-
3 graph (A) shall be terminated as soon as
4 is practicable, and in no event later than
5 the end of the 5-year period beginning on
6 that date of enactment.

7 “(ii) EARLY TERMINATION.—The ap-
8 propriate Federal banking agency, after
9 opportunity for hearing, at any time, may
10 order termination of an affiliation, common
11 ownership or control, or activity prohibited
12 by clause (i) before the end of the 5-year
13 period described in clause (i), if the agency
14 determines that—

15 “(I) such action is necessary to
16 prevent undue concentration of re-
17 sources, decreased or unfair competi-
18 tion, conflicts of interest, or unsound
19 banking practices; and

20 “(II) is in the public interest.

21 “(iii) EXTENSION.—Subject to a de-
22 termination under clause (ii), an appro-
23 priate Federal banking agency may extend
24 the 5-year period described in clause (i) as
25 to any particular insured depository insti-

1 tution for not more than an additional 6
2 months at a time, if—

3 “(I) the agency certifies that
4 such extension would promote the
5 public interest and would not pose a
6 significant threat to the stability of
7 the banking system or financial mar-
8 kets in the United States; and

9 “(II) such extension, in the ag-
10 gregate, does not exceed 1 year for
11 any one insured depository institution.

12 “(iv) REQUIREMENTS FOR ENTITIES
13 RECEIVING AN EXTENSION.—Upon receipt
14 of an extension under clause (iii), the in-
15 sured depository institution shall notify its
16 shareholders and the general public that it
17 has failed to comply with the requirements
18 of clause (i).

19 “(D) DEFINITIONS.—For purposes of this
20 paragraph, the following definitions shall apply:

21 “(i) INSURANCE COMPANY.—The term
22 ‘insurance company’ has the same meaning
23 as in section 2(q) of the Bank Holding
24 Company Act of 1956 (12 U.S.C.
25 1841(q)).

1 “(ii) SECURITIES ENTITY.—Except as
2 provided in clause (iii), the term ‘securities
3 entity’—

4 “(I) includes any entity engaged
5 in—

6 “(aa) the issue, flotation,
7 underwriting, public sale, or dis-
8 tribution of stocks, bonds, deben-
9 tures, notes, or other securities;

10 “(bb) market making;

11 “(cc) activities of a broker
12 or dealer, as those terms are de-
13 fined in section 3(a) of the Secu-
14 rities Exchange Act of 1934;

15 “(dd) activities of a futures
16 commission merchant;

17 “(ee) activities of an invest-
18 ment adviser or investment com-
19 pany, as those terms are defined
20 in the Investment Advisers Act of
21 1940 and the Investment Com-
22 pany Act of 1940, respectively; or

23 “(ff) hedge fund or private
24 equity investments in the securi-

1 ties of either privately or publicly
2 held companies; and

3 “(II) does not include a bank
4 that, pursuant to its authorized trust
5 and fiduciary activities, purchases and
6 sells investments for the account of its
7 customers or provides financial or in-
8 vestment advice to its customers.

9 “(iii) SWAPS ENTITY.—The term
10 ‘swaps entity’ means any swap dealer, se-
11 curity-based swap dealer, major swap par-
12 ticipant, or major security-based swap par-
13 ticipant, that is registered under—

14 “(I) the Commodity Exchange
15 Act (7 U.S.C. 1 et seq.); or

16 “(II) the Securities Exchange
17 Act of 1934 (15 U.S.C. 78a et seq.).

18 “(iv) INSURED DEPOSITORY INSTITU-
19 TION.—The term ‘insured depository insti-
20 tution’—

21 “(I) has the same meaning as in
22 section 3(c)(2); and

23 “(II) does not include a savings
24 association controlled by a savings
25 and loan holding company, as de-

1 scribed in section 10(c)(9)(C) of the
2 Home Owners' Loan Act (12 U.S.C.
3 1467a(c)(9)(C)).”.

