

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “Dodd-Frank Wall Street Reform and Consumer Protec-  
4 tion Act”.

5 (b) TABLE OF CONTENTS.—The table of contents for  
6 this Act is as follows:

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## TITLE XIII—PAY IT BACK ACT

- Sec. 1301. Short title.
- Sec. 1302. Amendment to reduce TARP authorization.
- Sec. 1303. Report.
- Sec. 1304. Amendments to Housing and Economic Recovery Act of 2008.
- Sec. 1305. Federal Housing Finance Agency report.
- Sec. 1306. Repayment of unobligated ARRA funds.

## TITLE XIV—MORTGAGE REFORM AND ANTI-PREDATORY LENDING ACT

- Sec. 1400. Short title; designation as enumerated consumer law.

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## Subtitle A—Residential Mortgage Loan Origination Standards

- Sec. 1401. Definitions.
- Sec. 1402. Residential mortgage loan origination.
- Sec. 1403. Prohibition on steering incentives.
- Sec. 1404. Liability.
- Sec. 1405. Regulations.
- Sec. 1406. Study of shared appreciation mortgages.

## Subtitle B—Minimum Standards For Mortgages

- Sec. 1411. Ability to repay.
- Sec. 1412. Safe harbor and rebuttable presumption.
- Sec. 1413. Defense to foreclosure.
- Sec. 1414. Additional standards and requirements.
- Sec. 1415. Rule of construction.
- Sec. 1416. Amendments to civil liability provisions.
- Sec. 1417. Lender rights in the context of borrower deception.
- Sec. 1418. Six-month notice required before reset of hybrid adjustable rate mortgages.
- Sec. 1419. Required disclosures.
- Sec. 1420. Disclosures required in monthly statements for residential mortgage loans.
- Sec. 1421. Report by the GAO.
- Sec. 1422. State attorney general enforcement authority.

## Subtitle C—High-Cost Mortgages

- Sec. 1431. Definitions relating to high-cost mortgages.
- Sec. 1432. Amendments to existing requirements for certain mortgages.
- Sec. 1433. Additional requirements for certain mortgages.

## Subtitle D—Office of Housing Counseling

- Sec. 1441. Short title.
- Sec. 1442. Establishment of Office of Housing Counseling.
- Sec. 1443. Counseling procedures.
- Sec. 1444. Grants for housing counseling assistance.
- Sec. 1445. Requirements to use HUD-certified counselors under HUD programs.
- Sec. 1446. Study of defaults and foreclosures.
- Sec. 1447. Default and foreclosure database.
- Sec. 1448. Definitions for counseling-related programs.
- Sec. 1449. Accountability and transparency for grant recipients.
- Sec. 1450. Updating and simplification of mortgage information booklet.
- Sec. 1451. Home inspection counseling.
- Sec. 1452. Warnings to homeowners of foreclosure rescue scams.

## Subtitle E—Mortgage Servicing

- Sec. 1461. Escrow and impound accounts relating to certain consumer credit transactions.
- Sec. 1462. Disclosure notice required for consumers who waive escrow services.
- Sec. 1463. Real Estate Settlement Procedures Act of 1974 amendments.
- Sec. 1464. Truth in Lending Act amendments.
- Sec. 1465. Escrows included in repayment analysis.

## 15

## Subtitle F—Appraisal Activities

- Sec. 1471. Property appraisal requirements.
- Sec. 1472. Appraisal independence requirements.
- Sec. 1473. Amendments relating to Appraisal Subcommittee of FFIEC, Appraiser Independence Monitoring, Approved Appraiser Education, Appraisal Management Companies, Appraiser Complaint Hotline, Automated Valuation Models, and Broker Price Opinions.
- Sec. 1474. Equal Credit Opportunity Act amendment.
- Sec. 1475. Real Estate Settlement Procedures Act of 1974 amendment relating to certain appraisal fees.
- Sec. 1476. GAO study on the effectiveness and impact of various appraisal methods, valuation models and distributions channels, and on the Home Valuation Code of conduct and the Appraisal Subcommittee.

## Subtitle G—Mortgage Resolution and Modification

- Sec. 1481. Multifamily mortgage resolution program.
- Sec. 1482. Home Affordable Modification Program guidelines.
- Sec. 1483. Public availability of information of Making Home Affordable Program.
- Sec. 1484. Protecting tenants at foreclosure extension and clarification.

## Subtitle H—Miscellaneous Provisions

- Sec. 1491. Sense of Congress regarding the importance of government-sponsored enterprises reform to enhance the protection, limitation, and regulation of the terms of residential mortgage credit.
- Sec. 1492. GAO study report on government efforts to combat mortgage foreclosure rescue seams and loan modification fraud.
- Sec. 1493. Reporting of mortgage data by State.
- Sec. 1494. Study of effect of drywall presence on foreclosures.
- Sec. 1495. Definition.
- Sec. 1496. Emergency mortgage relief.
- Sec. 1497. Additional assistance for Neighborhood Stabilization Program.
- Sec. 1498. Legal assistance for foreclosure-related issues.

## TITLE XV—MISCELLANEOUS PROVISIONS

- Sec. 1501. Restrictions on use of United States funds for foreign governments; protection of American taxpayers.
- Sec. 1502. Conflict minerals.
- Sec. 1503. Reporting requirements regarding coal or other mine safety.
- Sec. 1504. Disclosure of payments by resource extraction issuers.
- Sec. 1505. Study by the Comptroller General.
- Sec. 1506. Study on core deposits and brokered deposits.

## TITLE XVI—FINANCIAL CRISIS ASSESSMENT AND FUND

- Sec. 1601. Financial crisis special assessment.
- Sec. 1602. Financial Crisis Special Assessment Fund.
- Sec. 1603. Certain swaps, etc., not treated as section 1256 contracts.

1 **SEC. 2. DEFINITIONS.**

2 As used in this Act, the following definitions shall  
3 apply, except as the context otherwise requires or as other-  
4 wise specifically provided in this Act:

5 (1) **AFFILIATE.**—The term “affiliate” has the  
6 same meaning as in section 3 of the Federal Deposit  
7 Insurance Act (12 U.S.C. 1813).

8 (2) **APPROPRIATE FEDERAL BANKING AGEN-**  
9 **CY.**—On and after the transfer date, the term “ap-  
10 propriate Federal banking agency” has the same  
11 meaning as in section 3(q) of the Federal Deposit  
12 Insurance Act (12 U.S.C. 1813(q)), as amended by  
13 title III.

14 (3) **BOARD OF GOVERNORS.**—The term “Board  
15 of Governors” means the Board of Governors of the  
16 Federal Reserve System.

17 (4) **BUREAU.**—The term “Bureau” means the  
18 Bureau of Consumer Financial Protection estab-  
19 lished under title X.

20 (5) **COMMISSION.**—The term “Commission”  
21 means the Securities and Exchange Commission, ex-  
22 cept in the context of the Commodity Futures Trad-  
23 ing Commission.

24 (6) **COMMODITY FUTURES TERMS.**—The terms  
25 “futures commission merchant”, “swap”, “swap  
26 dealer”, “swap execution facility”, “derivatives clear-



1       ing organization”, “board of trade”, “commodity  
2       trading advisor”, “commodity pool”, and “com-  
3       modity pool operator” have the same meanings as  
4       given the terms in section 1a of the Commodity Ex-  
5       change Act (7 U.S.C. 1 et seq.).

6               (7) CORPORATION.—The term “Corporation”  
7       means the Federal Deposit Insurance Corporation.

8               (8) COUNCIL.—The term “Council” means the  
9       Financial Stability Oversight Council established  
10       under title I.

11              (9) CREDIT UNION.—The term “credit union”  
12       means a Federal credit union, State credit union, or  
13       State-chartered credit union, as those terms are de-  
14       fined in section 101 of the Federal Credit Union Act  
15       (12 U.S.C. 1752).

16              (10) FEDERAL BANKING AGENCY.—The term—

17                    (A) “Federal banking agency” means, indi-  
18       vidually, the Board of Governors, the Office of  
19       the Comptroller of the Currency, and the Cor-  
20       poration; and

21                    (B) “Federal banking agencies” means all  
22       of the agencies referred to in subparagraph (A),  
23       collectively.

24              (11) FUNCTIONALLY REGULATED SUB-  
25       SIDIARY.—The term “functionally regulated sub-

1 subsidiary” has the same meaning as in section 5(e)(5)  
2 of the Bank Holding Company Act of 1956 (12  
3 U.S.C. 1844(e)(5)).

4 (12) PRIMARY FINANCIAL REGULATORY AGEN-  
5 CY.—The term “primary financial regulatory agen-  
6 cy” means—

7 (A) the appropriate Federal banking agen-  
8 cy, with respect to institutions described in sec-  
9 tion 3(q) of the Federal Deposit Insurance Act,  
10 except to the extent that an institution is or the  
11 activities of an institution are otherwise de-  
12 scribed in subparagraph (B), (C), (D), or (E);

13 (B) the Securities and Exchange Commis-  
14 sion, with respect to—

15 (i) any broker or dealer that is reg-  
16 istered with the Commission under the Se-  
17 curities Exchange Act of 1934, with re-  
18 spect to the activities of the broker or deal-  
19 er that require the broker or dealer to be  
20 registered under that Act;

21 (ii) any investment company that is  
22 registered with the Commission under the  
23 Investment Company Act of 1940, with re-  
24 spect to the activities of the investment

1 company that require the investment com-  
2 pany to be registered under that Act;

3 (iii) any investment adviser that is  
4 registered with the Commission under the  
5 Investment Advisers Act of 1940, with re-  
6 spect to the investment advisory activities  
7 of such company and activities that are in-  
8 cidental to such advisory activities;

9 (iv) any clearing agency registered  
10 with the Commission under the Securities  
11 Exchange Act of 1934, with respect to the  
12 activities of the clearing agency that re-  
13 quire the agency to be registered under  
14 such Act;

15 (v) any nationally recognized statis-  
16 tical rating organization registered with  
17 the Commission under the Securities Ex-  
18 change Act of 1934;

19 (vi) any transfer agent registered with  
20 the Commission under the Securities Ex-  
21 change Act of 1934;

22 (vii) any exchange registered as a na-  
23 tional securities exchange with the Com-  
24 mission under the Securities Exchange Act  
25 of 1934;

1 (viii) any national securities associa-  
2 tion registered with the Commission under  
3 the Securities Exchange Act of 1934;

4 (ix) any securities information proc-  
5 essor registered with the Commission  
6 under the Securities Exchange Act of  
7 1934;

8 (x) the Municipal Securities Rule-  
9 making Board established under the Secu-  
10 rities Exchange Act of 1934;

11 (xi) the Public Company Accounting  
12 Oversight Board established under the  
13 Sarbanes-Oxley Act of 2002 (15 U.S.C.  
14 7211 et seq.);

15 (xii) the Securities Investor Protection  
16 Corporation established under the Securi-  
17 ties Investor Protection Act of 1970 (15  
18 U.S.C. 78aaa et seq.); and

19 (xiii) any security-based swap execu-  
20 tion facility, security-based swap data re-  
21 pository, security-based swap dealer or  
22 major security-based swap participant reg-  
23 istered with the Commission under the Se-  
24 curities Exchange Act of 1934, with re-  
25 spect to the security-based swap activities

1 of the person that require such person to  
2 be registered under such Act;

3 (C) the Commodity Futures Trading Com-  
4 mission, with respect to—

5 (i) any futures commission merchant  
6 registered with the Commodity Futures  
7 Trading Commission under the Commodity  
8 Exchange Act (7 U.S.C. 1 et seq.), with  
9 respect to the activities of the futures com-  
10 mission merchant that require the futures  
11 commission merchant to be registered  
12 under that Act;

13 (ii) any commodity pool operator reg-  
14 istered with the Commodity Futures Trad-  
15 ing Commission under the Commodity Ex-  
16 change Act (7 U.S.C. 1 et seq.), with re-  
17 spect to the activities of the commodity  
18 pool operator that require the commodity  
19 pool operator to be registered under that  
20 Act, or a commodity pool, as defined in  
21 that Act;

22 (iii) any commodity trading advisor or  
23 introducing broker registered with the  
24 Commodity Futures Trading Commission  
25 under the Commodity Exchange Act (7

1 U.S.C. 1 et seq.), with respect to the ac-  
2 tivities of the commodity trading advisor or  
3 introducing broker that require the com-  
4modity trading adviser or introducing  
5 broker to be registered under that Act;

6 (iv) any derivatives clearing organiza-  
7 tion registered with the Commodity Fu-  
8tures Trading Commission under the Com-  
9modity Exchange Act (7 U.S.C. 1 et seq.),  
10 with respect to the activities of the deriva-  
11tives clearing organization that require the  
12 derivatives clearing organization to be reg-  
13istered under that Act;

14 (v) any board of trade designated as  
15 a contract market by the Commodity Fu-  
16tures Trading Commission under the Com-  
17modity Exchange Act (7 U.S.C. 1 et seq.);

18 (vi) any futures association registered  
19 with the Commodity Futures Trading  
20 Commission under the Commodity Ex-  
21change Act (7 U.S.C. 1 et seq.);

22 (vii) any retail foreign exchange dealer  
23 registered with the Commodity Futures  
24 Trading Commission under the Commodity  
25 Exchange Act (7 U.S.C. 1 et seq.), with



1           (E) the Federal Housing Finance Agency,  
2           with respect to Federal Home Loan Banks or  
3           the Federal Home Loan Bank System, and  
4           with respect to the Federal National Mortgage  
5           Association or the Federal Home Loan Mort-  
6           gage Corporation.

7           (13) PRUDENTIAL STANDARDS.—The term  
8           “prudential standards” means enhanced supervision  
9           and regulatory standards developed by the Board of  
10          Governors under section 165.

11          (14) SECRETARY.—The term “Secretary”  
12          means the Secretary of the Treasury.

13          (15) SECURITIES TERMS.—The—

14               (A) terms “broker”, “dealer”, “issuer”,  
15               “nationally recognized statistical rating organi-  
16               zation”, “security”, and “securities laws” have  
17               the same meanings as in section 3 of the Secu-  
18               rities Exchange Act of 1934 (15 U.S.C. 78c);

19               (B) term “investment adviser” has the  
20               same meaning as in section 202 of the Invest-  
21               ment Advisers Act of 1940 (15 U.S.C. 80b–2);  
22               and

23               (C) term “investment company” has the  
24               same meaning as in section 3 of the Investment  
25               Company Act of 1940 (15 U.S.C. 80a–3).



1           (16) STATE.—The term “State” means any  
2 State, commonwealth, territory, or possession of the  
3 United States, the District of Columbia, the Com-  
4 monwealth of Puerto Rico, the Commonwealth of the  
5 Northern Mariana Islands, American Samoa, Guam,  
6 or the United States Virgin Islands.

7           (17) TRANSFER DATE.—The term “transfer  
8 date” means the date established under section 311.

9           (18) OTHER INCORPORATED DEFINITIONS.—

10           (A) FEDERAL DEPOSIT INSURANCE ACT.—  
11           The terms “bank”, “bank holding company”,  
12           “control”, “deposit”, “depository institution”,  
13           “Federal depository institution”, “Federal sav-  
14           ings association”, “foreign bank”, “including”,  
15           “insured branch”, “insured depository institu-  
16           tion”, “national member bank”, “national non-  
17           member bank”, “savings association”, “State  
18           bank”, “State depository institution”, “State  
19           member bank”, “State nonmember bank”,  
20           “State savings association”, and “subsidiary”  
21           have the same meanings as in section 3 of the  
22           Federal Deposit Insurance Act (12 U.S.C.  
23           1813).

24           (B) HOLDING COMPANIES.—The term—

1 (i) “bank holding company” has the  
2 same meaning as in section 2 of the Bank  
3 Holding Company Act of 1956 (12 U.S.C.  
4 1841);

5 (ii) “financial holding company” has  
6 the same meaning as in section 2(p) of the  
7 Bank Holding Company Act of 1956 (12  
8 U.S.C. 1841(p)); and

9 (iii) “savings and loan holding com-  
10 pany” has the same meaning as in section  
11 10 of the Home Owners’ Loan Act (12  
12 U.S.C. 1467a(a)).

13 **SEC. 3. SEVERABILITY.**

14 If any provision of this Act, an amendment made by  
15 this Act, or the application of such provision or amend-  
16 ment to any person or circumstance is held to be unconsti-  
17 tutional, the remainder of this Act, the amendments made  
18 by this Act, and the application of the provisions of such  
19 to any person or circumstance shall not be affected there-  
20 by.

21 **SEC. 4. EFFECTIVE DATE.**

22 Except as otherwise specifically provided in this Act  
23 or the amendments made by this Act, this Act and such  
24 amendments shall take effect 1 day after the date of en-  
25 actment of this Act.

**1 SEC. 5. BUDGETARY EFFECTS.**

2 The budgetary effects of this Act, for the purpose of  
3 complying with the Statutory Pay-As-You-Go-Act of 2010,  
4 shall be determined by reference to the latest statement  
5 titled “Budgetary Effects of PAYGO Legislation” for this  
6 Act, jointly submitted for printing in the Congressional  
7 Record by the Chairmen of the House and Senate Budget  
8 Committees, provided that such statement has been sub-  
9 mitted prior to the vote on passage in the House acting  
10 first on this conference report or amendment between the  
11 Houses.

**12 SEC. 6. ANTITRUST SAVINGS CLAUSE.**

13 Nothing in this Act, or any amendment made by this  
14 Act, shall be construed to modify, impair, or supersede  
15 the operation of any of the antitrust laws, unless otherwise  
16 specified. For purposes of this section, the term “antitrust  
17 laws” has the same meaning as in subsection (a) of the  
18 first section of the Clayton Act, except that such term in-  
19 cludes section 5 of the Federal Trade Commission Act,  
20 to the extent that such section 5 applies to unfair methods  
21 of competition.

**22 TITLE I—FINANCIAL STABILITY****23 SEC. 101. SHORT TITLE.**

24 This title may be cited as the “Financial Stability Act  
25 of 2010”.

1 **SEC. 102. DEFINITIONS.**

2 (a) IN GENERAL.—For purposes of this title, unless  
3 the context otherwise requires, the following definitions  
4 shall apply:

5 (1) BANK HOLDING COMPANY.—The term  
6 “bank holding company” has the same meaning as  
7 in section 2 of the Bank Holding Company Act of  
8 1956 (12 U.S.C. 1841). A foreign bank or company  
9 that is treated as a bank holding company for pur-  
10 poses of the Bank Holding Company Act of 1956,  
11 pursuant to section 8(a) of the International Bank-  
12 ing Act of 1978 (12 U.S.C. 3106(a)), shall be treat-  
13 ed as a bank holding company for purposes of this  
14 title.

15 (2) CHAIRPERSON.—The term “Chairperson”  
16 means the Chairperson of the Council.

17 (3) MEMBER AGENCY.—The term “member  
18 agency” means an agency represented by a voting  
19 member of the Council.

20 (4) NONBANK FINANCIAL COMPANY DEFINI-  
21 TIONS.—

22 (A) FOREIGN NONBANK FINANCIAL COM-  
23 PANY.—The term “foreign nonbank financial  
24 company” means a company (other than a com-  
25 pany that is, or is treated in the United States  
26 as, a bank holding company) that is—

1 (i) incorporated or organized in a  
2 country other than the United States; and  
3 (ii) predominantly engaged in, includ-  
4 ing through a branch in the United States,  
5 financial activities, as defined in paragraph  
6 (6).

7 (B) U.S. NONBANK FINANCIAL COM-  
8 PANY.—The term “U.S. nonbank financial com-  
9 pany” means a company (other than a bank  
10 holding company, a Farm Credit System insti-  
11 tution chartered and subject to the provisions of  
12 the Farm Credit Act of 1971 (12 U.S.C. 2001  
13 et seq.), or a national securities exchange (or  
14 parent thereof), clearing agency (or parent  
15 thereof, unless the parent is a bank holding  
16 company), security-based swap execution facil-  
17 ity, or security-based swap data repository reg-  
18 istered with the Commission, or a board of  
19 trade designated as a contract market (or par-  
20 ent thereof), or a derivatives clearing organiza-  
21 tion (or parent thereof, unless the parent is a  
22 bank holding company), swap execution facility  
23 or a swap data repository registered with the  
24 Commodity Futures Trading Commission), that  
25 is—

1 (i) incorporated or organized under  
2 the laws of the United States or any State;  
3 and

4 (ii) predominantly engaged in finan-  
5 cial activities, as defined in paragraph (6).

6 (C) NONBANK FINANCIAL COMPANY.—The  
7 term “nonbank financial company” means a  
8 U.S. nonbank financial company and a foreign  
9 nonbank financial company.

10 (D) NONBANK FINANCIAL COMPANY SU-  
11 PERVISED BY THE BOARD OF GOVERNORS.—  
12 The term “nonbank financial company super-  
13 vised by the Board of Governors” means a  
14 nonbank financial company that the Council  
15 has determined under section 113 shall be su-  
16 pervised by the Board of Governors.

17 (5) OFFICE OF FINANCIAL RESEARCH.—The  
18 term “Office of Financial Research” means the of-  
19 fice established under section 152.