4 (b) LIMITATION ON BANKING ACTIVITIES.—Section
5 21 of the Banking Act of 1933 (12 U.S.C. 378) is amend-
6 ed by adding at the end the following:

7 “(c) BUSINESS OF RECEIVING DEPOSITS.—For pur-
8 poses of this section, the term ‘business of receiving depos-
9 its’ includes the establishment and maintenance of any
10 transaction account (as defined in section 19(b)(1)(C) of
11 the Federal Reserve Act).”.

12 (c) PERMITTED ACTIVITIES OF NATIONAL BANKS.—
13 Section 24 (Seventh) of the Revised Statutes of the United
14 States (12 U.S.C. 24 (Seventh)) is amended to read as
15 follows:

16 “Seventh. (A) To exercise by its board of direc-
17 tors or duly authorized officers or agents, subject to
18 law, all such powers as are necessary to carry on the
19 business of banking.

20 “(B) As used in this paragraph, the term ‘busi-
21 ness of banking’ shall be limited to the following
22 core banking services:

23 “(i) RECEIVING DEPOSITS.—A national
24 banking association may engage in the business
25 of receiving deposits.

1 “(ii) EXTENSIONS OF CREDIT.—A national
2 banking association may—

3 “(I) extend credit to individuals, busi-
4 nesses, not for profit organizations, and
5 other entities;

6 “(II) discount and negotiate promis-
7 sory notes, drafts, bills of exchange, and
8 other evidences of debt; and

9 “(III) loan money on personal secu-
10 rity.

11 “(iii) PAYMENT SYSTEMS.—A national
12 banking association may participate in payment
13 systems, defined as instruments, banking proce-
14 dures, and interbank funds transfer systems
15 that ensure the circulation of money.

16 “(iv) COIN AND BULLION.—A national
17 banking association may buy, sell, and exchange
18 coin and bullion.

19 “(v) INVESTMENTS IN SECURITIES.—

20 “(I) IN GENERAL.—A national bank-
21 ing association may invest in investment
22 securities, defined as marketable obliga-
23 tions evidencing indebtedness of any per-
24 son, copartnership, association, or corpora-
25 tion in the form of bonds, notes, or debent-

1 tures (commonly known as ‘investment se-
2 curities’), obligations of the Federal Gov-
3 ernment, or any State or subdivision there-
4 of, under such further definition of the
5 term ‘investment securities’ as the Comp-
6 troller of the Currency, the Federal De-
7 posit Insurance Corporation, and the
8 Board of Governors of the Federal Reserve
9 System may jointly prescribe, by regula-
10 tion.

11 “(II) LIMITATIONS.—The business of
12 dealing in securities and stock by the asso-
13 ciation shall be limited to purchasing and
14 selling such securities and stock without
15 recourse, solely upon the order, and for the
16 account of, customers, and in no case for
17 its own account, and the association shall
18 not underwrite any issue of securities or
19 stock. The association may purchase for its
20 own account investment securities under
21 such limitations and restrictions as the
22 Comptroller of the Currency, the Federal
23 Deposit Insurance Corporation, and the
24 Board of Governors of the Federal Reserve
25 System may jointly prescribe, by regula-

1 tion. In no event shall the total amount of
2 the investment securities of any one obligor
3 or maker, held by the association for its
4 own account, exceed at any time 10 per-
5 cent of its capital stock actually paid in
6 and unimpaired and 10 percent of its
7 unimpaired surplus fund, except that such
8 limitation shall not require any association
9 to dispose of any securities lawfully held by
10 it on August 23, 1935.