20 (6) PREDOMINANTLY ENGAGED.—A company is  
21 “predominantly engaged in financial activities” if—

22 (A) the annual gross revenues derived by  
23 the company and all of its subsidiaries from ac-  
24 tivities that are financial in nature (as defined  
25 in section 4(k) of the Bank Holding Company

1 Act of 1956) and, if applicable, from the owner-  
2 ship or control of one or more insured deposi-  
3 tory institutions, represents 85 percent or more  
4 of the consolidated annual gross revenues of the  
5 company; or

6 (B) the consolidated assets of the company  
7 and all of its subsidiaries related to activities  
8 that are financial in nature (as defined in sec-  
9 tion 4(k) of the Bank Holding Company Act of  
10 1956) and, if applicable, related to the owner-  
11 ship or control of one or more insured deposi-  
12 tory institutions, represents 85 percent or more  
13 of the consolidated assets of the company.

14 (7) SIGNIFICANT INSTITUTIONS.—The terms  
15 “significant nonbank financial company” and “sig-  
16 nificant bank holding company” have the meanings  
17 given those terms by rule of the Board of Governors,  
18 but in no instance shall the term “significant  
19 nonbank financial company” include those entities  
20 that are excluded under paragraph (4)(B).

21 (b) DEFINITIONAL CRITERIA.—The Board of Gov-  
22 ernors shall establish, by regulation, the requirements for  
23 determining if a company is predominantly engaged in fi-  
24 nancial activities, as defined in subsection (a)(6).

1 (c) FOREIGN NONBANK FINANCIAL COMPANIES.—  
2 For purposes of the application of subtitles A and C (other  
3 than section 113(b)) with respect to a foreign nonbank  
4 financial company, references in this title to “company”  
5 or “subsidiary” include only the United States activities  
6 and subsidiaries of such foreign company, except as other-  
7 wise provided.

8 **Subtitle A—Financial Stability**  
9 **Oversight Council**

10 **SEC. 111. FINANCIAL STABILITY OVERSIGHT COUNCIL ES-**  
11 **TABLISHED.**

12 (a) ESTABLISHMENT.—Effective on the date of en-  
13 actment of this Act, there is established the Financial Sta-  
14 bility Oversight Council.

15 (b) MEMBERSHIP.—The Council shall consist of the  
16 following members:

17 (1) VOTING MEMBERS.—The voting members,  
18 who shall each have 1 vote on the Council shall be—

19 (A) the Secretary of the Treasury, who  
20 shall serve as Chairperson of the Council;

21 (B) the Chairman of the Board of Gov-  
22 ernors;

23 (C) the Comptroller of the Currency;

24 (D) the Director of the Bureau;

25 (E) the Chairman of the Commission;



1 (F) the Chairperson of the Corporation;

2 (G) the Chairperson of the Commodity Fu-  
3 tures Trading Commission;

4 (H) the Director of the Federal Housing  
5 Finance Agency;

6 (I) the Chairman of the National Credit  
7 Union Administration Board; and

8 (J) an independent member appointed by  
9 the President, by and with the advice and con-  
10 sent of the Senate, having insurance expertise.

11 (2) NONVOTING MEMBERS.—The nonvoting  
12 members, who shall serve in an advisory capacity as  
13 a nonvoting member of the Council, shall be—

14 (A) the Director of the Office of Financial  
15 Research;

16 (B) the Director of the Federal Insurance  
17 Office;

18 (C) a State insurance commissioner, to be  
19 designated by a selection process determined by  
20 the State insurance commissioners;

21 (D) a State banking supervisor, to be des-  
22 ignated by a selection process determined by  
23 the State banking supervisors; and

24 (E) a State securities commissioner (or an  
25 officer performing like functions), to be des-

1           ignated by a selection process determined by  
2           such State securities commissioners.

3           (3) NONVOTING MEMBER PARTICIPATION.—The  
4           nonvoting members of the Council shall not be ex-  
5           cluded from any of the proceedings, meetings, dis-  
6           cussions, or deliberations of the Council, except that  
7           the Chairperson may, upon an affirmative vote of  
8           the member agencies, exclude the nonvoting mem-  
9           bers from any of the proceedings, meetings, discus-  
10          sions, or deliberations of the Council when necessary  
11          to safeguard and promote the free exchange of con-  
12          fidential supervisory information.

13          (c) TERMS; VACANCY.—

14           (1) TERMS.—The independent member of the  
15          Council shall serve for a term of 6 years, and each  
16          nonvoting member described in subparagraphs (C),  
17          (D), and (E) of subsection (b)(2) shall serve for a  
18          term of 2 years.

19           (2) VACANCY.—Any vacancy on the Council  
20          shall be filled in the manner in which the original  
21          appointment was made.

22           (3) ACTING OFFICIALS MAY SERVE.—In the  
23          event of a vacancy in the office of the head of a  
24          member agency or department, and pending the ap-  
25          pointment of a successor, or during the absence or

1       disability of the head of a member agency or depart-  
2       ment, the acting head of the member agency or de-  
3       partment shall serve as a member of the Council in  
4       the place of that agency or department head.

5       (d) TECHNICAL AND PROFESSIONAL ADVISORY COM-  
6       MITTEES.—The Council may appoint such special advi-  
7       sory, technical, or professional committees as may be use-  
8       ful in carrying out the functions of the Council, including  
9       an advisory committee consisting of State regulators, and  
10      the members of such committees may be members of the  
11      Council, or other persons, or both.

12      (e) MEETINGS.—

13           (1) TIMING.—The Council shall meet at the call  
14      of the Chairperson or a majority of the members  
15      then serving, but not less frequently than quarterly.

16           (2) RULES FOR CONDUCTING BUSINESS.—The  
17      Council shall adopt such rules as may be necessary  
18      for the conduct of the business of the Council. Such  
19      rules shall be rules of agency organization, proce-  
20      dure, or practice for purposes of section 553 of title  
21      5, United States Code.

22      (f) VOTING.—Unless otherwise specified, the Council  
23      shall make all decisions that it is authorized or required  
24      to make by a majority vote of the voting members then  
25      serving.

1 (g) NONAPPLICABILITY OF FACCA.—The Federal Ad-  
2 visory Committee Act (5 U.S.C. App.) shall not apply to  
3 the Council, or to any special advisory, technical, or pro-  
4 fessional committee appointed by the Council, except that,  
5 if an advisory, technical, or professional committee has  
6 one or more members who are not employees of or affili-  
7 ated with the United States Government, the Council shall  
8 publish a list of the names of the members of such com-  
9 mittee.

10 (h) ASSISTANCE FROM FEDERAL AGENCIES.—Any  
11 department or agency of the United States may provide  
12 to the Council and any special advisory, technical, or pro-  
13 fessional committee appointed by the Council, such serv-  
14 ices, funds, facilities, staff, and other support services as  
15 the Council may determine advisable.

16 (i) COMPENSATION OF MEMBERS.—

17 (1) FEDERAL EMPLOYEE MEMBERS.—All mem-  
18 bers of the Council who are officers or employees of  
19 the United States shall serve without compensation  
20 in addition to that received for their services as offi-  
21 cers or employees of the United States.

22 (2) COMPENSATION FOR NON-FEDERAL MEM-  
23 BER.—Section 5314 of title 5, United States Code,  
24 is amended by adding at the end the following:

1           “Independent Member of the Financial Stability  
2           Oversight Council (1).”.

3           (j) **DETAIL OF GOVERNMENT EMPLOYEES.**—Any em-  
4           ployee of the Federal Government may be detailed to the  
5           Council without reimbursement, and such detail shall be  
6           without interruption or loss of civil service status or privi-  
7           lege. An employee of the Federal Government detailed to  
8           the Council shall report to and be subject to oversight by  
9           the Council during the assignment to the Council, and  
10          shall be compensated by the department or agency from  
11          which the employee was detailed.

12       **SEC. 112. COUNCIL AUTHORITY.**

13          (a) **PURPOSES AND DUTIES OF THE COUNCIL.**—

14               (1) **IN GENERAL.**—The purposes of the Council  
15          are—

16                       (A) to identify risks to the financial sta-  
17                       bility of the United States that could arise from  
18                       the material financial distress or failure, or on-  
19                       going activities, of large, interconnected bank  
20                       holding companies or nonbank financial compa-  
21                       nies, or that could arise outside the financial  
22                       services marketplace;

23                       (B) to promote market discipline, by elimi-  
24                       nating expectations on the part of shareholders,  
25                       creditors, and counterparties of such companies

1           that the Government will shield them from  
2           losses in the event of failure; and

3           (C) to respond to emerging threats to the  
4           stability of the United States financial system.

5           (2) DUTIES.—The Council shall, in accordance  
6           with this title—

7           (A) collect information from member agen-  
8           cies, other Federal and State financial regu-  
9           latory agencies, the Federal Insurance Office  
10          and, if necessary to assess risks to the United  
11          States financial system, direct the Office of Fi-  
12          nancial Research to collect information from  
13          bank holding companies and nonbank financial  
14          companies;

15          (B) provide direction to, and request data  
16          and analyses from, the Office of Financial Re-  
17          search to support the work of the Council;

18          (C) monitor the financial services market-  
19          place in order to identify potential threats to  
20          the financial stability of the United States;

21          (D) to monitor domestic and international  
22          financial regulatory proposals and develop-  
23          ments, including insurance and accounting  
24          issues, and to advise Congress and make rec-  
25          ommendations in such areas that will enhance

1 the integrity, efficiency, competitiveness, and  
2 stability of the U.S. financial markets;

3 (E) facilitate information sharing and co-  
4 ordination among the member agencies and  
5 other Federal and State agencies regarding do-  
6 mestic financial services policy development,  
7 rulemaking, examinations, reporting require-  
8 ments, and enforcement actions;

9 (F) recommend to the member agencies  
10 general supervisory priorities and principles re-  
11 flecting the outcome of discussions among the  
12 member agencies;

13 (G) identify gaps in regulation that could  
14 pose risks to the financial stability of the  
15 United States;

16 (H) require supervision by the Board of  
17 Governors for nonbank financial companies that  
18 may pose risks to the financial stability of the  
19 United States in the event of their material fi-  
20 nancial distress or failure, or because of their  
21 activities pursuant to section 113;

22 (I) make recommendations to the Board of  
23 Governors concerning the establishment of  
24 heightened prudential standards for risk-based  
25 capital, leverage, liquidity, contingent capital,

1 resolution plans and credit exposure reports,  
2 concentration limits, enhanced public disclo-  
3 sures, and overall risk management for  
4 nonbank financial companies and large, inter-  
5 connected bank holding companies supervised  
6 by the Board of Governors;

7 (J) identify systemically important finan-  
8 cial market utilities and payment, clearing, and  
9 settlement activities (as that term is defined in  
10 title VIII);

11 (K) make recommendations to primary fi-  
12 nancial regulatory agencies to apply new or  
13 heightened standards and safeguards for finan-  
14 cial activities or practices that could create or  
15 increase risks of significant liquidity, credit, or  
16 other problems spreading among bank holding  
17 companies, nonbank financial companies, and  
18 United States financial markets;

19 (L) review and, as appropriate, may sub-  
20 mit comments to the Commission and any  
21 standard-setting body with respect to an exist-  
22 ing or proposed accounting principle, standard,  
23 or procedure;

24 (M) provide a forum for—



1 (i) discussion and analysis of emerg-  
2 ing market developments and financial reg-  
3 ulatory issues; and

4 (ii) resolution of jurisdictional dis-  
5 putes among the members of the Council;  
6 and

7 (N) annually report to and testify before  
8 Congress on—

9 (i) the activities of the Council;

10 (ii) significant financial market and  
11 regulatory developments, including insur-  
12 ance and accounting regulations and  
13 standards, along with an assessment of  
14 those developments on the stability of the  
15 financial system;

16 (iii) potential emerging threats to the  
17 financial stability of the United States;

18 (iv) all determinations made under  
19 section 113 or title VIII, and the basis for  
20 such determinations;

21 (v) all recommendations made under  
22 section 119 and the result of such rec-  
23 ommendations; and

24 (vi) recommendations—

- 1 (I) to enhance the integrity, effi-  
2 ciency, competitiveness, and stability  
3 of United States financial markets;  
4 (II) to promote market discipline;  
5 and  
6 (III) to maintain investor con-  
7 fidence.

8 (b) STATEMENTS BY VOTING MEMBERS OF THE  
9 COUNCIL.—At the time at which each report is submitted  
10 under subsection (a), each voting member of the Council  
11 shall—

12 (1) if such member believes that the Council,  
13 the Government, and the private sector are taking  
14 all reasonable steps to ensure financial stability and  
15 to mitigate systemic risk that would negatively affect  
16 the economy, submit a signed statement to Congress  
17 stating such belief; or

18 (2) if such member does not believe that all rea-  
19 sonable steps described under paragraph (1) are  
20 being taken, submit a signed statement to Congress  
21 stating what actions such member believes need to  
22 be taken in order to ensure that all reasonable steps  
23 described under paragraph (1) are taken.

24 (c) TESTIMONY BY THE CHAIRPERSON.—The Chair-  
25 person shall appear before the Committee on Financial

1 Services of the House of Representatives and the Com-  
2 mittee on Banking, Housing, and Urban Affairs of the  
3 Senate at an annual hearing, after the report is submitted  
4 under subsection (a)—

5 (1) to discuss the efforts, activities, objectives,  
6 and plans of the Council; and

7 (2) to discuss and answer questions concerning  
8 such report.

9 (d) AUTHORITY TO OBTAIN INFORMATION.—

10 (1) IN GENERAL.—The Council may receive,  
11 and may request the submission of, any data or in-  
12 formation from the Office of Financial Research,  
13 member agencies, and the Federal Insurance Office,  
14 as necessary—

15 (A) to monitor the financial services mar-  
16 ketplace to identify potential risks to the finan-  
17 cial stability of the United States; or

18 (B) to otherwise carry out any of the pro-  
19 visions of this title.

20 (2) SUBMISSIONS BY THE OFFICE AND MEMBER  
21 AGENCIES.—Notwithstanding any other provision of  
22 law, the Office of Financial Research, any member  
23 agency, and the Federal Insurance Office, are au-  
24 thorized to submit information to the Council.

25 (3) FINANCIAL DATA COLLECTION.—

1           (A) IN GENERAL.—The Council, acting  
2 through the Office of Financial Research, may  
3 require the submission of periodic and other re-  
4 ports from any nonbank financial company or  
5 bank holding company for the purpose of as-  
6 sessing the extent to which a financial activity  
7 or financial market in which the nonbank finan-  
8 cial company or bank holding company partici-  
9 pates, or the nonbank financial company or  
10 bank holding company itself, poses a threat to  
11 the financial stability of the United States.

12           (B) MITIGATION OF REPORT BURDEN.—  
13 Before requiring the submission of reports from  
14 any nonbank financial company or bank holding  
15 company that is regulated by a member agency  
16 or any primary financial regulatory agency, the  
17 Council, acting through the Office of Financial  
18 Research, shall coordinate with such agencies  
19 and shall, whenever possible, rely on informa-  
20 tion available from the Office of Financial Re-  
21 search or such agencies.

22           (C) MITIGATION IN CASE OF FOREIGN FI-  
23 NANCIAL COMPANIES.—Before requiring the  
24 submission of reports from a company that is  
25 a foreign nonbank financial company or foreign-

1 based bank holding company, the Council shall,  
2 acting through the Office of Financial Re-  
3 search, to the extent appropriate, consult with  
4 the appropriate foreign regulator of such com-  
5 pany and, whenever possible, rely on informa-  
6 tion already being collected by such foreign reg-  
7 ulator, with English translation.

8 (4) BACK-UP EXAMINATION BY THE BOARD OF  
9 GOVERNORS.—If the Council is unable to determine  
10 whether the financial activities of a U.S. nonbank fi-  
11 nancial company pose a threat to the financial sta-  
12 bility of the United States, based on information or  
13 reports obtained under paragraphs (1) and (3), dis-  
14 cussions with management, and publicly available in-  
15 formation, the Council may request the Board of  
16 Governors, and the Board of Governors is author-  
17 ized, to conduct an examination of the U.S. nonbank  
18 financial company for the sole purpose of deter-  
19 mining whether the nonbank financial company  
20 should be supervised by the Board of Governors for  
21 purposes of this title.

22 (5) CONFIDENTIALITY.—

23 (A) IN GENERAL.—The Council, the Office  
24 of Financial Research, and the other member  
25 agencies shall maintain the confidentiality of

1 any data, information, and reports submitted  
2 under this title.

3 (B) RETENTION OF PRIVILEGE.—The sub-  
4 mission of any nonpublicly available data or in-  
5 formation under this subsection and subtitle B  
6 shall not constitute a waiver of, or otherwise af-  
7 fect, any privilege arising under Federal or  
8 State law (including the rules of any Federal or  
9 State court) to which the data or information is  
10 otherwise subject.

11 (C) FREEDOM OF INFORMATION ACT.—  
12 Section 552 of title 5, United States Code, in-  
13 cluding the exceptions thereunder, shall apply  
14 to any data or information submitted under this  
15 subsection and subtitle B.

16 **SEC. 113. AUTHORITY TO REQUIRE SUPERVISION AND REG-**  
17 **ULATION OF CERTAIN NONBANK FINANCIAL**  
18 **COMPANIES.**

19 (a) U.S. NONBANK FINANCIAL COMPANIES SUPER-  
20 VISED BY THE BOARD OF GOVERNORS.—

21 (1) DETERMINATION.—The Council, on a non-  
22 delegable basis and by a vote of not fewer than  $\frac{2}{3}$   
23 of the voting members then serving, including an af-  
24 firmative vote by the Chairperson, may determine  
25 that a U.S. nonbank financial company shall be su-

1       pervised by the Board of Governors and shall be  
2       subject to prudential standards, in accordance with  
3       this title, if the Council determines that material fi-  
4       nancial distress at the U.S. nonbank financial com-  
5       pany, or the nature, scope, size, scale, concentration,  
6       interconnectedness, or mix of the activities of the  
7       U.S. nonbank financial company, could pose a threat  
8       to the financial stability of the United States.

9               (2) CONSIDERATIONS.—In making a determina-  
10       tion under paragraph (1), the Council shall con-  
11       sider—

12                       (A) the extent of the leverage of the com-  
13       pany;

14                       (B) the extent and nature of the off-bal-  
15       ance-sheet exposures of the company;

16                       (C) the extent and nature of the trans-  
17       actions and relationships of the company with  
18       other significant nonbank financial companies  
19       and significant bank holding companies;

20                       (D) the importance of the company as a  
21       source of credit for households, businesses, and  
22       State and local governments and as a source of  
23       liquidity for the United States financial system;

24                       (E) the importance of the company as a  
25       source of credit for low-income, minority, or un-

1           derserved communities, and the impact that the  
2           failure of such company would have on the  
3           availability of credit in such communities;

4           (F) the extent to which assets are man-  
5           aged rather than owned by the company, and  
6           the extent to which ownership of assets under  
7           management is diffuse;

8           (G) the nature, scope, size, scale, con-  
9           centration, interconnectedness, and mix of the  
10          activities of the company;

11          (H) the degree to which the company is al-  
12          ready regulated by 1 or more primary financial  
13          regulatory agencies;

14          (I) the amount and nature of the financial  
15          assets of the company;

16          (J) the amount and types of the liabilities  
17          of the company, including the degree of reliance  
18          on short-term funding; and

19          (K) any other risk-related factors that the  
20          Council deems appropriate.

21          (b) FOREIGN NONBANK FINANCIAL COMPANIES SU-  
22          PERVISED BY THE BOARD OF GOVERNORS.—

23           (1) DETERMINATION.—The Council, on a non-  
24           delegable basis and by a vote of not fewer than  $\frac{2}{3}$   
25           of the voting members then serving, including an af-



1 firmative vote by the Chairperson, may determine  
2 that a foreign nonbank financial company shall be  
3 supervised by the Board of Governors and shall be  
4 subject to prudential standards, in accordance with  
5 this title, if the Council determines that material fi-  
6 nancial distress at the foreign nonbank financial  
7 company, or the nature, scope, size, scale, concentra-  
8 tion, interconnectedness, or mix of the activities of  
9 the foreign nonbank financial company, could pose a  
10 threat to the financial stability of the United States.

11 (2) CONSIDERATIONS.—In making a determina-  
12 tion under paragraph (1), the Council shall con-  
13 sider—

14 (A) the extent of the leverage of the com-  
15 pany;

16 (B) the extent and nature of the United  
17 States related off-balance-sheet exposures of the  
18 company;

19 (C) the extent and nature of the trans-  
20 actions and relationships of the company with  
21 other significant nonbank financial companies  
22 and significant bank holding companies;

23 (D) the importance of the company as a  
24 source of credit for United States households,  
25 businesses, and State and local governments

1 and as a source of liquidity for the United  
2 States financial system;

3 (E) the importance of the company as a  
4 source of credit for low-income, minority, or un-  
5 derserved communities in the United States,  
6 and the impact that the failure of such com-  
7 pany would have on the availability of credit in  
8 such communities;

9 (F) the extent to which assets are man-  
10 aged rather than owned by the company and  
11 the extent to which ownership of assets under  
12 management is diffuse;

13 (G) the nature, scope, size, scale, con-  
14 centration, interconnectedness, and mix of the  
15 activities of the company;

16 (H) the extent to which the company is  
17 subject to prudential standards on a consoli-  
18 dated basis in its home country that are admin-  
19 istered and enforced by a comparable foreign  
20 supervisory authority;

21 (I) the amount and nature of the United  
22 States financial assets of the company;

23 (J) the amount and nature of the liabilities  
24 of the company used to fund activities and op-

1           erations in the United States, including the de-  
2           gree of reliance on short-term funding; and

3           (K) any other risk-related factors that the  
4           Council deems appropriate.