11 “(C) PROHIBITION AGAINST TRANSACTIONS IN-
12 VOLVING STRUCTURED OR SYNTHETIC PRODUCTS.—
13 A national banking association shall not invest in a
14 structured or synthetic product, a financial instru-
15 ment in which a return is calculated based on the
16 value of, or by reference to the performance of, a se-
17 curity, commodity, swap, other asset, or an entity, or
18 any index or basket composed of securities, commod-
19 ities, swaps, other assets, or entities, other than cus-
20 tomarily determined interest rates, or otherwise en-
21 gage in the business of receiving deposits or extend-
22 ing credit for transactions involving structured or
23 synthetic products.”.

24 (d) PERMITTED ACTIVITIES OF FEDERAL SAVINGS
25 ASSOCIATIONS.—

1 (1) IN GENERAL.—Section 5(c)(1) of the Home
2 Owners’ Loan Act (12 U.S.C. 1464(c)(1)) is amend-
3 ed—

4 (A) by striking subparagraph (Q); and
5 (B) by redesignating subparagraphs (R)
6 through (U) as subparagraphs (Q) through (T),
7 respectively.

8 (2) CONFORMING AMENDMENT.—Section
9 10(c)(9)(A) of the Home Owners’ Loan Act (12
10 U.S.C. 1467a(c)(9)(A)) is amended by striking “per-
11 mitted—” and all that follows through clause (ii)
12 and inserting “permitted under paragraph (1)(C) or
13 (2).”.

14 (e) CLOSELY RELATED ACTIVITIES.—Section 4(c) of
15 the Bank Holding Company Act of 1956 (12 U.S.C.
16 1843(c)) is amended—

17 (1) in paragraph (8), by striking “had been de-
18 termined” and all that follows through the end and
19 inserting the following: “are so closely related to
20 banking so as to be a proper incident thereto, as
21 provided under this paragraph or any rule or regula-
22 tion issued by the Board under this paragraph, pro-
23 vided that the following shall not be considered
24 closely related for purposes of this paragraph:

1 “(A) Serving as an investment advisor (as
2 defined in section 2(a)(20) of the Investment
3 Company Act of 1940 (15 U.S.C. 80a-
4 2(a)(20))) to an investment company registered
5 under that Act, including sponsoring, orga-
6 nizing, and managing a closed-end investment
7 company.

8 “(B) Agency transactional services for cus-
9 tomer investments, except that this subpara-
10 graph may not be construed as prohibiting pur-
11 chases and sales of investments for the account
12 of customers conducted by a bank (or sub-
13 sidiary thereof) pursuant to the bank’s trust
14 and fiduciary powers.

15 “(C) Investment transactions as principal,
16 except for activities specifically allowed by para-
17 graph (14).

18 “(D) Management consulting and coun-
19 seling activities.”;

20 (2) in paragraph (13), by striking “or” at the
21 end;

22 (3) by redesignating paragraph (14) as para-
23 graph (15); and

24 (4) by inserting after paragraph (13) the fol-
25 lowing:

1 “(14) purchasing, as an end user, any swap, to
2 the extent that—

3 “(A) the purchase of any such swap occurs
4 contemporaneously with the underlying hedged
5 item or hedged transaction;

6 “(B) there is formal documentation identi-
7 fying the hedging relationship with particularity
8 at the inception of the hedge; and

9 “(C) the swap is being used to hedge
10 against exposure to—

11 “(i) changes in the value of an indi-
12 vidual recognized asset or liability or an
13 identified portion thereof that is attrib-
14 utable to a particular risk;

15 “(ii) changes in interest rates; or

16 “(iii) changes in the value of currency;
17 or”.