5       (c) ANTI-EVASION.—

6           (1) DETERMINATIONS.—In order to avoid eva-  
7           sion of this title, the Council, on its own initiative  
8           or at the request of the Board of Governors, may de-  
9           termine, on a nondelegable basis and by a vote of  
10          not fewer than  $\frac{2}{3}$  of the voting members then serv-  
11          ing, including an affirmative vote by the Chair-  
12          person, that—

13           (A) material financial distress related to,  
14           or the nature, scope, size, scale, concentration,  
15           interconnectedness, or mix of, the financial ac-  
16           tivities conducted directly or indirectly by a  
17           company incorporated or organized under the  
18           laws of the United States or any State or the  
19           financial activities in the United States of a  
20           company incorporated or organized in a country  
21           other than the United States would pose a  
22           threat to the financial stability of the United  
23           States, based on consideration of the factors in  
24           subsection (a)(2) or (b)(2), as applicable;

1 (B) the company is organized or operates  
2 in such a manner as to evade the application of  
3 this title; and

4 (C) such financial activities of the company  
5 shall be supervised by the Board of Governors  
6 and subject to prudential standards in accord-  
7 ance with this title, consistent with paragraph  
8 (3).

9 (2) REPORT.—Upon making a determination  
10 under paragraph (1), the Council shall submit a re-  
11 port to the appropriate committees of Congress de-  
12 tailing the reasons for making such determination.

13 (3) CONSOLIDATED SUPERVISION OF ONLY FI-  
14 NANCIAL ACTIVITIES; ESTABLISHMENT OF AN IN-  
15 TERMEDIATE HOLDING COMPANY.—

16 (A) ESTABLISHMENT OF AN INTER-  
17 MEDIATE HOLDING COMPANY.—Upon a deter-  
18 mination under paragraph (1), the company  
19 that is the subject of the determination may es-  
20 tablish an intermediate holding company in  
21 which the financial activities of such company  
22 and its subsidiaries shall be conducted (other  
23 than the activities described in section  
24 167(b)(2)) in compliance with any regulations  
25 or guidance provided by the Board of Gov-

1            errors. Such intermediate holding company  
2            shall be subject to the supervision of the Board  
3            of Governors and to prudential standards under  
4            this title as if the intermediate holding company  
5            were a nonbank financial company supervised  
6            by the Board of Governors.

7            (B) ACTION OF THE BOARD OF GOV-  
8            ERNORS.—To facilitate the supervision of the  
9            financial activities subject to the determination  
10          in paragraph (1), the Board of Governors may  
11          require a company to establish an intermediate  
12          holding company, as provided for in section  
13          167, which would be subject to the supervision  
14          of the Board of Governors and to prudential  
15          standards under this title, as if the intermediate  
16          holding company were a nonbank financial com-  
17          pany supervised by the Board of Governors.

18          (4) NOTICE AND OPPORTUNITY FOR HEARING  
19          AND FINAL DETERMINATION; JUDICIAL REVIEW.—  
20          Subsections (d) through (h) shall apply to deter-  
21          minations made by the Council pursuant to para-  
22          graph (1) in the same manner as such subsections  
23          apply to nonbank financial companies.

1           (5) COVERED FINANCIAL ACTIVITIES.—For  
2 purposes of this subsection, the term “financial ac-  
3 tivities”—

4           (A) means activities that are financial in  
5 nature (as defined in section 4(k) of the Bank  
6 Holding Company Act of 1956);

7           (B) includes the ownership or control of  
8 one or more insured depository institutions; and

9           (C) does not include internal financial ac-  
10 tivities conducted for the company or any affil-  
11 iate thereof, including internal treasury, invest-  
12 ment, and employee benefit functions.

13           (6) ONLY FINANCIAL ACTIVITIES SUBJECT TO  
14 PRUDENTIAL SUPERVISION.—Nonfinancial activities  
15 of the company shall not be subject to supervision  
16 by the Board of Governors and prudential standards  
17 of the Board. For purposes of this Act, the financial  
18 activities that are the subject of the determination in  
19 paragraph (1) shall be subject to the same require-  
20 ments as a nonbank financial company supervised by  
21 the Board of Governors. Nothing in this paragraph  
22 shall prohibit or limit the authority of the Board of  
23 Governors to apply prudential standards under this  
24 title to the financial activities that are subject to the  
25 determination in paragraph (1).

1 (d) REEVALUATION AND RESCISSION.—The Council  
2 shall—

3 (1) not less frequently than annually, reevaluate  
4 each determination made under subsections (a) and  
5 (b) with respect to such nonbank financial company  
6 supervised by the Board of Governors; and

7 (2) rescind any such determination, if the  
8 Council, by a vote of not fewer than  $\frac{2}{3}$  of the voting  
9 members then serving, including an affirmative vote  
10 by the Chairperson, determines that the nonbank fi-  
11 nancial company no longer meets the standards  
12 under subsection (a) or (b), as applicable.

13 (e) NOTICE AND OPPORTUNITY FOR HEARING AND  
14 FINAL DETERMINATION.—

15 (1) IN GENERAL.—The Council shall provide to  
16 a nonbank financial company written notice of a  
17 proposed determination of the Council, including an  
18 explanation of the basis of the proposed determina-  
19 tion of the Council, that a nonbank financial com-  
20 pany shall be supervised by the Board of Governors  
21 and shall be subject to prudential standards in ac-  
22 cordance with this title.

23 (2) HEARING.—Not later than 30 days after  
24 the date of receipt of any notice of a proposed deter-  
25 mination under paragraph (1), the nonbank finan-

1        cial company may request, in writing, an oppor-  
2        tunity for a written or oral hearing before the Coun-  
3        cil to contest the proposed determination. Upon re-  
4        ceipt of a timely request, the Council shall fix a time  
5        (not later than 30 days after the date of receipt of  
6        the request) and place at which such company may  
7        appear, personally or through counsel, to submit  
8        written materials (or, at the sole discretion of the  
9        Council, oral testimony and oral argument).

10            (3) FINAL DETERMINATION.—Not later than 60  
11        days after the date of a hearing under paragraph  
12        (2), the Council shall notify the nonbank financial  
13        company of the final determination of the Council,  
14        which shall contain a statement of the basis for the  
15        decision of the Council.

16            (4) NO HEARING REQUESTED.—If a nonbank  
17        financial company does not make a timely request  
18        for a hearing, the Council shall notify the nonbank  
19        financial company, in writing, of the final determina-  
20        tion of the Council under subsection (a) or (b), as  
21        applicable, not later than 10 days after the date by  
22        which the company may request a hearing under  
23        paragraph (2).

24            (f) EMERGENCY EXCEPTION.—



1           (1) IN GENERAL.—The Council may waive or  
2           modify the requirements of subsection (e) with re-  
3           spect to a nonbank financial company, if the Council  
4           determines, by a vote of not fewer than  $\frac{2}{3}$  of the  
5           voting members then serving, including an affirma-  
6           tive vote by the Chairperson, that such waiver or  
7           modification is necessary or appropriate to prevent  
8           or mitigate threats posed by the nonbank financial  
9           company to the financial stability of the United  
10          States.

11          (2) NOTICE.—The Council shall provide notice  
12          of a waiver or modification under this subsection to  
13          the nonbank financial company concerned as soon as  
14          practicable, but not later than 24 hours after the  
15          waiver or modification is granted.

16          (3) INTERNATIONAL COORDINATION.—In mak-  
17          ing a determination under paragraph (1), the Coun-  
18          cil shall consult with the appropriate home country  
19          supervisor, if any, of the foreign nonbank financial  
20          company that is being considered for such a deter-  
21          mination.

22          (4) OPPORTUNITY FOR HEARING.—The Council  
23          shall allow a nonbank financial company to request,  
24          in writing, an opportunity for a written or oral hear-  
25          ing before the Council to contest a waiver or modi-

1        fication under this subsection, not later than 10  
2        days after the date of receipt of notice of the waiver  
3        or modification by the company. Upon receipt of a  
4        timely request, the Council shall fix a time (not later  
5        than 15 days after the date of receipt of the request)  
6        and place at which the nonbank financial company  
7        may appear, personally or through counsel, to sub-  
8        mit written materials (or, at the sole discretion of  
9        the Council, oral testimony and oral argument).

10            (5) NOTICE OF FINAL DETERMINATION.—Not  
11        later than 30 days after the date of any hearing  
12        under paragraph (4), the Council shall notify the  
13        subject nonbank financial company of the final de-  
14        termination of the Council under this subsection,  
15        which shall contain a statement of the basis for the  
16        decision of the Council.

17            (g) CONSULTATION.—The Council shall consult with  
18        the primary financial regulatory agency, if any, for each  
19        nonbank financial company or subsidiary of a nonbank fi-  
20        nancial company that is being considered for supervision  
21        by the Board of Governors under this section before the  
22        Council makes any final determination with respect to  
23        such nonbank financial company under subsection (a), (b),  
24        or (c).

1           (h) JUDICIAL REVIEW.—If the Council makes a final  
2 determination under this section with respect to a  
3 nonbank financial company, such nonbank financial com-  
4 pany may, not later than 30 days after the date of receipt  
5 of the notice of final determination under subsection  
6 (d)(2), (e)(3), or (f)(5), bring an action in the United  
7 States district court for the judicial district in which the  
8 home office of such nonbank financial company is located,  
9 or in the United States District Court for the District of  
10 Columbia, for an order requiring that the final determina-  
11 tion be rescinded, and the court shall, upon review, dismiss  
12 such action or direct the final determination to be re-  
13 scinded. Review of such an action shall be limited to  
14 whether the final determination made under this section  
15 was arbitrary and capricious.

16           (i) INTERNATIONAL COORDINATION.—In exercising  
17 its duties under this title with respect to foreign nonbank  
18 financial companies, foreign-based bank holding compa-  
19 nies, and cross-border activities and markets, the Council  
20 shall consult with appropriate foreign regulatory authori-  
21 ties, to the extent appropriate.

1 **SEC. 114. REGISTRATION OF NONBANK FINANCIAL COMPA-**  
2 **NIES SUPERVISED BY THE BOARD OF GOV-**  
3 **ERNORS.**

4 Not later than 180 days after the date of a final  
5 Council determination under section 113 that a nonbank  
6 financial company is to be supervised by the Board of Gov-  
7 ernors, such company shall register with the Board of  
8 Governors, on forms prescribed by the Board of Gov-  
9 ernors, which shall include such information as the Board  
10 of Governors, in consultation with the Council, may deem  
11 necessary or appropriate to carry out this title.

12 **SEC. 115. ENHANCED SUPERVISION AND PRUDENTIAL**  
13 **STANDARDS FOR NONBANK FINANCIAL COM-**  
14 **PANIES SUPERVISED BY THE BOARD OF GOV-**  
15 **ERNORS AND CERTAIN BANK HOLDING COM-**  
16 **PANIES.**

17 (a) IN GENERAL.—

18 (1) PURPOSE.—In order to prevent or mitigate  
19 risks to the financial stability of the United States  
20 that could arise from the material financial distress,  
21 failure, or ongoing activities of large, interconnected  
22 financial institutions, the Council may make rec-  
23 ommendations to the Board of Governors concerning  
24 the establishment and refinement of prudential  
25 standards and reporting and disclosure requirements  
26 applicable to nonbank financial companies super-

1       vised by the Board of Governors and large, inter-  
2       connected bank holding companies, that—

3               (A) are more stringent than those applica-  
4               ble to other nonbank financial companies and  
5               bank holding companies that do not present  
6               similar risks to the financial stability of the  
7               United States; and

8               (B) increase in stringency, based on the  
9               considerations identified in subsection (b)(3).

10       (2) RECOMMENDED APPLICATION OF REQUIRED  
11       STANDARDS.—In making recommendations under  
12       this section, the Council may—

13               (A) differentiate among companies that are  
14               subject to heightened standards on an indi-  
15               vidual basis or by category, taking into consid-  
16               eration their capital structure, riskiness, com-  
17               plexity, financial activities (including the finan-  
18               cial activities of their subsidiaries), size, and  
19               any other risk-related factors that the Council  
20               deems appropriate; or

21               (B) recommend an asset threshold that is  
22               higher than \$50,000,000,000 for the applica-  
23               tion of any standard described in subsections  
24               (c) through (g).

25       (b) DEVELOPMENT OF PRUDENTIAL STANDARDS.—

1           (1) IN GENERAL.—The recommendations of the  
2 Council under subsection (a) may include—

3                   (A) risk-based capital requirements;

4                   (B) leverage limits;

5                   (C) liquidity requirements;

6                   (D) resolution plan and credit exposure re-  
7 port requirements;

8                   (E) concentration limits;

9                   (F) a contingent capital requirement;

10                  (G) enhanced public disclosures;

11                  (H) short-term debt limits; and

12                  (I) overall risk management requirements.

13           (2) PRUDENTIAL STANDARDS FOR FOREIGN FI-  
14 NANCIAL COMPANIES.—In making recommendations  
15 concerning the standards set forth in paragraph (1)  
16 that would apply to foreign nonbank financial com-  
17 panies supervised by the Board of Governors or for-  
18 eign-based bank holding companies, the Council  
19 shall—

20                   (A) give due regard to the principle of na-  
21 tional treatment and equality of competitive op-  
22 portunity; and

23                   (B) take into account the extent to which  
24 the foreign nonbank financial company or for-  
25 eign-based bank holding company is subject on

1 a consolidated basis to home country standards  
2 that are comparable to those applied to finan-  
3 cial companies in the United States.

4 (3) CONSIDERATIONS.—In making rec-  
5 ommendations concerning prudential standards  
6 under paragraph (1), the Council shall—

7 (A) take into account differences among  
8 nonbank financial companies supervised by the  
9 Board of Governors and bank holding compa-  
10 nies described in subsection (a), based on—

11 (i) the factors described in subsections  
12 (a) and (b) of section 113;

13 (ii) whether the company owns an in-  
14 sured depository institution;

15 (iii) nonfinancial activities and affili-  
16 ations of the company; and

17 (iv) any other factors that the Council  
18 determines appropriate;

19 (B) to the extent possible, ensure that  
20 small changes in the factors listed in sub-  
21 sections (a) and (b) of section 113 would not  
22 result in sharp, discontinuous changes in the  
23 prudential standards established under section  
24 165; and

1           (C) adapt its recommendations as appro-  
2           priate in light of any predominant line of busi-  
3           ness of such company, including assets under  
4           management or other activities for which par-  
5           ticular standards may not be appropriate.

6           (c) CONTINGENT CAPITAL.—

7           (1) STUDY REQUIRED.—The Council shall con-  
8           duct a study of the feasibility, benefits, costs, and  
9           structure of a contingent capital requirement for  
10          nonbank financial companies supervised by the  
11          Board of Governors and bank holding companies de-  
12          scribed in subsection (a), which study shall in-  
13          clude—

14                (A) an evaluation of the degree to which  
15                such requirement would enhance the safety and  
16                soundness of companies subject to the require-  
17                ment, promote the financial stability of the  
18                United States, and reduce risks to United  
19                States taxpayers;

20                (B) an evaluation of the characteristics  
21                and amounts of contingent capital that should  
22                be required;

23                (C) an analysis of potential prudential  
24                standards that should be used to determine  
25                whether the contingent capital of a company



1 would be converted to equity in times of finan-  
2 cial stress;

3 (D) an evaluation of the costs to compa-  
4 nies, the effects on the structure and operation  
5 of credit and other financial markets, and other  
6 economic effects of requiring contingent capital;

7 (E) an evaluation of the effects of such re-  
8 quirement on the international competitiveness  
9 of companies subject to the requirement and  
10 the prospects for international coordination in  
11 establishing such requirement; and

12 (F) recommendations for implementing  
13 regulations.

14 (2) REPORT.—The Council shall submit a re-  
15 port to Congress regarding the study required by  
16 paragraph (1) not later than 2 years after the date  
17 of enactment of this Act.

18 (3) RECOMMENDATIONS.—

19 (A) IN GENERAL.—Subsequent to submit-  
20 ting a report to Congress under paragraph (2),  
21 the Council may make recommendations to the  
22 Board of Governors to require any nonbank fi-  
23 nancial company supervised by the Board of  
24 Governors and any bank holding company de-  
25 scribed in subsection (a) to maintain a min-

1           imum amount of contingent capital that is con-  
2           vertible to equity in times of financial stress.

3                   (B) FACTORS TO CONSIDER.—In making  
4           recommendations under this subsection, the  
5           Council shall consider—

6                           (i) an appropriate transition period  
7                           for implementation of a conversion under  
8                           this subsection;

9                           (ii) the factors described in subsection  
10                          (b)(3);

11                          (iii) capital requirements applicable to  
12                          a nonbank financial company supervised by  
13                          the Board of Governors or a bank holding  
14                          company described in subsection (a), and  
15                          subsidiaries thereof;

16                          (iv) results of the study required by  
17                          paragraph (1); and

18                          (v) any other factor that the Council  
19                          deems appropriate.

20           (d) RESOLUTION PLAN AND CREDIT EXPOSURE RE-  
21   PORTS.—

22                   (1) RESOLUTION PLAN.—The Council may  
23           make recommendations to the Board of Governors  
24           concerning the requirement that each nonbank fi-  
25           nancial company supervised by the Board of Gov-

1 errors and each bank holding company described in  
2 subsection (a) report periodically to the Council, the  
3 Board of Governors, and the Corporation, the plan  
4 of such company for rapid and orderly resolution in  
5 the event of material financial distress or failure.

6 (2) CREDIT EXPOSURE REPORT.—The Council  
7 may make recommendations to the Board of Gov-  
8 ernors concerning the advisability of requiring each  
9 nonbank financial company supervised by the Board  
10 of Governors and bank holding company described in  
11 subsection (a) to report periodically to the Council,  
12 the Board of Governors, and the Corporation on—

13 (A) the nature and extent to which the  
14 company has credit exposure to other signifi-  
15 cant nonbank financial companies and signifi-  
16 cant bank holding companies; and

17 (B) the nature and extent to which other  
18 such significant nonbank financial companies  
19 and significant bank holding companies have  
20 credit exposure to that company.

21 (e) CONCENTRATION LIMITS.—In order to limit the  
22 risks that the failure of any individual company could pose  
23 to nonbank financial companies supervised by the Board  
24 of Governors or bank holding companies described in sub-  
25 section (a), the Council may make recommendations to the

1 Board of Governors to prescribe standards to limit such  
2 risks, as set forth in section 165.

3 (f) **ENHANCED PUBLIC DISCLOSURES.**—The Council  
4 may make recommendations to the Board of Governors  
5 to require periodic public disclosures by bank holding com-  
6 panies described in subsection (a) and by nonbank finan-  
7 cial companies supervised by the Board of Governors, in  
8 order to support market evaluation of the risk profile, cap-  
9 ital adequacy, and risk management capabilities thereof.

10 (g) **SHORT-TERM DEBT LIMITS.**—The Council may  
11 make recommendations to the Board of Governors to re-  
12 quire short-term debt limits to mitigate the risks that an  
13 over-accumulation of such debt could pose to bank holding  
14 companies described in subsection (a), nonbank financial  
15 companies supervised by the Board of Governors, or the  
16 financial system.

17 **SEC. 116. REPORTS.**

18 (a) **IN GENERAL.**—Subject to subsection (b), the  
19 Council, acting through the Office of Financial Research,  
20 may require a bank holding company with total consoli-  
21 dated assets of \$50,000,000,000 or greater or a nonbank  
22 financial company supervised by the Board of Governors,  
23 and any subsidiary thereof, to submit certified reports to  
24 keep the Council informed as to—

25 (1) the financial condition of the company;

1           (2) systems for monitoring and controlling fi-  
2 nancial, operating, and other risks;

3           (3) transactions with any subsidiary that is a  
4 depository institution; and

5           (4) the extent to which the activities and oper-  
6 ations of the company and any subsidiary thereof,  
7 could, under adverse circumstances, have the poten-  
8 tial to disrupt financial markets or affect the overall  
9 financial stability of the United States.

10 (b) USE OF EXISTING REPORTS.—

11           (1) IN GENERAL.—For purposes of compliance  
12 with subsection (a), the Council, acting through the  
13 Office of Financial Research, shall, to the fullest ex-  
14 tent possible, use—

15           (A) reports that a bank holding company,  
16 nonbank financial company supervised by the  
17 Board of Governors, or any functionally regu-  
18 lated subsidiary of such company has been re-  
19 quired to provide to other Federal or State reg-  
20 ulatory agencies or to a relevant foreign super-  
21 visory authority;

22           (B) information that is otherwise required  
23 to be reported publicly; and

24           (C) externally audited financial statements.

1           (2) AVAILABILITY.—Each bank holding com-  
2           pany described in subsection (a) and nonbank finan-  
3           cial company supervised by the Board of Governors,  
4           and any subsidiary thereof, shall provide to the  
5           Council, at the request of the Council, copies of all  
6           reports referred to in paragraph (1).

7           (3) CONFIDENTIALITY.—The Council shall  
8           maintain the confidentiality of the reports obtained  
9           under subsection (a) and paragraph (1)(A) of this  
10          subsection.