18 (f) PROHIBITED ACTIVITIES.—Section 4(a) of the
19 Bank Holding Company Act of 1956 (12 U.S.C. 1843(a))
20 is amended—

21 (1) in paragraph (1), by striking “or” at the
22 end;

23 (2) in paragraph (2), by striking the period at
24 the end and inserting “; or”; and

1 (3) by inserting before the undesignated matter
2 following paragraph (2), the following:

3 “(3) with the exception of the activities per-
4 mitted under subsection (c), engage in the business
5 of a ‘securities entity’ or a ‘swaps entity’, as those
6 terms are defined in section 18(s)(6)(D) of the Fed-
7 eral Deposit Insurance Act (12 U.S.C.
8 1828(s)(6)(D)), including, without limitation, deal-
9 ing or making markets in securities, repurchase
10 agreements, exchange traded and over-the-counter
11 swaps, as defined by the Commodity Futures Trad-
12 ing Commission and the Securities and Exchange
13 Commission, or structured or synthetic products, as
14 defined in section 24 (Seventh) of the Revised Stat-
15 utes of the United States (12 U.S.C. 24 (Seventh)),
16 or any other over-the-counter securities, swaps, con-
17 tracts, or any other agreement that derives its value
18 from, or takes on the form of, such securities, de-
19 rivatives, or contracts;

20 “(4) engage in proprietary trading, as provided
21 by section 13, or any rule or regulation under that
22 section;

23 “(5) own, sponsor, or invest in a hedge fund, or
24 private equity fund, or any other fund, as provided
25 by section 13, or any rule or regulation under that

1 section, or any other fund which exhibits the charac-
2 teristics of a fund that takes on proprietary trading
3 activities or positions;

4 “(6) hold ineligible securities or derivatives;

5 “(7) engage in market-making; or

6 “(8) engage in prime brokerage activities.”.

7 (g) ANTI-EVASION.—

8 (1) IN GENERAL.—Any attempt to structure
9 any contract, investment, instrument, or product in
10 such a manner that the purpose or effect of such
11 contract, investment, instrument, or product is to
12 evade or attempt to evade the prohibitions described
13 in section 18(s)(6) of the Federal Deposit Insurance
14 Act, section 21(c) of the Banking Act of 1933, para-
15 graph (Seventh) of section 24 of the Revised Stat-
16 utes of the United States, section 5(c)(1) of the
17 Home Owners’ Loan Act, or section 4(a) of the
18 Bank Holding Company Act of 1956, as added or
19 amended by this section, shall be considered a viola-
20 tion of the Federal Deposit Insurance Act, the
21 Banking Act of 1933, section 24 of the Revised
22 Statutes of the United States, the Home Owners’
23 Loan Act, and the Bank Holding Company Act of
24 1956, respectively.

25 (2) TERMINATION.—

1 (A) IN GENERAL.—Notwithstanding any
2 other provision of law, if a Federal agency has
3 reasonable cause to believe that an insured de-
4 pository institution, securities entity, swaps en-
5 tity, insurance company, bank holding company,
6 or other entity over which that agency has reg-
7 ulatory authority has made an investment or
8 engaged in an activity in a manner that func-
9 tions as an evasion of the prohibitions described
10 in paragraph (1) (including through an abuse
11 of any permitted activity) or otherwise violates
12 such prohibitions, the agency shall—

13 (i) order, after due notice and oppor-
14 tunity for hearing, the entity to terminate
15 the activity and, as relevant, dispose of the
16 investment;

17 (ii) order, after the procedures de-
18 scribed in clause (i), the entity to pay a
19 penalty equal to 10 percent of the entity's
20 net profits, averaged over the previous 3
21 years, into the United States Treasury;
22 and

23 (iii) initiate proceedings described in
24 12 U.S.C. 1818(e) for individuals involved

1 in evading the prohibitions described in
2 paragraph (1).

3 (B) CONSTRUCTION.—Nothing in this
4 paragraph shall be construed to limit the inher-
5 ent authority of any Federal agency or State
6 regulatory authority to further restrict any in-
7 vestments or activities under otherwise applica-
8 ble provisions of law.

9 (3) REPORTING REQUIREMENT.—Each year,
10 each Federal agency having regulatory authority
11 over any entity described in paragraph (2)(A) shall
12 issue a report to the Committee on Banking, Hous-
13 ing, and Urban Affairs of the Senate and the Com-
14 mittee on Financial Services of the House of Rep-
15 resentatives, and shall make such report available to
16 the public. The report shall identify the number and
17 character of any activities that took place in the pre-
18 ceding year that function as an evasion of the prohi-
19 bitions described in paragraph (1), the names of the
20 particular entities engaged in those activities, and
21 the actions of the agency taken under paragraph
22 (2).

23 (h) ATTESTATION.—Section 4 of the Bank Holding
24 Company Act of 1956 (12 U.S.C. 1843), as amended by

1 section 3(a)(1) of this Act, is amended by adding at the
2 end the following:

3 “(k) ATTESTATION.—Executives of any bank holding
4 company or its affiliate shall attest in writing, under pen-
5 alty of perjury, that the bank holding company or affiliate
6 is not engaged in any activity that is prohibited under sub-
7 section (a), except to the extent that such activity is per-
8 mitted under subsection (e).”.

9 **SEC. 4. REPEAL OF GRAMM-LEACH-BLILEY ACT PROVI-**
10 **SIONS.**

11 (a) **TERMINATION OF FINANCIAL HOLDING COM-**
12 **PANY DESIGNATION.—**

13 (1) **IN GENERAL.—**Section 4 of the Bank Hold-
14 ing Company Act of 1956 (12 U.S.C. 1843) is
15 amended by striking subsections (k), (l), (m), (n),
16 and (o).

17 (2) **TRANSITION.—**

18 (A) **ORDERLY TERMINATION OF EXISTING**
19 **AFFILIATION.—**In the case of a bank holding
20 company which, pursuant to the amendments
21 made by paragraph (1), is no longer authorized
22 to control or be affiliated with any entity that
23 was permissible for a financial holding company
24 on the day before the date of enactment of this
25 Act, any affiliation, ownership or control, or ac-

1 tivity by the bank holding company which is not
2 permitted for a bank holding company shall be
3 terminated as soon as is practicable, and in no
4 event later than the end of the 5-year period
5 beginning on the date of enactment of this Act.

6 (B) EARLY TERMINATION.—The Board of
7 Governors of the Federal Reserve System (in
8 this section referred to as the “Board”), after
9 opportunity for hearing, at any time, may ter-
10 minate an affiliation prohibited by subpara-
11 graph (A) before the end of the 5-year period
12 described in subparagraph (A), if the Board de-
13 termines that such action—

14 (i) is necessary to prevent undue con-
15 centration of resources, decreased or unfair
16 competition, conflicts of interest, or un-
17 sound banking practices; and

18 (ii) is in the public interest.

19 (C) EXTENSION.—Subject to a determina-
20 tion under subparagraph (B), the Board may
21 extend the 5-year period described in subpara-
22 graph (A), as to any particular bank holding
23 company, for not more than an additional 6
24 months at a time, if—

1 (i) the Board certifies that such ex-
2 tension would promote the public interest
3 and would not pose a significant risk to
4 the stability of the banking system or fi-
5 nancial markets of the United States; and

6 (ii) such extension, in the aggregate,
7 does not exceed 1 year for any one bank
8 holding company.

9 (D) REQUIREMENTS FOR ENTITIES RE-
10 CEIVING AN EXTENSION.—Upon receipt of an
11 extension under subparagraph (C), the bank
12 holding company shall notify its shareholders
13 and the general public that it has failed to com-
14 ply with the requirements of subparagraph (A).

15 (3) TECHNICAL AND CONFORMING AMEND-
16 MENTS.—

17 (A) BANK HOLDING COMPANY ACT OF
18 1956.—The Bank Holding Company Act of
19 1956 (12 U.S.C. 1841 et seq.) is amended—

20 (i) in section 2 (12 U.S.C. 1841)—

21 (I) by striking subsection (p);

22 and

23 (II) by redesignating subsection

24 (q) as subsection (p);

1 (ii) in section 5(c) (12 U.S.C.
2 1844(c)), by striking paragraphs (3), (4),
3 and (5); and

4 (iii) in section 5 (12 U.S.C. 1844), by
5 striking subsection (g).