11 **SEC. 117. TREATMENT OF CERTAIN COMPANIES THAT**  
12 **CEASE TO BE BANK HOLDING COMPANIES.**

13 (a) APPLICABILITY.—This section shall apply to—

14           (1) any entity that—

15                   (A) was a bank holding company having  
16                   total consolidated assets equal to or greater  
17                   than \$50,000,000,000 as of January 1, 2010;  
18                   and

19                   (B) received financial assistance under or  
20                   participated in the Capital Purchase Program  
21                   established under the Troubled Asset Relief  
22                   Program authorized by the Emergency Eco-  
23                   nomic Stabilization Act of 2008; and

1           (2) any successor entity (as defined by the  
2           Board of Governors, in consultation with the Coun-  
3           cil) to an entity described in paragraph (1).

4           (b) TREATMENT.—If an entity described in sub-  
5           section (a) ceases to be a bank holding company at any  
6           time after January 1, 2010, then such entity shall be  
7           treated as a nonbank financial company supervised by the  
8           Board of Governors, as if the Council had made a deter-  
9           mination under section 113 with respect to that entity.

10          (c) APPEAL.—

11           (1) REQUEST FOR HEARING.—An entity may  
12           request, in writing, an opportunity for a written or  
13           oral hearing before the Council to appeal its treat-  
14           ment as a nonbank financial company supervised by  
15           the Board of Governors in accordance with this sec-  
16           tion. Upon receipt of the request, the Council shall  
17           fix a time (not later than 30 days after the date of  
18           receipt of the request) and place at which such enti-  
19           ty may appear, personally or through counsel, to  
20           submit written materials (or, at the sole discretion  
21           of the Council, oral testimony and oral argument).

22           (2) DECISION.—

23           (A) PROPOSED DECISION.—A Council deci-  
24           sion to grant an appeal under this subsection  
25           shall be made by a vote of not fewer than  $\frac{2}{3}$

1 of the voting members then serving, including  
2 an affirmative vote by the Chairperson. Not  
3 later than 60 days after the date of a hearing  
4 under paragraph (1), the Council shall submit  
5 a report to, and may testify before, the Com-  
6 mittee on Banking, Housing, and Urban Affairs  
7 of the Senate and the Committee on Financial  
8 Services of the House of Representatives on the  
9 proposed decision of the Council regarding an  
10 appeal under paragraph (1), which report shall  
11 include a statement of the basis for the pro-  
12 posed decision of the Council.

13 (B) NOTICE OF FINAL DECISION.—The  
14 Council shall notify the subject entity of the  
15 final decision of the Council regarding an ap-  
16 peal under paragraph (1), which notice shall  
17 contain a statement of the basis for the final  
18 decision of the Council, not later than 60 days  
19 after the later of—

20 (i) the date of the submission of the  
21 report under subparagraph (A); or

22 (ii) if, not later than 1 year after the  
23 date of submission of the report under sub-  
24 paragraph (A), the Committee on Banking,  
25 Housing, and Urban Affairs of the Senate



1 or the Committee on Financial Services of  
2 the House of Representatives holds one or  
3 more hearings regarding such report, the  
4 date of the last such hearing.

5 (C) CONSIDERATIONS.—In making a deci-  
6 sion regarding an appeal under paragraph (1),  
7 the Council shall consider whether the company  
8 meets the standards under section 113(a) or  
9 113(b), as applicable, and the definition of the  
10 term “nonbank financial company” under sec-  
11 tion 102. The decision of the Council shall be  
12 final, subject to the review under paragraph  
13 (3).

14 (3) REVIEW.—If the Council denies an appeal  
15 under this subsection, the Council shall, not less fre-  
16 quently than annually, review and reevaluate the de-  
17 cision.

18 **SEC. 118. COUNCIL FUNDING.**

19 Any expenses of the Council shall be treated as ex-  
20 penses of, and paid by, the Office of Financial Research.

21 **SEC. 119. RESOLUTION OF SUPERVISORY JURISDICTIONAL**  
22 **DISPUTES AMONG MEMBER AGENCIES.**

23 (a) REQUEST FOR COUNCIL RECOMMENDATION.—  
24 The Council shall seek to resolve a dispute among 2 or  
25 more member agencies, if—

1           (1) a member agency has a dispute with an-  
2 other member agency about the respective jurisdic-  
3 tion over a particular bank holding company,  
4 nonbank financial company, or financial activity or  
5 product (excluding matters for which another dis-  
6 pute mechanism specifically has been provided under  
7 title X);

8           (2) the Council determines that the disputing  
9 agencies cannot, after a demonstrated good faith ef-  
10 fort, resolve the dispute without the intervention of  
11 the Council; and

12           (3) any of the member agencies involved in the  
13 dispute—

14                 (A) provides all other disputants prior no-  
15 tice of the intent to request dispute resolution  
16 by the Council; and

17                 (B) requests in writing, not earlier than 14  
18 days after providing the notice described in sub-  
19 paragraph (A), that the Council seek to resolve  
20 the dispute.

21           (b) COUNCIL RECOMMENDATION.—The Council shall  
22 seek to resolve each dispute described in subsection (a)—

23                 (1) within a reasonable time after receiving the  
24 dispute resolution request;

1           (2) after consideration of relevant information  
2           provided by each agency party to the dispute; and

3           (3) by agreeing with 1 of the disputants regard-  
4           ing the entirety of the matter, or by determining a  
5           compromise position.

6           (c) FORM OF RECOMMENDATION.—Any Council rec-  
7           ommendation under this section shall—

8           (1) be in writing;

9           (2) include an explanation of the reasons there-  
10          for; and

11          (3) be approved by the affirmative vote of  $\frac{2}{3}$  of  
12          the voting members of the Council then serving.

13          (d) NONBINDING EFFECT.—Any recommendation  
14          made by the Council under subsection (c) shall not be  
15          binding on the Federal agencies that are parties to the  
16          dispute.

17       **SEC. 120. ADDITIONAL STANDARDS APPLICABLE TO ACTIVI-**  
18                               **TIES OR PRACTICES FOR FINANCIAL STA-**  
19                               **BILITY PURPOSES.**

20          (a) IN GENERAL.—The Council may provide for more  
21          stringent regulation of a financial activity by issuing rec-  
22          ommendations to the primary financial regulatory agen-  
23          cies to apply new or heightened standards and safeguards,  
24          including standards enumerated in section 115, for a fi-  
25          nancial activity or practice conducted by bank holding

1 companies or nonbank financial companies under their re-  
2 spective jurisdictions, if the Council determines that the  
3 conduct, scope, nature, size, scale, concentration, or inter-  
4 connectedness of such activity or practice could create or  
5 increase the risk of significant liquidity, credit, or other  
6 problems spreading among bank holding companies and  
7 nonbank financial companies, financial markets of the  
8 United States, or low-income, minority, or underserved  
9 communities.

10 (b) PROCEDURE FOR RECOMMENDATIONS TO REGU-  
11 LATORS.—

12 (1) NOTICE AND OPPORTUNITY FOR COM-  
13 MENT.—The Council shall consult with the primary  
14 financial regulatory agencies and provide notice to  
15 the public and opportunity for comment for any pro-  
16 posed recommendation that the primary financial  
17 regulatory agencies apply new or heightened stand-  
18 ards and safeguards for a financial activity or prac-  
19 tice.

20 (2) CRITERIA.—The new or heightened stand-  
21 ards and safeguards for a financial activity or prac-  
22 tice recommended under paragraph (1)—

23 (A) shall take costs to long-term economic  
24 growth into account; and

1 (B) may include prescribing the conduct of  
2 the activity or practice in specific ways (such as  
3 by limiting its scope, or applying particular cap-  
4 ital or risk management requirements to the  
5 conduct of the activity) or prohibiting the activ-  
6 ity or practice.

7 (c) IMPLEMENTATION OF RECOMMENDED STAND-  
8 ARDS.—

9 (1) ROLE OF PRIMARY FINANCIAL REGULATORY  
10 AGENCY.—

11 (A) IN GENERAL.—Each primary financial  
12 regulatory agency may impose, require reports  
13 regarding, examine for compliance with, and en-  
14 force standards in accordance with this section  
15 with respect to those entities for which it is the  
16 primary financial regulatory agency.

17 (B) RULE OF CONSTRUCTION.—The au-  
18 thority under this paragraph is in addition to,  
19 and does not limit, any other authority of a pri-  
20 mary financial regulatory agency. Compliance  
21 by an entity with actions taken by a primary fi-  
22 nancial regulatory agency under this section  
23 shall be enforceable in accordance with the stat-  
24 utes governing the respective jurisdiction of the  
25 primary financial regulatory agency over the en-

1           tity, as if the agency action were taken under  
2           those statutes.

3           (2) IMPOSITION OF STANDARDS.—The primary  
4           financial regulatory agency shall impose the stand-  
5           ards recommended by the Council in accordance  
6           with subsection (a), or similar standards that the  
7           Council deems acceptable, or shall explain in writing  
8           to the Council, not later than 90 days after the date  
9           on which the Council issues the recommendation,  
10          why the agency has determined not to follow the rec-  
11          ommendation of the Council.

12          (d) REPORT TO CONGRESS.—The Council shall re-  
13          port to Congress on—

14                (1) any recommendations issued by the Council  
15                under this section;

16                (2) the implementation of, or failure to imple-  
17                ment, such recommendation on the part of a pri-  
18                mary financial regulatory agency; and

19                (3) in any case in which no primary financial  
20                regulatory agency exists for the nonbank financial  
21                company conducting financial activities or practices  
22                referred to in subsection (a), recommendations for  
23                legislation that would prevent such activities or prac-  
24                tices from threatening the stability of the financial  
25                system of the United States.

1 (e) EFFECT OF RESCISSION OF IDENTIFICATION.—

2 (1) NOTICE.—The Council may recommend to  
3 the relevant primary financial regulatory agency that  
4 a financial activity or practice no longer requires any  
5 standards or safeguards implemented under this sec-  
6 tion.

7 (2) DETERMINATION OF PRIMARY FINANCIAL  
8 REGULATORY AGENCY TO CONTINUE.—

9 (A) IN GENERAL.—Upon receipt of a rec-  
10 ommendation under paragraph (1), a primary  
11 financial regulatory agency that has imposed  
12 standards under this section shall determine  
13 whether such standards should remain in effect.

14 (B) APPEAL PROCESS.—Each primary fi-  
15 nancial regulatory agency that has imposed  
16 standards under this section shall promulgate  
17 regulations to establish a procedure under  
18 which entities under its jurisdiction may appeal  
19 a determination by such agency under this  
20 paragraph that standards imposed under this  
21 section should remain in effect.

22 **SEC. 121. MITIGATION OF RISKS TO FINANCIAL STABILITY.**

23 (a) MITIGATORY ACTIONS.—If the Board of Gov-  
24 ernors determines that a bank holding company with total  
25 consolidated assets of \$50,000,000,000 or more, or a

1 nonbank financial company supervised by the Board of  
2 Governors, poses a grave threat to the financial stability  
3 of the United States, the Board of Governors, upon an  
4 affirmative vote of not fewer than  $\frac{2}{3}$  of the voting mem-  
5 bers of the Council then serving, shall—

6 (1) limit the ability of the company to merge  
7 with, acquire, consolidate with, or otherwise become  
8 affiliated with another company;

9 (2) restrict the ability of the company to offer  
10 a financial product or products;

11 (3) require the company to terminate one or  
12 more activities;

13 (4) impose conditions on the manner in which  
14 the company conducts 1 or more activities; or

15 (5) if the Board of Governors determines that  
16 the actions described in paragraphs (1) through (4)  
17 are inadequate to mitigate a threat to the financial  
18 stability of the United States in its recommendation,  
19 require the company to sell or otherwise transfer as-  
20 sets or off-balance-sheet items to unaffiliated enti-  
21 ties.

22 (b) NOTICE AND HEARING.—

23 (1) IN GENERAL.—The Board of Governors, in  
24 consultation with the Council, shall provide to a  
25 company described in subsection (a) written notice



1       that such company is being considered for mitiga-  
2       tory action pursuant to this section, including an ex-  
3       planation of the basis for, and description of, the  
4       proposed mitigatory action.

5           (2) HEARING.—Not later than 30 days after  
6       the date of receipt of notice under paragraph (1),  
7       the company may request, in writing, an opportunity  
8       for a written or oral hearing before the Board of  
9       Governors to contest the proposed mitigatory action.  
10      Upon receipt of a timely request, the Board of Gov-  
11      ernors shall fix a time (not later than 30 days after  
12      the date of receipt of the request) and place at  
13      which such company may appear, personally or  
14      through counsel, to submit written materials (or, at  
15      the discretion of the Board of Governors, in con-  
16      sultation with the Council, oral testimony and oral  
17      argument).

18           (3) DECISION.—Not later than 60 days after  
19      the date of a hearing under paragraph (2), or not  
20      later than 60 days after the provision of a notice  
21      under paragraph (1) if no hearing was held, the  
22      Board of Governors shall notify the company of the  
23      final decision of the Board of Governors, including  
24      the results of the vote of the Council, as described  
25      in subsection (a).

1 (c) FACTORS FOR CONSIDERATION.—The Board of  
2 Governors and the Council shall take into consideration  
3 the factors set forth in subsection (a) or (b) of section  
4 113, as applicable, in making any determination under  
5 subsection (a).

6 (d) APPLICATION TO FOREIGN FINANCIAL COMPA-  
7 NIES.—The Board of Governors may prescribe regulations  
8 regarding the application of this section to foreign  
9 nonbank financial companies supervised by the Board of  
10 Governors and foreign-based bank holding companies—

11 (1) giving due regard to the principle of na-  
12 tional treatment and equality of competitive oppor-  
13 tunity; and

14 (2) taking into account the extent to which the  
15 foreign nonbank financial company or foreign-based  
16 bank holding company is subject on a consolidated  
17 basis to home country standards that are com-  
18 parable to those applied to financial companies in  
19 the United States.

20 **SEC. 122. GAO AUDIT OF COUNCIL.**

21 (a) AUTHORITY TO AUDIT.—The Comptroller Gen-  
22 eral of the United States may audit the activities of—

23 (1) the Council; and

24 (2) any person or entity acting on behalf of or  
25 under the authority of the Council, to the extent

1 that such activities relate to work for the Council by  
2 such person or entity.

3 (b) ACCESS TO INFORMATION.—

4 (1) IN GENERAL.—Notwithstanding any other  
5 provision of law, the Comptroller General shall, upon  
6 request and at such reasonable time and in such rea-  
7 sonable form as the Comptroller General may re-  
8 quest, have access to—

9 (A) any records or other information under  
10 the control of or used by the Council;

11 (B) any records or other information under  
12 the control of a person or entity acting on be-  
13 half of or under the authority of the Council, to  
14 the extent that such records or other informa-  
15 tion is relevant to an audit under subsection  
16 (a); and

17 (C) the officers, directors, employees, fi-  
18 nancial advisors, staff, working groups, and  
19 agents and representatives of the Council (as  
20 related to the activities on behalf of the Council  
21 of such agent or representative), at such rea-  
22 sonable times as the Comptroller General may  
23 request.

24 (2) COPIES.—The Comptroller General may  
25 make and retain copies of such books, accounts, and

1 other records, access to which is granted under this  
2 section, as the Comptroller General considers appro-  
3 priate.

4 **SEC. 123. STUDY OF THE EFFECTS OF SIZE AND COM-**  
5 **PLEXITY OF FINANCIAL INSTITUTIONS ON**  
6 **CAPITAL MARKET EFFICIENCY AND ECO-**  
7 **NOMIC GROWTH.**

8 (a) STUDY REQUIRED.—

9 (1) IN GENERAL.—The Chairperson of the  
10 Council shall carry out a study of the economic im-  
11 pact of possible financial services regulatory limita-  
12 tions intended to reduce systemic risk. Such study  
13 shall estimate the benefits and costs on the effi-  
14 ciency of capital markets, on the financial sector,  
15 and on national economic growth, of—

16 (A) explicit or implicit limits on the max-  
17 imum size of banks, bank holding companies,  
18 and other large financial institutions;

19 (B) limits on the organizational complexity  
20 and diversification of large financial institu-  
21 tions;

22 (C) requirements for operational separa-  
23 tion between business units of large financial  
24 institutions in order to expedite resolution in  
25 case of failure;

1 (D) limits on risk transfer between busi-  
2 ness units of large financial institutions;

3 (E) requirements to carry contingent cap-  
4 ital or similar mechanisms;

5 (F) limits on commingling of commercial  
6 and financial activities by large financial insti-  
7 tutions;

8 (G) segregation requirements between tra-  
9 ditional financial activities and trading or other  
10 high-risk operations in large financial institu-  
11 tions; and

12 (H) other limitations on the activities or  
13 structure of large financial institutions that  
14 may be useful to limit systemic risk.

15 (2) RECOMMENDATIONS.—The study required  
16 by this section shall include recommendations for the  
17 optimal structure of any limits considered in sub-  
18 paragraphs (A) through (E), in order to maximize  
19 their effectiveness and minimize their economic im-  
20 pact.

21 (b) REPORT.—Not later than the end of the 180-day  
22 period beginning on the date of enactment of this title,  
23 and not later than every 5 years thereafter, the Chair-  
24 person shall issue a report to the Congress containing any

1 findings and determinations made in carrying out the  
2 study required under subsection (a).

3       **Subtitle B—Office of Financial**  
4                               **Research**

5 **SEC. 151. DEFINITIONS.**

6       For purposes of this subtitle—

7               (1) the terms “Office” and “Director” mean  
8       the Office of Financial Research established under  
9       this subtitle and the Director thereof, respectively;

10              (2) the term “financial company” has the same  
11       meaning as in title II, and includes an insured de-  
12       pository institution and an insurance company;

13              (3) the term “Data Center” means the data  
14       center established under section 154;

15              (4) the term “Research and Analysis Center”  
16       means the research and analysis center established  
17       under section 154;

18              (5) the term “financial transaction data” means  
19       the structure and legal description of a financial  
20       contract, with sufficient detail to describe the rights  
21       and obligations between counterparties and make  
22       possible an independent valuation;

23              (6) the term “position data”—

24                      (A) means data on financial assets or li-  
25       abilities held on the balance sheet of a financial

1           company, where positions are created or  
2           changed by the execution of a financial trans-  
3           action; and

4           (B) includes information that identifies  
5           counterparties, the valuation by the financial  
6           company of the position, and information that  
7           makes possible an independent valuation of the  
8           position;

9           (7) the term “financial contract” means a le-  
10          gally binding agreement between 2 or more counter-  
11          parties, describing rights and obligations relating to  
12          the future delivery of items of intrinsic or extrinsic  
13          value among the counterparties; and

14          (8) the term “financial instrument” means a fi-  
15          nancial contract in which the terms and conditions  
16          are publicly available, and the roles of one or more  
17          of the counterparties are assignable without the con-  
18          sent of any of the other counterparties (including  
19          common stock of a publicly traded company, govern-  
20          ment bonds, or exchange traded futures and options  
21          contracts).

22 **SEC. 152. OFFICE OF FINANCIAL RESEARCH ESTABLISHED.**

23          (a) ESTABLISHMENT.—There is established within  
24 the Department of the Treasury the Office of Financial  
25 Research.

1 (b) DIRECTOR.—

2 (1) IN GENERAL.—The Office shall be headed  
3 by a Director, who shall be appointed by the Presi-  
4 dent, by and with the advice and consent of the Sen-  
5 ate.

6 (2) TERM OF SERVICE.—The Director shall  
7 serve for a term of 6 years, except that, in the event  
8 that a successor is not nominated and confirmed by  
9 the end of the term of service of a Director, the Di-  
10 rector may continue to serve until such time as the  
11 next Director is appointed and confirmed.

12 (3) EXECUTIVE LEVEL.—The Director shall be  
13 compensated at Level III of the Executive Schedule.

14 (4) PROHIBITION ON DUAL SERVICE.—The in-  
15 dividual serving in the position of Director may not,  
16 during such service, also serve as the head of any fi-  
17 nancial regulatory agency.

18 (5) RESPONSIBILITIES, DUTIES, AND AUTHOR-  
19 ITY.—The Director shall have sole discretion in the  
20 manner in which the Director fulfills the responsibil-  
21 ities and duties and exercises the authorities de-  
22 scribed in this subtitle.

23 (c) BUDGET.—The Director, in consultation with the  
24 Chairperson, shall establish the annual budget of the Of-  
25 fice.



1 (d) OFFICE PERSONNEL.—

2 (1) IN GENERAL.—The Director, in consulta-  
3 tion with the Chairperson, may fix the number of,  
4 and appoint and direct, all employees of the Office.

5 (2) COMPENSATION.—The Director, in con-  
6 sultation with the Chairperson, shall fix, adjust, and  
7 administer the pay for all employees of the Office,  
8 without regard to chapter 51 or subchapter III of  
9 chapter 53 of title 5, United States Code, relating  
10 to classification of positions and General Schedule  
11 pay rates.

12 (3) COMPARABILITY.—Section 1206(a) of the  
13 Financial Institutions Reform, Recovery, and En-  
14 forcement Act of 1989 (12 U.S.C. 1833b(a)) is  
15 amended—

16 (A) by striking “Finance Board,” and in-  
17 serting “Finance Board, the Office of Financial  
18 Research, and the Bureau of Consumer Finan-  
19 cial Protection”; and

20 (B) by striking “and the Office of Thrift  
21 Supervision,”.

22 (4) SENIOR EXECUTIVES.—Section  
23 3132(a)(1)(D) of title 5, United States Code, is  
24 amended by striking “and the National Credit Union  
25 Administration;” and inserting “the National Credit

1 Union Administration, the Bureau of Consumer Fi-  
2 nancial Protection, and the Office of Financial Re-  
3 search;”.

4 (e) ASSISTANCE FROM FEDERAL AGENCIES.—Any  
5 department or agency of the United States may provide  
6 to the Office and any special advisory, technical, or profes-  
7 sional committees appointed by the Office, such services,  
8 funds, facilities, staff, and other support services as the  
9 Office may determine advisable. Any Federal Government  
10 employee may be detailed to the Office without reimburse-  
11 ment, and such detail shall be without interruption or loss  
12 of civil service status or privilege.

13 (f) PROCUREMENT OF TEMPORARY AND INTERMIT-  
14 TENT SERVICES.—The Director may procure temporary  
15 and intermittent services under section 3109(b) of title 5,  
16 United States Code, at rates for individuals which do not  
17 exceed the daily equivalent of the annual rate of basic pay  
18 prescribed for Level V of the Executive Schedule under  
19 section 5316 of such title.

20 (g) POST-EMPLOYMENT PROHIBITIONS.—The Sec-  
21 retary, with the concurrence of the Director of the Office  
22 of Government Ethics, shall issue regulations prohibiting  
23 the Director and any employee of the Office who has had  
24 access to the transaction or position data maintained by  
25 the Data Center or other business confidential information

1 about financial entities required to report to the Office  
2 from being employed by or providing advice or consulting  
3 services to a financial company, for a period of 1 year  
4 after last having had access in the course of official duties  
5 to such transaction or position data or business confiden-  
6 tial information, regardless of whether that entity is re-  
7 quired to report to the Office. For employees whose access  
8 to business confidential information was limited, the regu-  
9 lations may provide, on a case-by-case basis, for a shorter  
10 period of post-employment prohibition, provided that the  
11 shorter period does not compromise business confidential  
12 information.

13 (h) TECHNICAL AND PROFESSIONAL ADVISORY COM-  
14 MITTEES.—The Office, in consultation with the Chair-  
15 person, may appoint such special advisory, technical, or  
16 professional committees as may be useful in carrying out  
17 the functions of the Office, and the members of such com-  
18 mittees may be staff of the Office, or other persons, or  
19 both.

20 (i) FELLOWSHIP PROGRAM.—The Office, in consulta-  
21 tion with the Chairperson, may establish and maintain an  
22 academic and professional fellowship program, under  
23 which qualified academics and professionals shall be in-  
24 vited to spend not longer than 2 years at the Office, to

1 perform research and to provide advanced training for Of-  
2 fice personnel.

3 (j) EXECUTIVE SCHEDULE COMPENSATION.—Sec-  
4 tion 5314 of title 5, United States Code, is amended by  
5 adding at the end the following new item:

6 “Director of the Office of Financial Research.”.

7 **SEC. 153. PURPOSE AND DUTIES OF THE OFFICE.**

8 (a) PURPOSE AND DUTIES.—The purpose of the Of-  
9 fice is to support the Council in fulfilling the purposes and  
10 duties of the Council, as set forth in subtitle A, and to  
11 support member agencies, by—

12 (1) collecting data on behalf of the Council, and  
13 providing such data to the Council and member  
14 agencies;

15 (2) standardizing the types and formats of data  
16 reported and collected;

17 (3) performing applied research and essential  
18 long-term research;

19 (4) developing tools for risk measurement and  
20 monitoring;

21 (5) performing other related services;

22 (6) making the results of the activities of the  
23 Office available to financial regulatory agencies; and

1           (7) assisting such member agencies in deter-  
2           mining the types and formats of data authorized by  
3           this Act to be collected by such member agencies.

4           (b) ADMINISTRATIVE AUTHORITY.—The Office  
5           may—

6           (1) share data and information, including soft-  
7           ware developed by the Office, with the Council,  
8           member agencies, and the Bureau of Economic  
9           Analysis, which shared data, information, and soft-  
10          ware—

11           (A) shall be maintained with at least the  
12           same level of security as is used by the Office;  
13           and

14           (B) may not be shared with any individual  
15           or entity without the permission of the Council;

16           (2) sponsor and conduct research projects; and

17           (3) assist, on a reimbursable basis, with finan-  
18           cial analyses undertaken at the request of other  
19           Federal agencies that are not member agencies.

20          (c) RULEMAKING AUTHORITY.—

21           (1) SCOPE.—The Office, in consultation with  
22           the Chairperson, shall issue rules, regulations, and  
23           orders only to the extent necessary to carry out the  
24           purposes and duties described in paragraphs (1),  
25           (2), and (7) of subsection (a).

1           (2) STANDARDIZATION.—Member agencies, in  
2           consultation with the Office, shall implement regula-  
3           tions promulgated by the Office under paragraph (1)  
4           to standardize the types and formats of data re-  
5           ported and collected on behalf of the Council, as de-  
6           scribed in subsection (a)(2). If a member agency  
7           fails to implement such regulations prior to the expi-  
8           ration of the 3-year period following the date of pub-  
9           lication of final regulations, the Office, in consulta-  
10          tion with the Chairperson, may implement such reg-  
11          ulations with respect to the financial entities under  
12          the jurisdiction of the member agency. This para-  
13          graph shall not supersede or interfere with the inde-  
14          pendent authority of a member agency under other  
15          law to collect data, in such format and manner as  
16          the member agency requires.

17          (d) TESTIMONY.—

18           (1) IN GENERAL.—The Director of the Office  
19           shall report to and testify before the Committee on  
20           Banking, Housing, and Urban Affairs of the Senate  
21           and the Committee on Financial Services of the  
22           House of Representatives annually on the activities  
23           of the Office, including the work of the Data Center  
24           and the Research and Analysis Center, and the as-  
25           sessment of the Office of significant financial market

1       developments and potential emerging threats to the  
2       financial stability of the United States.

3           (2) NO PRIOR REVIEW.—No officer or agency of  
4       the United States shall have any authority to require  
5       the Director to submit the testimony required under  
6       paragraph (1) or other congressional testimony to  
7       any officer or agency of the United States for ap-  
8       proval, comment, or review prior to the submission  
9       of such testimony. Any such testimony to Congress  
10      shall include a statement that the views expressed  
11      therein are those of the Director and do not nec-  
12      essarily represent the views of the President.

13      (e) ADDITIONAL REPORTS.—The Director may pro-  
14      vide additional reports to Congress concerning the finan-  
15      cial stability of the United States. The Director shall no-  
16      tify the Council of any such additional reports provided  
17      to Congress.

18      (f) SUBPOENA.—

19           (1) IN GENERAL.—The Director may require  
20      from a financial company, by subpoena, the produc-  
21      tion of the data requested under subsection (a)(1)  
22      and section 154(b)(1), but only upon a written find-  
23      ing by the Director that—

24           (A) such data is required to carry out the  
25      functions described under this subtitle; and

1 (B) the Office has coordinated with the  
2 relevant primary financial regulatory agency, as  
3 required under section 154(b)(1)(B)(ii).

4 (2) **FORMAT.**—Subpoenas under paragraph (1)  
5 shall bear the signature of the Director, and shall be  
6 served by any person or class of persons designated  
7 by the Director for that purpose.

8 (3) **ENFORCEMENT.**—In the case of contumacy  
9 or failure to obey a subpoena, the subpoena shall be  
10 enforceable by order of any appropriate district  
11 court of the United States. Any failure to obey the  
12 order of the court may be punished by the court as  
13 a contempt of court.

14 **SEC. 154. ORGANIZATIONAL STRUCTURE; RESPONSIBIL-**  
15 **ITIES OF PRIMARY PROGRAMMATIC UNITS.**

16 (a) **IN GENERAL.**—There are established within the  
17 Office, to carry out the programmatic responsibilities of  
18 the Office—

19 (1) the Data Center; and

20 (2) the Research and Analysis Center.

21 (b) **DATA CENTER.**—

22 (1) **GENERAL DUTIES.**—

23 (A) **DATA COLLECTION.**—The Data Cen-  
24 ter, on behalf of the Council, shall collect, vali-  
25 date, and maintain all data necessary to carry



1 out the duties of the Data Center, as described  
2 in this subtitle. The data assembled shall be ob-  
3 tained from member agencies, commercial data  
4 providers, publicly available data sources, and  
5 financial entities under subparagraph (B).

6 (B) AUTHORITY.—

7 (i) IN GENERAL.—The Office may, as  
8 determined by the Council or by the Direc-  
9 tor in consultation with the Council, re-  
10 quire the submission of periodic and other  
11 reports from any financial company for the  
12 purpose of assessing the extent to which a  
13 financial activity or financial market in  
14 which the financial company participates,  
15 or the financial company itself, poses a  
16 threat to the financial stability of the  
17 United States.

18 (ii) MITIGATION OF REPORT BUR-  
19 DEN.—Before requiring the submission of  
20 a report from any financial company that  
21 is regulated by a member agency, any pri-  
22 mary financial regulatory agency, a foreign  
23 supervisory authority, or the Office shall  
24 coordinate with such agencies or authority,  
25 and shall, whenever possible, rely on infor-

1                   mation available from such agencies or au-  
2                   thority.

3                   (iii) COLLECTION OF FINANCIAL  
4                   TRANSACTION AND POSITION DATA.—The  
5                   Office shall collect, on a schedule deter-  
6                   mined by the Director, in consultation with  
7                   the Council, financial transaction data and  
8                   position data from financial companies.

9                   (C) RULEMAKING.—The Office shall pro-  
10                  mulgate regulations pursuant to subsections  
11                  (a)(1), (a)(2), (a)(7), and (e)(1) of section 153  
12                  regarding the type and scope of the data to be  
13                  collected by the Data Center under this para-  
14                  graph.

15                  (2) RESPONSIBILITIES.—

16                  (A) PUBLICATION.—The Data Center shall  
17                  prepare and publish, in a manner that is easily  
18                  accessible to the public—

19                         (i) a financial company reference  
20                         database;

21                         (ii) a financial instrument reference  
22                         database; and

23                         (iii) formats and standards for Office  
24                         data, including standards for reporting fi-

1                   nancial transaction and position data to  
2                   the Office.

3                   (B) CONFIDENTIALITY.—The Data Center  
4                   shall not publish any confidential data under  
5                   subparagraph (A).

6                   (3) INFORMATION SECURITY.—The Director  
7                   shall ensure that data collected and maintained by  
8                   the Data Center are kept secure and protected  
9                   against unauthorized disclosure.

10                  (4) CATALOG OF FINANCIAL ENTITIES AND IN-  
11                  STRUMENTS.—The Data Center shall maintain a  
12                  catalog of the financial entities and instruments re-  
13                  ported to the Office.

14                  (5) AVAILABILITY TO THE COUNCIL AND MEM-  
15                  BER AGENCIES.—The Data Center shall make data  
16                  collected and maintained by the Data Center avail-  
17                  able to the Council and member agencies, as nec-  
18                  essary to support their regulatory responsibilities.

19                  (6) OTHER AUTHORITY.—The Office shall,  
20                  after consultation with the member agencies, provide  
21                  certain data to financial industry participants and to  
22                  the general public to increase market transparency  
23                  and facilitate research on the financial system, to  
24                  the extent that intellectual property rights are not  
25                  violated, business confidential information is prop-

1       erly protected, and the sharing of such information  
2       poses no significant threats to the financial system  
3       of the United States.

4       (c) RESEARCH AND ANALYSIS CENTER.—

5           (1) GENERAL DUTIES.—The Research and  
6       Analysis Center, on behalf of the Council, shall de-  
7       velop and maintain independent analytical capabili-  
8       ties and computing resources—

9           (A) to develop and maintain metrics and  
10       reporting systems for risks to the financial sta-  
11       bility of the United States;

12          (B) to monitor, investigate, and report on  
13       changes in systemwide risk levels and patterns  
14       to the Council and Congress;

15          (C) to conduct, coordinate, and sponsor re-  
16       search to support and improve regulation of fi-  
17       nancial entities and markets;

18          (D) to evaluate and report on stress tests  
19       or other stability-related evaluations of financial  
20       entities overseen by the member agencies;

21          (E) to maintain expertise in such areas as  
22       may be necessary to support specific requests  
23       for advice and assistance from financial regu-  
24       lators;

1 (F) to investigate disruptions and failures  
2 in the financial markets, report findings, and  
3 make recommendations to the Council based on  
4 those findings;

5 (G) to conduct studies and provide advice  
6 on the impact of policies related to systemic  
7 risk; and

8 (H) to promote best practices for financial  
9 risk management.

10 (d) REPORTING RESPONSIBILITIES.—

11 (1) REQUIRED REPORTS.—Not later than 2  
12 years after the date of enactment of this Act, and  
13 not later than 120 days after the end of each fiscal  
14 year thereafter, the Office shall prepare and submit  
15 a report to Congress.

16 (2) CONTENT.—Each report required by this  
17 subsection shall assess the state of the United States  
18 financial system, including—

19 (A) an analysis of any threats to the finan-  
20 cial stability of the United States;

21 (B) the status of the efforts of the Office  
22 in meeting the mission of the Office; and

23 (C) key findings from the research and  
24 analysis of the financial system by the Office.

1 **SEC. 155. FUNDING.**

2 (a) FINANCIAL RESEARCH FUND.—

3 (1) FUND ESTABLISHED.—There is established  
4 in the Treasury of the United States a separate fund  
5 to be known as the “Financial Research Fund”.

6 (2) FUND RECEIPTS.—All amounts provided to  
7 the Office under subsection (c), and all assessments  
8 that the Office receives under subsection (d) shall be  
9 deposited into the Financial Research Fund.

10 (3) INVESTMENTS AUTHORIZED.—

11 (A) AMOUNTS IN FUND MAY BE IN-  
12 VESTED.—The Director may request the Sec-  
13 retary to invest the portion of the Financial Re-  
14 search Fund that is not, in the judgment of the  
15 Director, required to meet the needs of the Of-  
16 fice.

17 (B) ELIGIBLE INVESTMENTS.—Invest-  
18 ments shall be made by the Secretary in obliga-  
19 tions of the United States or obligations that  
20 are guaranteed as to principal and interest by  
21 the United States, with maturities suitable to  
22 the needs of the Financial Research Fund, as  
23 determined by the Director.

24 (4) INTEREST AND PROCEEDS CREDITED.—The  
25 interest on, and the proceeds from the sale or re-  
26 demption of, any obligations held in the Financial

1       Research Fund shall be credited to and form a part  
2       of the Financial Research Fund.

3       (b) USE OF FUNDS.—

4           (1) IN GENERAL.—Funds obtained by, trans-  
5       ferred to, or credited to the Financial Research  
6       Fund shall be immediately available to the Office,  
7       and shall remain available until expended, to pay the  
8       expenses of the Office in carrying out the duties and  
9       responsibilities of the Office.

10          (2) FEES, ASSESSMENTS, AND OTHER FUNDS  
11       NOT GOVERNMENT FUNDS.—Funds obtained by,  
12       transferred to, or credited to the Financial Research  
13       Fund shall not be construed to be Government funds  
14       or appropriated moneys.

15          (3) AMOUNTS NOT SUBJECT TO APPORTION-  
16       MENT.—Notwithstanding any other provision of law,  
17       amounts in the Financial Research Fund shall not  
18       be subject to apportionment for purposes of chapter  
19       15 of title 31, United States Code, or under any  
20       other authority, or for any other purpose.

21       (c) INTERIM FUNDING.—During the 2-year period  
22       following the date of enactment of this Act, the Board of  
23       Governors shall provide to the Office an amount sufficient  
24       to cover the expenses of the Office.

1 (d) PERMANENT SELF-FUNDING.—Beginning 2 years  
2 after the date of enactment of this Act, the Secretary shall  
3 establish, by regulation, and with the approval of the  
4 Council, an assessment schedule, including the assessment  
5 base and rates, applicable to bank holding companies with  
6 total consolidated assets of \$50,000,000,000 or greater  
7 and nonbank financial companies supervised by the Board  
8 of Governors, that takes into account differences among  
9 such companies, based on the considerations for estab-  
10 lishing the prudential standards under section 115, to col-  
11 lect assessments equal to the total expenses of the Office.

12 **SEC. 156. TRANSITION OVERSIGHT.**

13 (a) PURPOSE.—The purpose of this section is to en-  
14 sure that the Office—

- 15 (1) has an orderly and organized startup;
- 16 (2) attracts and retains a qualified workforce;
- 17 and
- 18 (3) establishes comprehensive employee training  
19 and benefits programs.

20 (b) REPORTING REQUIREMENT.—

21 (1) IN GENERAL.—The Office shall submit an  
22 annual report to the Committee on Banking, Hous-  
23 ing, and Urban Affairs of the Senate and the Com-  
24 mittee on Financial Services of the House of Rep-



1        representatives that includes the plans described in  
2        paragraph (2).

3            (2) PLANS.—The plans described in this para-  
4        graph are as follows:

5            (A) TRAINING AND WORKFORCE DEVELOP-  
6        MENT PLAN.—The Office shall submit a train-  
7        ing and workforce development plan that in-  
8        cludes, to the extent practicable—

9            (i) identification of skill and technical  
10        expertise needs and actions taken to meet  
11        those requirements;

12            (ii) steps taken to foster innovation  
13        and creativity;

14            (iii) leadership development and suc-  
15        cession planning; and

16            (iv) effective use of technology by em-  
17        ployees.

18            (B) WORKPLACE FLEXIBILITY PLAN.—The  
19        Office shall submit a workforce flexibility plan  
20        that includes, to the extent practicable—

21            (i) telework;

22            (ii) flexible work schedules;

23            (iii) phased retirement;

24            (iv) reemployed annuitants;

25            (v) part-time work;

- 1 (vi) job sharing;
- 2 (vii) parental leave benefits and
- 3 childcare assistance;
- 4 (viii) domestic partner benefits;
- 5 (ix) other workplace flexibilities; or
- 6 (x) any combination of the items de-
- 7 scribed in clauses (i) through (ix).

8 (C) RECRUITMENT AND RETENTION  
9 PLAN.—The Office shall submit a recruitment  
10 and retention plan that includes, to the extent  
11 practicable, provisions relating to—

- 12 (i) the steps necessary to target highly  
13 qualified applicant pools with diverse back-  
14 grounds;
- 15 (ii) streamlined employment applica-  
16 tion processes;
- 17 (iii) the provision of timely notifica-  
18 tion of the status of employment applica-  
19 tions to applicants; and
- 20 (iv) the collection of information to  
21 measure indicators of hiring effectiveness.

22 (c) EXPIRATION.—The reporting requirement under  
23 subsection (b) shall terminate 5 years after the date of  
24 enactment of this Act.

1 (d) RULE OF CONSTRUCTION.—Nothing in this sec-  
2 tion may be construed to affect—

3 (1) a collective bargaining agreement, as that  
4 term is defined in section 7103(a)(8) of title 5,  
5 United States Code, that is in effect on the date of  
6 enactment of this Act; or

7 (2) the rights of employees under chapter 71 of  
8 title 5, United States Code.

9 **Subtitle C—Additional Board of**  
10 **Governors Authority for Certain**  
11 **Nonbank Financial Companies**  
12 **and Bank Holding Companies**

13 **SEC. 161. REPORTS BY AND EXAMINATIONS OF NONBANK**  
14 **FINANCIAL COMPANIES BY THE BOARD OF**  
15 **GOVERNORS.**

16 (a) REPORTS.—

17 (1) IN GENERAL.—The Board of Governors  
18 may require each nonbank financial company super-  
19 vised by the Board of Governors, and any subsidiary  
20 thereof, to submit reports under oath, to keep the  
21 Board of Governors informed as to—

22 (A) the financial condition of the company  
23 or subsidiary, systems of the company or sub-  
24 sidiary for monitoring and controlling financial,  
25 operating, and other risks, and the extent to

1           which the activities and operations of the com-  
2           pany or subsidiary pose a threat to the financial  
3           stability of the United States; and

4                   (B) compliance by the company or sub-  
5           sidiary with the requirements of this title.

6           (2) USE OF EXISTING REPORTS AND INFORMA-  
7           TION.—In carrying out subsection (a), the Board of  
8           Governors shall, to the fullest extent possible, use—

9                   (A) reports and supervisory information  
10          that a nonbank financial company or subsidiary  
11          thereof has been required to provide to other  
12          Federal or State regulatory agencies;

13                   (B) information otherwise obtainable from  
14          Federal or State regulatory agencies;

15                   (C) information that is otherwise required  
16          to be reported publicly; and

17                   (D) externally audited financial statements  
18          of such company or subsidiary.

19          (3) AVAILABILITY.—Upon the request of the  
20          Board of Governors, a nonbank financial company  
21          supervised by the Board of Governors, or a sub-  
22          sidiary thereof, shall promptly provide to the Board  
23          of Governors any information described in para-  
24          graph (2).