6 (4) FDIA.—The Federal Deposit Insurance Act
7 (12 U.S.C. 1811 et seq.) is amended—

8 (A) by striking sections 45 and 46 (12
9 U.S.C. 1831v, 1831w); and

10 (B) by redesignating sections 47 through
11 50 as sections 45 through 48, respectively.

12 (5) GRAMM-LEACH-BLILEY.—Subtitle B of title
13 I of the Gramm-Leach-Bliley Act is amended by
14 striking section 115 (12 U.S.C. 1820a).

15 (b) FINANCIAL SUBSIDIARIES OF NATIONAL BANKS
16 DISALLOWED.—

17 (1) IN GENERAL.—Section 5136A of the Re-
18 vised Statutes of the United States (12 U.S.C. 24a)
19 is repealed.

20 (2) TRANSITION.—

21 (A) ORDERLY TERMINATION OF EXISTING
22 AFFILIATION.—In the case of a national bank
23 which, pursuant to the amendment made by
24 paragraph (1), is no longer authorized to con-
25 trol or be affiliated with a financial subsidiary

1 as of the date of enactment of this Act, such af-
2 filiation, ownership or control, or activity shall
3 be terminated as soon as is practicable, and in
4 no event later than the end of the 5-year period
5 beginning on the date of enactment of this Act.

6 (B) EARLY TERMINATION.—The Comp-
7 troller of the Currency (in this section referred
8 to as the “Comptroller”), after opportunity for
9 hearing, at any time, may terminate an affili-
10 ation prohibited by subparagraph (A) before the
11 end of the 5-year period described in subpara-
12 graph (A), if the Comptroller determines, hav-
13 ing due regard for the purposes of this Act,
14 that—

15 (i) such action is necessary to prevent
16 undue concentration of resources, de-
17 creased or unfair competition, conflicts of
18 interest, or unsound banking practices; and

19 (ii) is in the public interest.

20 (C) EXTENSION.—Subject to a determina-
21 tion under subparagraph (B), the Comptroller
22 may extend the 5-year period described in sub-
23 paragraph (A) as to any particular national
24 bank for not more than an additional 6 months,
25 if—

1 (i) the Comptroller certifies that such
2 extension would promote the public inter-
3 est and would not pose a significant risk to
4 the stability of the banking system or fi-
5 nancial markets of the United States; and

6 (ii) such extension, in the aggregate,
7 does not exceed 1 year for any single na-
8 tional bank.

9 (D) REQUIREMENTS FOR ENTITIES RE-
10 CEIVING AN EXTENSION.—Upon receipt of an
11 extension under subparagraph (C), the national
12 bank shall notify its shareholders and the gen-
13 eral public that it has failed to comply with the
14 requirements described in subparagraph (A).

15 (3) TECHNICAL AND CONFORMING AMEND-
16 MENT.—The 20th undesignated paragraph of section
17 9 of the Federal Reserve Act (12 U.S.C. 335) is
18 amended by striking the last sentence.

19 (4) CLERICAL AMENDMENT.—The table of sec-
20 tions for chapter one of title LXII of the Revised
21 Statutes of the United States is amended by striking
22 the item relating to section 5136A.

23 (e) REPEAL OF PROVISION RELATING TO FOREIGN
24 BANKS FILING AS FINANCIAL HOLDING COMPANIES.—

1 Section 8(c) of the International Banking Act of 1978 (12
2 U.S.C. 3106(c)) is amended by striking paragraph (3).

3 **SEC. 5. REPEAL OF BANKRUPTCY PROVISIONS.**

4 Title 11, United States Code, is amended by striking
5 sections 555, 559, 560, 561, and 562.

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