25          (b) EXAMINATIONS.—

1           (1) IN GENERAL.—Subject to paragraph (2),  
2           the Board of Governors may examine any nonbank  
3           financial company supervised by the Board of Gov-  
4           ernors and any subsidiary of such company, to in-  
5           form the Board of Governors of—

6                   (A) the nature of the operations and finan-  
7                   cial condition of the company and such sub-  
8                   sidiary;

9                   (B) the financial, operational, and other  
10                  risks of the company or such subsidiary that  
11                  may pose a threat to the safety and soundness  
12                  of such company or subsidiary or to the finan-  
13                  cial stability of the United States;

14                  (C) the systems for monitoring and con-  
15                  trolling such risks; and

16                  (D) compliance by the company or such  
17                  subsidiary with the requirements of this title.

18           (2) USE OF EXAMINATION REPORTS AND IN-  
19           FORMATION.—For purposes of this subsection, the  
20           Board of Governors shall, to the fullest extent pos-  
21           sible, rely on reports of examination of any sub-  
22           sidiary depository institution or functionally regu-  
23           lated subsidiary made by the primary financial regu-  
24           latory agency for that subsidiary, and on informa-  
25           tion described in subsection (a)(2).

1 (c) COORDINATION WITH PRIMARY FINANCIAL REG-  
2 ULATORY AGENCY.—The Board of Governors shall—

3 (1) provide reasonable notice to, and consult  
4 with, the primary financial regulatory agency for  
5 any subsidiary before requiring a report or com-  
6 mencing an examination of such subsidiary under  
7 this section; and

8 (2) avoid duplication of examination activities,  
9 reporting requirements, and requests for informa-  
10 tion, to the fullest extent possible.

11 **SEC. 162. ENFORCEMENT.**

12 (a) IN GENERAL.—Except as provided in subsection  
13 (b), a nonbank financial company supervised by the Board  
14 of Governors and any subsidiaries of such company (other  
15 than any depository institution subsidiary) shall be subject  
16 to the provisions of subsections (b) through (n) of section  
17 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818),  
18 in the same manner and to the same extent as if the com-  
19 pany were a bank holding company, as provided in section  
20 8(b)(3) of the Federal Deposit Insurance Act (12 U.S.C.  
21 1818(b)(3)).

22 (b) ENFORCEMENT AUTHORITY FOR FUNCTIONALLY  
23 REGULATED SUBSIDIARIES.—

24 (1) REFERRAL.—If the Board of Governors de-  
25 termines that a condition, practice, or activity of a

1 depository institution subsidiary or functionally reg-  
2 ulated subsidiary of a nonbank financial company  
3 supervised by the Board of Governors does not com-  
4 ply with the regulations or orders prescribed by the  
5 Board of Governors under this Act, or otherwise  
6 poses a threat to the financial stability of the United  
7 States, the Board of Governors may recommend, in  
8 writing, to the primary financial regulatory agency  
9 for the subsidiary that such agency initiate a super-  
10 visory action or enforcement proceeding. The rec-  
11 ommendation shall be accompanied by a written ex-  
12 planation of the concerns giving rise to the rec-  
13 ommendation.

14 (2) BACK-UP AUTHORITY OF THE BOARD OF  
15 GOVERNORS.—If, during the 60-day period begin-  
16 ning on the date on which the primary financial reg-  
17 ulatory agency receives a recommendation under  
18 paragraph (1), the primary financial regulatory  
19 agency does not take supervisory or enforcement ac-  
20 tion against a subsidiary that is acceptable to the  
21 Board of Governors, the Board of Governors (upon  
22 a vote of its members) may take the recommended  
23 supervisory or enforcement action, as if the sub-  
24 sidiary were a bank holding company subject to su-  
25 pervision by the Board of Governors.

1 **SEC. 163. ACQUISITIONS.**

2 (a) ACQUISITIONS OF BANKS; TREATMENT AS A  
3 BANK HOLDING COMPANY.—For purposes of section 3 of  
4 the Bank Holding Company Act of 1956 (12 U.S.C.  
5 1842), a nonbank financial company supervised by the  
6 Board of Governors shall be deemed to be, and shall be  
7 treated as, a bank holding company.

8 (b) ACQUISITION OF NONBANK COMPANIES.—

9 (1) PRIOR NOTICE FOR LARGE ACQUISITIONS.—  
10 Notwithstanding section 4(k)(6)(B) of the Bank  
11 Holding Company Act of 1956 (12 U.S.C.  
12 1843(k)(6)(B)), a bank holding company with total  
13 consolidated assets equal to or greater than  
14 \$50,000,000,000 or a nonbank financial company  
15 supervised by the Board of Governors shall not ac-  
16 quire direct or indirect ownership or control of any  
17 voting shares of any company (other than an insured  
18 depository institution) that is engaged in activities  
19 described in section 4(k) of the Bank Holding Com-  
20 pany Act of 1956 having total consolidated assets of  
21 \$10,000,000,000 or more, without providing written  
22 notice to the Board of Governors in advance of the  
23 transaction.

24 (2) EXEMPTIONS.—The prior notice require-  
25 ment in paragraph (1) shall not apply with regard  
26 to the acquisition of shares that would qualify for



1 the exemptions in section 4(c) or section 4(k)(4)(E)  
2 of the Bank Holding Company Act of 1956 (12  
3 U.S.C. 1843(c) and (k)(4)(E)).

4 (3) NOTICE PROCEDURES.—The notice proce-  
5 dures set forth in section 4(j)(1) of the Bank Hold-  
6 ing Company Act of 1956 (12 U.S.C. 1843(j)(1)),  
7 without regard to section 4(j)(3) of that Act, shall  
8 apply to an acquisition of any company (other than  
9 an insured depository institution) by a bank holding  
10 company with total consolidated assets equal to or  
11 greater than \$50,000,000,000 or a nonbank finan-  
12 cial company supervised by the Board of Governors,  
13 as described in paragraph (1), including any such  
14 company engaged in activities described in section  
15 4(k) of that Act.

16 (4) STANDARDS FOR REVIEW.—In addition to  
17 the standards provided in section 4(j)(2) of the  
18 Bank Holding Company Act of 1956 (12 U.S.C.  
19 1843(j)(2)), the Board of Governors shall consider  
20 the extent to which the proposed acquisition would  
21 result in greater or more concentrated risks to global  
22 or United States financial stability or the United  
23 States economy.

24 (5) HART-SCOTT-RODINO FILING REQUIRE-  
25 MENT.—Solely for purposes of section 7A(c)(8) of

1 the Clayton Act (15 U.S.C. 18a(c)(8)), the trans-  
2 actions subject to the requirements of paragraph (1)  
3 shall be treated as if Board of Governors approval  
4 is not required.

5 **SEC. 164. PROHIBITION AGAINST MANAGEMENT INTER-**  
6 **LOCKS BETWEEN CERTAIN FINANCIAL COM-**  
7 **PANIES.**

8 A nonbank financial company supervised by the  
9 Board of Governors shall be treated as a bank holding  
10 company for purposes of the Depository Institutions Man-  
11 agement Interlocks Act (12 U.S.C. 3201 et seq.), except  
12 that the Board of Governors shall not exercise the author-  
13 ity provided in section 7 of that Act (12 U.S.C. 3207)  
14 to permit service by a management official of a nonbank  
15 financial company supervised by the Board of Governors  
16 as a management official of any bank holding company  
17 with total consolidated assets equal to or greater than  
18 \$50,000,000,000, or other nonaffiliated nonbank financial  
19 company supervised by the Board of Governors (other  
20 than to provide a temporary exemption for interlocks re-  
21 sulting from a merger, acquisition, or consolidation).

1 **SEC. 165. ENHANCED SUPERVISION AND PRUDENTIAL**  
2 **STANDARDS FOR NONBANK FINANCIAL COM-**  
3 **PANIES SUPERVISED BY THE BOARD OF GOV-**  
4 **ERNORS AND CERTAIN BANK HOLDING COM-**  
5 **PANIES.**

6 (a) IN GENERAL.—

7 (1) PURPOSE.—In order to prevent or mitigate  
8 risks to the financial stability of the United States  
9 that could arise from the material financial distress  
10 or failure, or ongoing activities, of large, inter-  
11 connected financial institutions, the Board of Gov-  
12 ernors shall, on its own or pursuant to recommenda-  
13 tions by the Council under section 115, establish  
14 prudential standards for nonbank financial compa-  
15 nies supervised by the Board of Governors and bank  
16 holding companies with total consolidated assets  
17 equal to or greater than \$50,000,000,000 that—

18 (A) are more stringent than the standards  
19 and requirements applicable to nonbank finan-  
20 cial companies and bank holding companies  
21 that do not present similar risks to the financial  
22 stability of the United States; and

23 (B) increase in stringency, based on the  
24 considerations identified in subsection (b)(3).

25 (2) TAILORED APPLICATION.—

1           (A) IN GENERAL.—In prescribing more  
2 stringent prudential standards under this sec-  
3 tion, the Board of Governors may, on its own  
4 or pursuant to a recommendation by the Coun-  
5 cil in accordance with section 115, differentiate  
6 among companies on an individual basis or by  
7 category, taking into consideration their capital  
8 structure, riskiness, complexity, financial activi-  
9 ties (including the financial activities of their  
10 subsidiaries), size, and any other risk-related  
11 factors that the Board of Governors deems ap-  
12 propriate.

13           (B) ADJUSTMENT OF THRESHOLD FOR AP-  
14 PPLICATION OF CERTAIN STANDARDS.—The  
15 Board of Governors may, pursuant to a rec-  
16 ommendation by the Council in accordance with  
17 section 115, establish an asset threshold above  
18 \$50,000,000,000 for the application of any  
19 standard established under subsections (c)  
20 through (g).

21 (b) DEVELOPMENT OF PRUDENTIAL STANDARDS.—

22           (1) IN GENERAL.—

23           (A) REQUIRED STANDARDS.—The Board  
24 of Governors shall establish prudential stand-  
25 ards for nonbank financial companies super-

1           vised by the Board of Governors and bank hold-  
2           ing companies described in subsection (a), that  
3           shall include—

4                   (i) risk-based capital requirements  
5                   and leverage limits, unless the Board of  
6                   Governors, in consultation with the Coun-  
7                   cil, determines that such requirements are  
8                   not appropriate for a company subject to  
9                   more stringent prudential standards be-  
10                  cause of the activities of such company  
11                  (such as investment company activities or  
12                  assets under management) or structure, in  
13                  which case, the Board of Governors shall  
14                  apply other standards that result in simi-  
15                  larly stringent risk controls;

16                   (ii) liquidity requirements;

17                   (iii) overall risk management require-  
18                  ments;

19                   (iv) resolution plan and credit expo-  
20                  sure report requirements; and

21                   (v) concentration limits.

22                  (B) ADDITIONAL STANDARDS AUTHOR-  
23                  IZED.—The Board of Governors may establish  
24                  additional prudential standards for nonbank fi-  
25                  nancial companies supervised by the Board of

1           Governors and bank holding companies de-  
2           scribed in subsection (a), that include—

3                   (i) a contingent capital requirement;

4                   (ii) enhanced public disclosures;

5                   (iii) short-term debt limits; and

6                   (iv) such other prudential standards

7           as the Board or Governors, on its own or

8           pursuant to a recommendation made by

9           the Council in accordance with section 115,

10          determines are appropriate.

11           (2) STANDARDS FOR FOREIGN FINANCIAL COM-

12          PANIES.—In applying the standards set forth in

13          paragraph (1) to any foreign nonbank financial com-

14          pany supervised by the Board of Governors or for-

15          eign-based bank holding company, the Board of Gov-

16          ernors shall—

17                   (A) give due regard to the principle of na-

18           tional treatment and equality of competitive op-

19           portunity; and

20                   (B) take into account the extent to which

21           the foreign financial company is subject on a

22           consolidated basis to home country standards

23           that are comparable to those applied to finan-

24           cial companies in the United States.

1           (3) CONSIDERATIONS.—In prescribing pruden-  
2           tial standards under paragraph (1), the Board of  
3           Governors shall—

4                   (A) take into account differences among  
5                   nonbank financial companies supervised by the  
6                   Board of Governors and bank holding compa-  
7                   nies described in subsection (a), based on—

8                           (i) the factors described in subsections  
9                           (a) and (b) of section 113;

10                           (ii) whether the company owns an in-  
11                           sured depository institution;

12                           (iii) nonfinancial activities and affili-  
13                           ations of the company; and

14                           (iv) any other risk-related factors that  
15                           the Board of Governors determines appro-  
16                           priate;

17                   (B) to the extent possible, ensure that  
18                   small changes in the factors listed in sub-  
19                   sections (a) and (b) of section 113 would not  
20                   result in sharp, discontinuous changes in the  
21                   prudential standards established under para-  
22                   graph (1) of this subsection;

23                   (C) take into account any recommenda-  
24                   tions of the Council under section 115; and

1           (D) adapt the required standards as appro-  
2           priate in light of any predominant line of busi-  
3           ness of such company, including assets under  
4           management or other activities for which par-  
5           ticular standards may not be appropriate.

6           (4) CONSULTATION.—Before imposing pruden-  
7           tial standards or any other requirements pursuant to  
8           this section, including notices of deficiencies in reso-  
9           lution plans and more stringent requirements or di-  
10          vestiture orders resulting from such notices, that are  
11          likely to have a significant impact on a functionally  
12          regulated subsidiary or depository institution sub-  
13          sidiary of a nonbank financial company supervised  
14          by the Board of Governors or a bank holding com-  
15          pany described in subsection (a), the Board of Gov-  
16          ernors shall consult with each Council member that  
17          primarily supervises any such subsidiary with re-  
18          spect to any such standard or requirement.

19          (5) REPORT.—The Board of Governors shall  
20          submit an annual report to Congress regarding the  
21          implementation of the prudential standards required  
22          pursuant to paragraph (1), including the use of such  
23          standards to mitigate risks to the financial stability  
24          of the United States.

25          (c) CONTINGENT CAPITAL.—



1           (1) IN GENERAL.—Subsequent to submission by  
2           the Council of a report to Congress under section  
3           115(c), the Board of Governors may issue regula-  
4           tions that require each nonbank financial company  
5           supervised by the Board of Governors and bank  
6           holding companies described in subsection (a) to  
7           maintain a minimum amount of contingent capital  
8           that is convertible to equity in times of financial  
9           stress.

10           (2) FACTORS TO CONSIDER.—In issuing regula-  
11           tions under this subsection, the Board of Governors  
12           shall consider—

13                   (A) the results of the study undertaken by  
14                   the Council, and any recommendations of the  
15                   Council, under section 115(c);

16                   (B) an appropriate transition period for  
17                   implementation of contingent capital under this  
18                   subsection;

19                   (C) the factors described in subsection  
20                   (b)(3)(A);

21                   (D) capital requirements applicable to the  
22                   nonbank financial company supervised by the  
23                   Board of Governors or a bank holding company  
24                   described in subsection (a), and subsidiaries  
25                   thereof; and

1 (E) any other factor that the Board of  
2 Governors deems appropriate.

3 (d) RESOLUTION PLAN AND CREDIT EXPOSURE RE-  
4 PORTS.—

5 (1) RESOLUTION PLAN.—The Board of Gov-  
6 ernors shall require each nonbank financial company  
7 supervised by the Board of Governors and bank  
8 holding companies described in subsection (a) to re-  
9 port periodically to the Board of Governors, the  
10 Council, and the Corporation the plan of such com-  
11 pany for rapid and orderly resolution in the event of  
12 material financial distress or failure, which shall in-  
13 clude—

14 (A) information regarding the manner and  
15 extent to which any insured depository institu-  
16 tion affiliated with the company is adequately  
17 protected from risks arising from the activities  
18 of any nonbank subsidiaries of the company;

19 (B) full descriptions of the ownership  
20 structure, assets, liabilities, and contractual ob-  
21 ligations of the company;

22 (C) identification of the cross-guarantees  
23 tied to different securities, identification of  
24 major counterparties, and a process for deter-

1 mining to whom the collateral of the company  
2 is pledged; and

3 (D) any other information that the Board  
4 of Governors and the Corporation jointly re-  
5 quire by rule or order.

6 (2) CREDIT EXPOSURE REPORT.—The Board of  
7 Governors shall require each nonbank financial com-  
8 pany supervised by the Board of Governors and  
9 bank holding companies described in subsection (a)  
10 to report periodically to the Board of Governors, the  
11 Council, and the Corporation on—

12 (A) the nature and extent to which the  
13 company has credit exposure to other signifi-  
14 cant nonbank financial companies and signifi-  
15 cant bank holding companies; and

16 (B) the nature and extent to which other  
17 significant nonbank financial companies and  
18 significant bank holding companies have credit  
19 exposure to that company.

20 (3) REVIEW.—The Board of Governors and the  
21 Corporation shall review the information provided in  
22 accordance with this subsection by each nonbank fi-  
23 nancial company supervised by the Board of Gov-  
24 ernors and bank holding company described in sub-  
25 section (a).

1           (4) NOTICE OF DEFICIENCIES.—If the Board of  
2           Governors and the Corporation jointly determine,  
3           based on their review under paragraph (3), that the  
4           resolution plan of a nonbank financial company su-  
5           pervised by the Board of Governors or a bank hold-  
6           ing company described in subsection (a) is not cred-  
7           ible or would not facilitate an orderly resolution of  
8           the company under title 11, United States Code—

9                   (A) the Board of Governors and the Cor-  
10                  poration shall notify the company of the defi-  
11                  ciencies in the resolution plan; and

12                  (B) the company shall resubmit the resolu-  
13                  tion plan within a timeframe determined by the  
14                  Board of Governors and the Corporation, with  
15                  revisions demonstrating that the plan is credible  
16                  and would result in an orderly resolution under  
17                  title 11, United States Code, including any pro-  
18                  posed changes in business operations and cor-  
19                  porate structure to facilitate implementation of  
20                  the plan.

21           (5) FAILURE TO RESUBMIT CREDIBLE PLAN.—

22                   (A) IN GENERAL.—If a nonbank financial  
23                  company supervised by the Board of Governors  
24                  or a bank holding company described in sub-  
25                  section (a) fails to timely resubmit the resolu-

1           tion plan as required under paragraph (4), with  
2           such revisions as are required under subpara-  
3           graph (B), the Board of Governors and the  
4           Corporation may jointly impose more stringent  
5           capital, leverage, or liquidity requirements, or  
6           restrictions on the growth, activities, or oper-  
7           ations of the company, or any subsidiary there-  
8           of, until such time as the company resubmits a  
9           plan that remedies the deficiencies.

10           (B) DIVESTITURE.—The Board of Gov-  
11           ernors and the Corporation, in consultation  
12           with the Council, may jointly direct a nonbank  
13           financial company supervised by the Board of  
14           Governors or a bank holding company described  
15           in subsection (a), by order, to divest certain as-  
16           sets or operations identified by the Board of  
17           Governors and the Corporation, to facilitate an  
18           orderly resolution of such company under title  
19           11, United States Code, in the event of the fail-  
20           ure of such company, in any case in which—

21           (i) the Board of Governors and the  
22           Corporation have jointly imposed more  
23           stringent requirements on the company  
24           pursuant to subparagraph (A); and

1                   (ii) the company has failed, within the  
2                   2-year period beginning on the date of the  
3                   imposition of such requirements under sub-  
4                   paragraph (A), to resubmit the resolution  
5                   plan with such revisions as were required  
6                   under paragraph (4)(B).

7                   (6) NO LIMITING EFFECT.—A resolution plan  
8                   submitted in accordance with this subsection shall  
9                   not be binding on a bankruptcy court, a receiver ap-  
10                  pointed under title II, or any other authority that is  
11                  authorized or required to resolve the nonbank finan-  
12                  cial company supervised by the Board, any bank  
13                  holding company, or any subsidiary or affiliate of  
14                  the foregoing.

15                  (7) NO PRIVATE RIGHT OF ACTION.—No pri-  
16                  vate right of action may be based on any resolution  
17                  plan submitted in accordance with this subsection.

18                  (8) RULES.—Not later than 18 months after  
19                  the date of enactment of this Act, the Board of Gov-  
20                  ernors and the Corporation shall jointly issue final  
21                  rules implementing this subsection.

22                  (e) CONCENTRATION LIMITS.—

23                  (1) STANDARDS.—In order to limit the risks  
24                  that the failure of any individual company could  
25                  pose to a nonbank financial company supervised by

1 the Board of Governors or a bank holding company  
2 described in subsection (a), the Board of Governors,  
3 by regulation, shall prescribe standards that limit  
4 such risks.

5 (2) LIMITATION ON CREDIT EXPOSURE.—The  
6 regulations prescribed by the Board of Governors  
7 under paragraph (1) shall prohibit each nonbank fi-  
8 nancial company supervised by the Board of Gov-  
9 ernors and bank holding company described in sub-  
10 section (a) from having credit exposure to any unaf-  
11 filiated company that exceeds 25 percent of the cap-  
12 ital stock and surplus (or such lower amount as the  
13 Board of Governors may determine by regulation to  
14 be necessary to mitigate risks to the financial sta-  
15 bility of the United States) of the company.

16 (3) CREDIT EXPOSURE.—For purposes of para-  
17 graph (2), “credit exposure” to a company means—

18 (A) all extensions of credit to the company,  
19 including loans, deposits, and lines of credit;

20 (B) all repurchase agreements and reverse  
21 repurchase agreements with the company, and  
22 all securities borrowing and lending trans-  
23 actions with the company, to the extent that  
24 such transactions create credit exposure for the  
25 nonbank financial company supervised by the

1 Board of Governors or a bank holding company  
2 described in subsection (a);

3 (C) all guarantees, acceptances, or letters  
4 of credit (including endorsement or standby let-  
5 ters of credit) issued on behalf of the company;

6 (D) all purchases of or investment in secu-  
7 rities issued by the company;

8 (E) counterparty credit exposure to the  
9 company in connection with a derivative trans-  
10 action between the nonbank financial company  
11 supervised by the Board of Governors or a bank  
12 holding company described in subsection (a)  
13 and the company; and

14 (F) any other similar transactions that the  
15 Board of Governors, by regulation, determines  
16 to be a credit exposure for purposes of this sec-  
17 tion.

18 (4) **ATTRIBUTION RULE.**—For purposes of this  
19 subsection, any transaction by a nonbank financial  
20 company supervised by the Board of Governors or a  
21 bank holding company described in subsection (a)  
22 with any person is a transaction with a company, to  
23 the extent that the proceeds of the transaction are  
24 used for the benefit of, or transferred to, that com-  
25 pany.



1           (5) RULEMAKING.—The Board of Governors  
2           may issue such regulations and orders, including  
3           definitions consistent with this section, as may be  
4           necessary to administer and carry out this sub-  
5           section.

6           (6) EXEMPTIONS.—This subsection shall not  
7           apply to any Federal home loan bank. The Board of  
8           Governors may, by regulation or order, exempt  
9           transactions, in whole or in part, from the definition  
10          of the term “credit exposure” for purposes of this  
11          subsection, if the Board of Governors finds that the  
12          exemption is in the public interest and is consistent  
13          with the purpose of this subsection.

14          (7) TRANSITION PERIOD.—

15                (A) IN GENERAL.—This subsection and  
16                any regulations and orders of the Board of Gov-  
17                ernors under this subsection shall not be effec-  
18                tive until 3 years after the date of enactment  
19                of this Act.

20                (B) EXTENSION AUTHORIZED.—The  
21                Board of Governors may extend the period  
22                specified in subparagraph (A) for not longer  
23                than an additional 2 years.

24          (f) ENHANCED PUBLIC DISCLOSURES.—The Board  
25          of Governors may prescribe, by regulation, periodic public

1 disclosures by nonbank financial companies supervised by  
2 the Board of Governors and bank holding companies de-  
3 scribed in subsection (a) in order to support market eval-  
4 uation of the risk profile, capital adequacy, and risk man-  
5 agement capabilities thereof.

6 (g) SHORT-TERM DEBT LIMITS.—

7 (1) IN GENERAL.—In order to mitigate the  
8 risks that an over-accumulation of short-term debt  
9 could pose to financial companies and to the stability  
10 of the United States financial system, the Board of  
11 Governors may, by regulation, prescribe a limit on  
12 the amount of short-term debt, including off-balance  
13 sheet exposures, that may be accumulated by any  
14 bank holding company described in subsection (a)  
15 and any nonbank financial company supervised by  
16 the Board of Governors.

17 (2) BASIS OF LIMIT.—Any limit prescribed  
18 under paragraph (1) shall be based on the short-  
19 term debt of the company described in paragraph  
20 (1) as a percentage of capital stock and surplus of  
21 the company or on such other measure as the Board  
22 of Governors considers appropriate.

23 (3) SHORT-TERM DEBT DEFINED.—For pur-  
24 poses of this subsection, the term “short-term debt”  
25 means such liabilities with short-dated maturity that

1 the Board of Governors identifies, by regulation, ex-  
2 cept that such term does not include insured depos-  
3 its.

4 (4) RULEMAKING AUTHORITY.—In addition to  
5 prescribing regulations under paragraphs (1) and  
6 (3), the Board of Governors may prescribe such reg-  
7 ulations, including definitions consistent with this  
8 subsection, and issue such orders, as may be nec-  
9 essary to carry out this subsection.

10 (5) AUTHORITY TO ISSUE EXEMPTIONS AND  
11 ADJUSTMENTS.—Notwithstanding the Bank Holding  
12 Company Act of 1956 (12 U.S.C. 1841 et seq.), the  
13 Board of Governors may, if it determines such ac-  
14 tion is necessary to ensure appropriate heightened  
15 prudential supervision, with respect to a company  
16 described in paragraph (1) that does not control an  
17 insured depository institution, issue to such company  
18 an exemption from or adjustment to the limit pre-  
19 scribed under paragraph (1).

20 (h) RISK COMMITTEE.—

21 (1) NONBANK FINANCIAL COMPANIES SUPER-  
22 VISED BY THE BOARD OF GOVERNORS.—The Board  
23 of Governors shall require each nonbank financial  
24 company supervised by the Board of Governors that  
25 is a publicly traded company to establish a risk com-

1       mittee, as set forth in paragraph (3), not later than  
2       1 year after the date of receipt of a notice of final  
3       determination under section 113(e)(3) with respect  
4       to such nonbank financial company supervised by  
5       the Board of Governors.

6               (2) CERTAIN BANK HOLDING COMPANIES.—

7                       (A) MANDATORY REGULATIONS.—The  
8       Board of Governors shall issue regulations re-  
9       quiring each bank holding company that is a  
10      publicly traded company and that has total con-  
11      solidated assets of not less than  
12      \$10,000,000,000 to establish a risk committee,  
13      as set forth in paragraph (3).

14                      (B) PERMISSIVE REGULATIONS.—The  
15      Board of Governors may require each bank  
16      holding company that is a publicly traded com-  
17      pany and that has total consolidated assets of  
18      less than \$10,000,000,000 to establish a risk  
19      committee, as set forth in paragraph (3), as de-  
20      termined necessary or appropriate by the Board  
21      of Governors to promote sound risk manage-  
22      ment practices.

23               (3) RISK COMMITTEE.—A risk committee re-  
24      quired by this subsection shall—

1 (A) be responsible for the oversight of the  
2 enterprise-wide risk management practices of  
3 the nonbank financial company supervised by  
4 the Board of Governors or bank holding com-  
5 pany described in subsection (a), as applicable;

6 (B) include such number of independent  
7 directors as the Board of Governors may deter-  
8 mine appropriate, based on the nature of oper-  
9 ations, size of assets, and other appropriate cri-  
10 teria related to the nonbank financial company  
11 supervised by the Board of Governors or a bank  
12 holding company described in subsection (a), as  
13 applicable; and

14 (C) include at least 1 risk management ex-  
15 pert having experience in identifying, assessing,  
16 and managing risk exposures of large, complex  
17 firms.

18 (4) RULEMAKING.—The Board of Governors  
19 shall issue final rules to carry out this subsection,  
20 not later than 1 year after the transfer date, to take  
21 effect not later than 15 months after the transfer  
22 date.

23 (i) STRESS TESTS.—

24 (1) BY THE BOARD OF GOVERNORS.—

1           (A) ANNUAL TESTS REQUIRED.—The  
2 Board of Governors, in coordination with the  
3 appropriate primary financial regulatory agen-  
4 cies and the Federal Insurance Office, shall  
5 conduct annual analyses in which nonbank fi-  
6 nancial companies supervised by the Board of  
7 Governors and bank holding companies de-  
8 scribed in subsection (a) are subject to evalua-  
9 tion of whether such companies have the cap-  
10 ital, on a total consolidated basis, necessary to  
11 absorb losses as a result of adverse economic  
12 conditions.

13           (B) TEST PARAMETERS AND CON-  
14 SEQUENCES.—The Board of Governors—

15           (i) shall provide for at least 3 dif-  
16 ferent sets of conditions under which the  
17 evaluation required by this subsection shall  
18 be conducted, including baseline, adverse,  
19 and severely adverse;

20           (ii) may require the tests described in  
21 subparagraph (A) at bank holding compa-  
22 nies and nonbank financial companies, in  
23 addition to those for which annual tests  
24 are required under subparagraph (A);

1 (iii) may develop and apply such other  
2 analytic techniques as are necessary to  
3 identify, measure, and monitor risks to the  
4 financial stability of the United States;

5 (iv) shall require the companies de-  
6 scribed in subparagraph (A) to update  
7 their resolution plans required under sub-  
8 section (d)(1), as the Board of Governors  
9 determines appropriate, based on the re-  
10 sults of the analyses; and

11 (v) shall publish a summary of the re-  
12 sults of the tests required under subpara-  
13 graph (A) or clause (ii) of this subpara-  
14 graph.

15 (2) BY THE COMPANY.—

16 (A) REQUIREMENT.—A nonbank financial  
17 company supervised by the Board of Governors  
18 and a bank holding company described in sub-  
19 section (a) shall conduct semiannual stress  
20 tests. All other financial companies that have  
21 total consolidated assets of more than  
22 \$10,000,000,000 and are regulated by a pri-  
23 mary Federal financial regulatory agency shall  
24 conduct annual stress tests. The tests required  
25 under this subparagraph shall be conducted in

1           accordance with the regulations prescribed  
2           under subparagraph (C).

3           (B) REPORT.—A company required to con-  
4           duct stress tests under subparagraph (A) shall  
5           submit a report to the Board of Governors and  
6           to its primary financial regulatory agency at  
7           such time, in such form, and containing such  
8           information as the primary financial regulatory  
9           agency shall require.

10          (C) REGULATIONS.—Each Federal pri-  
11          mary financial regulatory agency, in coordina-  
12          tion with the Board of Governors and the Fed-  
13          eral Insurance Office, shall issue consistent and  
14          comparable regulations to implement this para-  
15          graph that shall—

16                 (i) define the term “stress test” for  
17                 purposes of this paragraph;

18                 (ii) establish methodologies for the  
19                 conduct of stress tests required by this  
20                 paragraph that shall provide for at least 3  
21                 different sets of conditions, including base-  
22                 line, adverse, and severely adverse;

23                 (iii) establish the form and content of  
24                 the report required by subparagraph (B);  
25                 and



1 (iv) require companies subject to this  
2 paragraph to publish a summary of the re-  
3 sults of the required stress tests.

4 (j) LEVERAGE LIMITATION.—

5 (1) REQUIREMENT.—The Board of Governors  
6 shall require a bank holding company with total con-  
7 solidated assets equal to or greater than  
8 \$50,000,000,000 or a nonbank financial company  
9 supervised by the Board of Governors to maintain a  
10 debt to equity ratio of no more than 15 to 1, upon  
11 a determination by the Council that such company  
12 poses a grave threat to the financial stability of the  
13 United States and that the imposition of such re-  
14 quirement is necessary to mitigate the risk that such  
15 company poses to the financial stability of the  
16 United States. Nothing in this paragraph shall apply  
17 to a Federal home loan bank.

18 (2) CONSIDERATIONS.—In making a determina-  
19 tion under this subsection, the Council shall consider  
20 the factors described in subsections (a) and (b) of  
21 section 113 and any other risk-related factors that  
22 the Council deems appropriate.

23 (3) REGULATIONS.—The Board of Governors  
24 shall promulgate regulations to establish procedures

1 and timelines for complying with the requirements of  
2 this subsection.

3 (k) INCLUSION OF OFF-BALANCE-SHEET ACTIVITIES  
4 IN COMPUTING CAPITAL REQUIREMENTS.—

5 (1) IN GENERAL.—In the case of any bank  
6 holding company described in subsection (a) or  
7 nonbank financial company supervised by the Board  
8 of Governors, the computation of capital for pur-  
9 poses of meeting capital requirements shall take into  
10 account any off-balance-sheet activities of the com-  
11 pany.

12 (2) EXEMPTIONS.—If the Board of Governors  
13 determines that an exemption from the requirement  
14 under paragraph (1) is appropriate, the Board of  
15 Governors may exempt a company, or any trans-  
16 action or transactions engaged in by such company,  
17 from the requirements of paragraph (1).

18 (3) OFF-BALANCE-SHEET ACTIVITIES DE-  
19 FINED.—For purposes of this subsection, the term  
20 “off-balance-sheet activities” means an existing li-  
21 ability of a company that is not currently a balance  
22 sheet liability, but may become one upon the hap-  
23 pening of some future event, including the following  
24 transactions, to the extent that they may create a li-  
25 ability:

1 (A) Direct credit substitutes in which a  
2 bank substitutes its own credit for a third  
3 party, including standby letters of credit.

4 (B) Irrevocable letters of credit that guar-  
5 antee repayment of commercial paper or tax-ex-  
6 empt securities.

7 (C) Risk participations in bankers' accept-  
8 ances.

9 (D) Sale and repurchase agreements.

10 (E) Asset sales with recourse against the  
11 seller.

12 (F) Interest rate swaps.

13 (G) Credit swaps.

14 (H) Commodities contracts.

15 (I) Forward contracts.

16 (J) Securities contracts.

17 (K) Such other activities or transactions as  
18 the Board of Governors may, by rule, define.

19 **SEC. 166. EARLY REMEDIATION REQUIREMENTS.**

20 (a) IN GENERAL.—The Board of Governors, in con-  
21 sultation with the Council and the Corporation, shall pre-  
22 scribe regulations establishing requirements to provide for  
23 the early remediation of financial distress of a nonbank  
24 financial company supervised by the Board of Governors  
25 or a bank holding company described in section 165(a),

1 except that nothing in this subsection authorizes the provi-  
2 sion of financial assistance from the Federal Government.

3 (b) PURPOSE OF THE EARLY REMEDIATION RE-  
4 QUIREMENTS.—The purpose of the early remediation re-  
5 quirements under subsection (a) shall be to establish a se-  
6 ries of specific remedial actions to be taken by a nonbank  
7 financial company supervised by the Board of Governors  
8 or a bank holding company described in section 165(a)  
9 that is experiencing increasing financial distress, in order  
10 to minimize the probability that the company will become  
11 insolvent and the potential harm of such insolvency to the  
12 financial stability of the United States.

13 (c) REMEDIATION REQUIREMENTS.—The regulations  
14 prescribed by the Board of Governors under subsection (a)  
15 shall—

16 (1) define measures of the financial condition of  
17 the company, including regulatory capital, liquidity  
18 measures, and other forward-looking indicators; and

19 (2) establish requirements that increase in  
20 stringency as the financial condition of the company  
21 declines, including—

22 (A) requirements in the initial stages of fi-  
23 nancial decline, including limits on capital dis-  
24 tributions, acquisitions, and asset growth; and

1 (B) requirements at later stages of finan-  
2 cial decline, including a capital restoration plan  
3 and capital-raising requirements, limits on  
4 transactions with affiliates, management  
5 changes, and asset sales.

6 **SEC. 167. AFFILIATIONS.**

7 (a) AFFILIATIONS.—Nothing in this subtitle shall be  
8 construed to require a nonbank financial company super-  
9 vised by the Board of Governors, or a company that con-  
10 trols a nonbank financial company supervised by the  
11 Board of Governors, to conform the activities thereof to  
12 the requirements of section 4 of the Bank Holding Com-  
13 pany Act of 1956 (12 U.S.C. 1843).

14 (b) REQUIREMENT.—

15 (1) IN GENERAL.—

16 (A) BOARD AUTHORITY.—If a nonbank fi-  
17 nancial company supervised by the Board of  
18 Governors conducts activities other than those  
19 that are determined to be financial in nature or  
20 incidental thereto under section 4(k) of the  
21 Bank Holding Company Act of 1956, the Board  
22 of Governors may require such company to es-  
23 tablish and conduct all or a portion of such ac-  
24 tivities that are determined to be financial in  
25 nature or incidental thereto in or through an

1 intermediate holding company established pur-  
2 suant to regulation of the Board of Governors,  
3 not later than 90 days (or such longer period  
4 as the Board of Governors may deem appro-  
5 priate) after the date on which the nonbank fi-  
6 nancial company supervised by the Board of  
7 Governors is notified of the determination of  
8 the Board of Governors under this section.

9 (B) NECESSARY ACTIONS.—Notwith-  
10 standing subparagraph (A), the Board of Gov-  
11 ernors shall require a nonbank financial com-  
12 pany supervised by the Board of Governors to  
13 establish an intermediate holding company if  
14 the Board of Governors makes a determination  
15 that the establishment of such intermediate  
16 holding company is necessary to—

17 (i) appropriately supervise activities  
18 that are determined to be financial in na-  
19 ture or incidental thereto; or

20 (ii) to ensure that supervision by the  
21 Board of Governors does not extend to the  
22 commercial activities of such nonbank fi-  
23 nancial company.

24 (2) INTERNAL FINANCIAL ACTIVITIES.—For  
25 purposes of this subsection, activities that are deter-

1        mined to be financial in nature or incidental thereto  
2        under section 4(k) of the Bank Holding Company  
3        Act of 1956, as described in paragraph (1), shall not  
4        include internal financial activities, including inter-  
5        nal treasury, investment, and employee benefit func-  
6        tions. With respect to any internal financial activity  
7        engaged in for the company or an affiliate and a  
8        non-affiliate of such company during the year prior  
9        to the date of enactment of this Act, such company  
10       (or an affiliate that is not an intermediate holding  
11       company or subsidiary of an intermediate holding  
12       company) may continue to engage in such activity,  
13       as long as not less than 2/3 of the assets or 2/3 of  
14       the revenues generated from the activity are from or  
15       attributable to such company or an affiliate, subject  
16       to review by the Board of Governors, to determine  
17       whether engaging in such activity presents undue  
18       risk to such company or to the financial stability of  
19       the United States.

20            (3) SOURCE OF STRENGTH.—A company that  
21        directly or indirectly controls an intermediate hold-  
22        ing company established under this section shall  
23        serve as a source of strength to its subsidiary inter-  
24        mediate holding company.

1           (4) PARENT COMPANY REPORTS.—The Board  
2 of Governors may, from time to time, require reports  
3 under oath from a company that controls an inter-  
4 mediate holding company, and from the appropriate  
5 officers or directors of such company, solely for pur-  
6 poses of ensuring compliance with the provisions of  
7 this section, including assessing the ability of the  
8 company to serve as a source of strength to its sub-  
9 sidiary intermediate holding company pursuant to  
10 paragraph (3) and enforcing such compliance.

11           (5) LIMITED PARENT COMPANY ENFORCE-  
12 MENT.—

13           (A) IN GENERAL.—In addition to any  
14 other authority of the Board of Governors, the  
15 Board of Governors may enforce compliance  
16 with the provisions of this subsection that are  
17 applicable to any company described in para-  
18 graph (1) that controls an intermediate holding  
19 company under section 8 of the Federal Deposit  
20 Insurance Act, and such company shall be sub-  
21 ject to such section (solely for such purposes) in  
22 the same manner and to the same extent as if  
23 such company were a bank holding company.

24           (B) APPLICATION OF OTHER ACT.—Any  
25 violation of this subsection by any company



1           that controls an intermediate holding company  
2           may also be treated as a violation of the Fed-  
3           eral Deposit Insurance Act for purposes of sub-  
4           paragraph (A).

5           (C) NO EFFECT ON OTHER AUTHORITY.—  
6           No provision of this paragraph shall be con-  
7           strued as limiting any authority of the Board of  
8           Governors or any other Federal agency under  
9           any other provision of law.

10          (c) REGULATIONS.—The Board of Governors—

11           (1) shall promulgate regulations to establish the  
12           criteria for determining whether to require a  
13           nonbank financial company supervised by the Board  
14           of Governors to establish an intermediate holding  
15           company under subsection (b); and

16           (2) may promulgate regulations to establish any  
17           restrictions or limitations on transactions between  
18           an intermediate holding company or a nonbank fi-  
19           nancial company supervised by the Board of Gov-  
20           ernors and its affiliates, as necessary to prevent un-  
21           safe and unsound practices in connection with trans-  
22           actions between such company, or any subsidiary  
23           thereof, and its parent company or affiliates that are  
24           not subsidiaries of such company, except that such  
25           regulations shall not restrict or limit any transaction

1 in connection with the bona fide acquisition or lease  
2 by an unaffiliated person of assets, goods, or serv-  
3 ices.

4 **SEC. 168. REGULATIONS.**

5 The Board of Governors shall have authority to issue  
6 regulations to implement subtitles A and C and the  
7 amendments made thereunder. Except as otherwise speci-  
8 fied in subtitle A or C, not later than 18 months after  
9 the effective date of this Act, the Board of Governors shall  
10 issue final regulations to implement subtitles A and C, and  
11 the amendments made thereunder.

12 **SEC. 169. AVOIDING DUPLICATION.**

13 The Board of Governors shall take any action that  
14 the Board of Governors deems appropriate to avoid impos-  
15 ing requirements under this subtitle that are duplicative  
16 of requirements applicable to bank holding companies and  
17 nonbank financial companies under other provisions of  
18 law.

19 **SEC. 170. SAFE HARBOR.**

20 (a) REGULATIONS.—The Board of Governors shall  
21 promulgate regulations on behalf of, and in consultation  
22 with, the Council setting forth the criteria for exempting  
23 certain types or classes of U.S. nonbank financial compa-  
24 nies or foreign nonbank financial companies from super-  
25 vision by the Board of Governors.

1           (b) CONSIDERATIONS.—In developing the criteria  
2 under subsection (a), the Board of Governors shall take  
3 into account the factors for consideration described in sub-  
4 sections (a) and (b) of section 113 in determining whether  
5 a U.S. nonbank financial company or foreign nonbank fi-  
6 nancial company shall be supervised by the Board of Gov-  
7 ernors.

8           (c) RULE OF CONSTRUCTION.—Nothing in this sec-  
9 tion shall be construed to require supervision by the Board  
10 of Governors of a U.S. nonbank financial company or for-  
11 eign nonbank financial company, if such company does not  
12 meet the criteria for exemption established under sub-  
13 section (a).

14           (d) REVISIONS.—

15           (1) IN GENERAL.—The Board of Governors  
16 shall, in consultation with the Council, review the  
17 regulations promulgated under subsection (a), not  
18 less frequently than every 5 years, and based upon  
19 the review, the Board of Governors may revise such  
20 regulations on behalf of, and in consultation with,  
21 the Council to update as necessary the criteria set  
22 forth in such regulations.

23           (2) TRANSITION PERIOD.—No revisions under  
24 paragraph (1) shall take effect before the end of the

1 2-year period after the date of publication of such  
2 revisions in final form.

3 (e) REPORT.—The Chairman of the Board of Gov-  
4 ernors and the Chairperson of the Council shall submit  
5 a joint report to the Committee on Banking, Housing, and  
6 Urban Affairs of the Senate and the Committee on Finan-  
7 cial Services of the House of Representatives not later  
8 than 30 days after the date of the issuance in final form  
9 of regulations under subsection (a), or any subsequent re-  
10 vision to such regulations under subsection (d), as applica-  
11 ble. Such report shall include, at a minimum, the rationale  
12 for exemption and empirical evidence to support the cri-  
13 teria for exemption.

14 **SEC. 171. LEVERAGE AND RISK-BASED CAPITAL REQUIRE-**  
15 **MENTS.**

16 (a) DEFINITIONS.—For purposes of this section, the  
17 following definitions shall apply:

18 (1) GENERALLY APPLICABLE LEVERAGE CAP-  
19 ITAL REQUIREMENTS.—The term “generally applica-  
20 ble leverage capital requirements” means—

21 (A) the minimum ratios of tier 1 capital to  
22 average total assets, as established by the ap-  
23 propriate Federal banking agencies to apply to  
24 insured depository institutions under the  
25 prompt corrective action regulations imple-

1           menting section 38 of the Federal Deposit In-  
2           surance Act, regardless of total consolidated  
3           asset size or foreign financial exposure; and

4           (B) includes the regulatory capital compo-  
5           nents in the numerator of that capital require-  
6           ment, average total assets in the denominator  
7           of that capital requirement, and the required  
8           ratio of the numerator to the denominator.

9           (2) GENERALLY APPLICABLE RISK-BASED CAP-  
10          ITAL REQUIREMENTS.—The term “generally applica-  
11          ble risk-based capital requirements” means—

12           (A) the risk-based capital requirements, as  
13           established by the appropriate Federal banking  
14           agencies to apply to insured depository institu-  
15           tions under the prompt corrective action regula-  
16           tions implementing section 38 of the Federal  
17           Deposit Insurance Act, regardless of total con-  
18           solidated asset size or foreign financial expo-  
19           sure; and

20           (B) includes the regulatory capital compo-  
21           nents in the numerator of those capital require-  
22           ments, the risk-weighted assets in the denomi-  
23           nator of those capital requirements, and the re-  
24           quired ratio of the numerator to the denomi-  
25           nator.

1           (3) DEFINITION OF DEPOSITORY INSTITUTION  
2           HOLDING COMPANY.—The term “depository institu-  
3           tion holding company” means a bank holding com-  
4           pany or a savings and loan holding company (as  
5           those terms are defined in section 3 of the Federal  
6           Deposit Insurance Act) that is organized in the  
7           United States, including any bank or savings and  
8           loan holding company that is owned or controlled by  
9           a foreign organization, but does not include the for-  
10          eign organization.

11          (b) MINIMUM CAPITAL REQUIREMENTS.—

12           (1) MINIMUM LEVERAGE CAPITAL REQUIRE-  
13          MENTS.—The appropriate Federal banking agencies  
14          shall establish minimum leverage capital require-  
15          ments on a consolidated basis for insured depository  
16          institutions, depository institution holding compa-  
17          nies, and nonbank financial companies supervised by  
18          the Board of Governors. The minimum leverage cap-  
19          ital requirements established under this paragraph  
20          shall not be less than the generally applicable lever-  
21          age capital requirements, which shall serve as a floor  
22          for any capital requirements that the agency may re-  
23          quire, nor quantitatively lower than the generally ap-  
24          plicable leverage capital requirements that were in

1 effect for insured depository institutions as of the  
2 date of enactment of this Act.

3 (2) MINIMUM RISK-BASED CAPITAL REQUIRE-  
4 MENTS.—The appropriate Federal banking agencies  
5 shall establish minimum risk-based capital require-  
6 ments on a consolidated basis for insured depository  
7 institutions, depository institution holding compa-  
8 nies, and nonbank financial companies supervised by  
9 the Board of Governors. The minimum risk-based  
10 capital requirements established under this para-  
11 graph shall not be less than the generally applicable  
12 risk-based capital requirements, which shall serve as  
13 a floor for any capital requirements that the agency  
14 may require, nor quantitatively lower than the gen-  
15 erally applicable risk-based capital requirements that  
16 were in effect for insured depository institutions as  
17 of the date of enactment of this Act.

18 (3) INVESTMENTS IN FINANCIAL SUBSIDI-  
19 ARIES.—For purposes of this section, investments in  
20 financial subsidiaries that insured depository institu-  
21 tions are required to deduct from regulatory capital  
22 under section 5136A of the Revised Statutes of the  
23 United States or section 46(a)(2) of the Federal De-  
24 posit Insurance Act need not be deducted from regu-  
25 latory capital by depository institution holding com-

1       panies or nonbank financial companies supervised by  
2       the Board of Governors, unless such capital deduc-  
3       tion is required by the Board of Governors or the  
4       primary financial regulatory agency in the case of  
5       nonbank financial companies supervised by the  
6       Board of Governors.

7               (4) EFFECTIVE DATES AND PHASE-IN PERI-  
8       ODS.—

9               (A) DEBT OR EQUITY INSTRUMENTS ON  
10       OR AFTER MAY 19, 2010.—For debt or equity in-  
11       struments issued on or after May 19, 2010, by  
12       depository institution holding companies or by  
13       nonbank financial companies supervised by the  
14       Board of Governors, this section shall be  
15       deemed to have become effective as of May 19,  
16       2010.

17              (B) DEBT OR EQUITY INSTRUMENTS  
18       ISSUED BEFORE MAY 19, 2010.—For debt or eq-  
19       uity instruments issued before May 19, 2010,  
20       by depository institution holding companies or  
21       by nonbank financial companies supervised by  
22       the Board of Governors, any regulatory capital  
23       deductions required under this section shall be  
24       phased in incrementally over a period of 3  
25       years, with the phase-in period to begin on Jan-



1            uary 1, 2013, except as set forth in subpara-  
2            graph (C).

3            (C) DEBT OR EQUITY INSTRUMENTS OF  
4            SMALLER INSTITUTIONS.—For debt or equity  
5            instruments issued before May 19, 2010, by de-  
6            pository institution holding companies with  
7            total consolidated assets of less than  
8            \$15,000,000,000 as of December 31, 2009, and  
9            by organizations that were mutual holding com-  
10           panies on May 19, 2010, the capital deductions  
11           that would be required for other institutions  
12           under this section are not required as a result  
13           of this section.

14           (D) DEPOSITORY INSTITUTION HOLDING  
15           COMPANIES NOT PREVIOUSLY SUPERVISED BY  
16           THE BOARD OF GOVERNORS.—For any depository  
17           institution holding company that was not  
18           supervised by the Board of Governors as of  
19           May 19, 2010, the requirements of this section,  
20           except as set forth in subparagraphs (A) and  
21           (B), shall be effective 5 years after the date of  
22           enactment of this Act

23           (E) CERTAIN BANK HOLDING COMPANY  
24           SUBSIDIARIES OF FOREIGN BANKING ORGANIZA-  
25           TIONS.—For bank holding company subsidiaries

1 of foreign banking organizations that have re-  
2 lied on Supervision and Regulation Letter SR-  
3 01-1 issued by the Board of Governors (as in  
4 effect on May 19, 2010), the requirements of  
5 this section, except as set forth in subparagraph  
6 (A), shall be effective 5 years after the date of  
7 enactment of this Act.

8 (5) EXCEPTIONS.—This section shall not apply  
9 to—

10 (A) debt or equity instruments issued to  
11 the United States or any agency or instrumen-  
12 tality thereof pursuant to the Emergency Eco-  
13 nomic Stabilization Act of 2008, and prior to  
14 October 4, 2010;

15 (B) any Federal home loan bank; or

16 (C) any small bank holding company that  
17 is subject to the Small Bank Holding Company  
18 Policy Statement of the Board of Governors, as  
19 in effect on May 19, 2010.

20 (6) STUDY AND REPORT ON SMALL INSTITU-  
21 TION ACCESS TO CAPITAL.—

22 (A) STUDY REQUIRED.—The Comptroller  
23 General of the United States, after consultation  
24 with the Federal banking agencies, shall con-

1           duct a study of access to capital by smaller in-  
2           sured depository institutions.

3           (B) SCOPE.—For purposes of this study  
4           required by subparagraph (A), the term “small-  
5           er insured depository institution” means an in-  
6           sured depository institution with total consoli-  
7           dated assets of \$5,000,000,000 or less.

8           (C) REPORT TO CONGRESS.—Not later  
9           than 18 months after the date of enactment of  
10          this Act, the Comptroller General of the United  
11          States shall submit to the Committee on Bank-  
12          ing, Housing, and Urban Affairs of the Senate  
13          and the Committee on Financial Services of the  
14          House of Representatives a report summarizing  
15          the results of the study conducted under sub-  
16          paragraph (A), together with any recommenda-  
17          tions for legislative or regulatory action that  
18          would enhance the access to capital of smaller  
19          insured depository institutions, in a manner  
20          that is consistent with safe and sound banking  
21          operations.

22          (7) CAPITAL REQUIREMENTS TO ADDRESS AC-  
23          TIVITIES THAT POSE RISKS TO THE FINANCIAL SYS-  
24          TEM.—

1           (A) IN GENERAL.—Subject to the rec-  
2           ommendations of the Council, in accordance  
3           with section 120, the Federal banking agencies  
4           shall develop capital requirements applicable to  
5           insured depository institutions, depository insti-  
6           tution holding companies, and nonbank finan-  
7           cial companies supervised by the Board of Gov-  
8           ernors that address the risks that the activities  
9           of such institutions pose, not only to the insti-  
10          tution engaging in the activity, but to other  
11          public and private stakeholders in the event of  
12          adverse performance, disruption, or failure of  
13          the institution or the activity.

14          (B) CONTENT.—Such rules shall address,  
15          at a minimum, the risks arising from—

16               (i) significant volumes of activity in  
17               derivatives, securitized products purchased  
18               and sold, financial guarantees purchased  
19               and sold, securities borrowing and lending,  
20               and repurchase agreements and reverse re-  
21               purchase agreements;

22               (ii) concentrations in assets for which  
23               the values presented in financial reports  
24               are based on models rather than historical

1 cost or prices deriving from deep and liq-  
2 uid 2-way markets; and

3 (iii) concentrations in market share  
4 for any activity that would substantially  
5 disrupt financial markets if the institution  
6 is forced to unexpectedly cease the activity.

7 **SEC. 172. EXAMINATION AND ENFORCEMENT ACTIONS FOR**  
8 **INSURANCE AND ORDERLY LIQUIDATION**  
9 **PURPOSES.**

10 (a) EXAMINATIONS FOR INSURANCE AND RESOLU-  
11 TION PURPOSES.—Section 10(b)(3) of the Federal De-  
12 posit Insurance Act (12 U.S.C. 1820(b)(3)) is amended—

13 (1) by striking “In addition” and inserting the  
14 following:

15 “(A) IN GENERAL.—In addition”; and

16 (2) by striking “whenever the board of directors  
17 determines” and all that follows through the period  
18 and inserting the following: “or nonbank financial  
19 company supervised by the Board of Governors or a  
20 bank holding company described in section 165(a) of  
21 the Financial Stability Act of 2010, whenever the  
22 Board of Directors determines that a special exam-  
23 ination of any such depository institution is nec-  
24 essary to determine the condition of such depository  
25 institution for insurance purposes, or of such

1 nonbank financial company supervised by the Board  
2 of Governors or bank holding company described in  
3 section 165(a) of the Financial Stability Act of  
4 2010, for the purpose of implementing its authority  
5 to provide for orderly liquidation of any such com-  
6 pany under title II of that Act, provided that such  
7 authority may not be used with respect to any such  
8 company that is in a generally sound condition.

9 “(B) LIMITATION.—Before conducting a  
10 special examination of a nonbank financial com-  
11 pany supervised by the Board of Governors or  
12 a bank holding company described in section  
13 165(a) of the Financial Stability Act of 2010,  
14 the Corporation shall review any available and  
15 acceptable resolution plan that the company has  
16 submitted in accordance with section 165(d) of  
17 that Act, consistent with the nonbinding effect  
18 of such plan, and available reports of examina-  
19 tion, and shall coordinate to the maximum ex-  
20 tent practicable with the Board of Governors, in  
21 order to minimize duplicative or conflicting ex-  
22 aminations.”.

23 (b) ENFORCEMENT AUTHORITY.—Section 8(t) of the  
24 Federal Deposit Insurance Act (12 U.S.C. 1818(t)) is  
25 amended—

1           (1) in paragraph (1), by inserting “, any deposi-  
2           itory institution holding company,” before “or any  
3           institution-affiliated party”;

4           (2) in paragraph (2)—

5                 (A) by striking “or” at the end of subpara-  
6                 graph (B);

7                 (B) at the end of subparagraph (C), by  
8                 striking the period and inserting “or”; and

9                 (C) by inserting at the end the following  
10                new subparagraph:

11                “(D) the conduct or threatened conduct  
12                (including any acts or omissions) of the deposi-  
13                tory institution holding company poses a risk to  
14                the Deposit Insurance Fund, provided that such  
15                authority may not be used with respect to a de-  
16                pository institution holding company that is in  
17                generally sound condition and whose conduct  
18                does not pose a foreseeable and material risk of  
19                loss to the Deposit Insurance Fund;”;

20           (3) by adding at the end the following:

21                “(6) POWERS AND DUTIES WITH RESPECT TO  
22                DEPOSITORY INSTITUTION HOLDING COMPANIES.—  
23                For purposes of exercising the backup authority pro-  
24                vided in this subsection—

1           “(A) the Corporation shall have the same  
2 powers with respect to a depository institution  
3 holding company and its affiliates as the appro-  
4 priate Federal banking agency has with respect  
5 to the holding company and its affiliates; and

6           “(B) the holding company and its affiliates  
7 shall have the same duties and obligations with  
8 respect to the Corporation as the holding com-  
9 pany and its affiliates have with respect to the  
10 appropriate Federal banking agency.”.

11       (c) **RULE OF CONSTRUCTION.**—Nothing in this Act  
12 shall be construed to limit or curtail the Corporation’s cur-  
13 rent authority to examine or bring enforcement actions  
14 with respect to any insured depository institution or insti-  
15 tution-affiliated party.

16 **SEC. 173. ACCESS TO UNITED STATES FINANCIAL MARKET**  
17 **BY FOREIGN INSTITUTIONS.**

18       (a) **ESTABLISHMENT OF FOREIGN BANK OFFICES IN**  
19 **THE UNITED STATES.**—Section 7(d)(3) of the Inter-  
20 national Banking Act of 1978 (12 U.S.C. 3105(d)(3)) is  
21 amended—

22           (1) in subparagraph (C), by striking “and” at  
23 the end;

24           (2) in subparagraph (D), by striking the period  
25 at the end of and inserting “; and”; and



1           (3) by adding at the end the following new sub-  
2 paragraph:

3           “(E) for a foreign bank that presents a  
4 risk to the stability of United States financial  
5 system, whether the home country of the for-  
6 eign bank has adopted, or is making demon-  
7 strable progress toward adopting, an appro-  
8 priate system of financial regulation for the fi-  
9 nancial system of such home country to miti-  
10 gate such risk.”.

11       (b) TERMINATION OF FOREIGN BANK OFFICES IN  
12 THE UNITED STATES.—Section 7(e)(1) of the Inter-  
13 national Banking Act of 1978 (12 U.S.C. 3105(e)(1)) is  
14 amended—

15           (1) in subparagraph (A), by striking “or” at  
16 the end;

17           (2) in subparagraph (B), by striking the period  
18 at the end of and inserting “; or”; and

19           (3) by inserting after subparagraph (B), the  
20 following new subparagraph:

21           “(C) for a foreign bank that presents a  
22 risk to the stability of the United States finan-  
23 cial system, the home country of the foreign  
24 bank has not adopted, or made demonstrable  
25 progress toward adopting, an appropriate sys-

1           tem of financial regulation to mitigate such  
2           risk.”.

3           (c) REGISTRATION OR SUCCESSION TO A UNITED  
4 STATES BROKER OR DEALER AND TERMINATION OF  
5 SUCH REGISTRATION.—Section 15 of the Securities Ex-  
6 change Act of 1934 (15 U.S.C. 78o) is amended by adding  
7 at the end the following new subsections:

8           “(k) REGISTRATION OR SUCCESSION TO A UNITED  
9 STATES BROKER OR DEALER.—In determining whether  
10 to permit a foreign person or an affiliate of a foreign per-  
11 son to register as a United States broker or dealer, or  
12 succeed to the registration of a United States broker or  
13 dealer, the Commission may consider whether, for a for-  
14 eign person, or an affiliate of a foreign person that pre-  
15 sents a risk to the stability of the United States financial  
16 system, the home country of the foreign person has adopt-  
17 ed, or made demonstrable progress toward adopting, an  
18 appropriate system of financial regulation to mitigate such  
19 risk.

20           “(l) TERMINATION OF A UNITED STATES BROKER  
21 OR DEALER.—For a foreign person or an affiliate of a  
22 foreign person that presents such a risk to the stability  
23 of the United States financial system, the Commission  
24 may determine to terminate the registration of such for-  
25 eign person or an affiliate of such foreign person as a

1 broker or dealer in the United States, if the Commission  
2 determines that the home country of the foreign person  
3 has not adopted, or made demonstrable progress toward  
4 adopting, an appropriate system of financial regulation to  
5 mitigate such risk.”.

6 **SEC. 174. STUDIES AND REPORTS ON HOLDING COMPANY**

7 **CAPITAL REQUIREMENTS.**

8 (a) **STUDY OF HYBRID CAPITAL INSTRUMENTS.—**

9 The Comptroller General of the United States, in con-  
10 sultation with the Board of Governors, the Comptroller of  
11 the Currency, and the Corporation, shall conduct a study  
12 of the use of hybrid capital instruments as a component  
13 of Tier 1 capital for banking institutions and bank holding  
14 companies. The study shall consider—

15 (1) the current use of hybrid capital instru-  
16 ments, such as trust preferred shares, as a compo-  
17 nent of Tier 1 capital;

18 (2) the differences between the components of  
19 capital permitted for insured depository institutions  
20 and those permitted for companies that control in-  
21 sured depository institutions;

22 (3) the benefits and risks of allowing such in-  
23 struments to be used to comply with Tier 1 capital  
24 requirements;

1           (4) the economic impact of prohibiting the use  
2 of such capital instruments for Tier 1;

3           (5) a review of the consequences of disquali-  
4 fying trust preferred instruments, and whether it  
5 could lead to the failure or undercapitalization of ex-  
6 isting banking organizations;

7           (6) the international competitive implications  
8 prohibiting hybrid capital instruments for Tier 1;

9           (7) the impact on the cost and availability of  
10 credit in the United States from such a prohibition;

11           (8) the availability of capital for financial insti-  
12 tutions with less than \$10,000,000,000 in total as-  
13 sets; and

14           (9) any other relevant factors relating to the  
15 safety and soundness of our financial system and po-  
16 tential economic impact of such a prohibition.

17       (b) STUDY OF FOREIGN BANK INTERMEDIATE  
18 HOLDING COMPANY CAPITAL REQUIREMENTS.—The  
19 Comptroller General of the United States, in consultation  
20 with the Secretary, the Board of Governors, the Comp-  
21 troller of the Currency, and the Corporation, shall conduct  
22 a study of capital requirements applicable to United  
23 States intermediate holding companies of foreign banks  
24 that are bank holding companies or savings and loan hold-  
25 ing companies. The study shall consider—

1           (1) current Board of Governors policy regarding  
2           the treatment of intermediate holding companies;

3           (2) the principle of national treatment and  
4           equality of competitive opportunity for foreign banks  
5           operating in the United States;

6           (3) the extent to which foreign banks are sub-  
7           ject on a consolidated basis to home country capital  
8           standards comparable to United States capital  
9           standards;

10          (4) potential effects on United States banking  
11          organizations operating abroad of changes to United  
12          States policy regarding intermediate holding compa-  
13          nies;

14          (5) the impact on the cost and availability of  
15          credit in the United States from a change in United  
16          States policy regarding intermediate holding compa-  
17          nies; and

18          (6) any other relevant factors relating to the  
19          safety and soundness of our financial system and po-  
20          tential economic impact of such a prohibition.

21          (c) REPORT.—Not later than 18 months after the  
22          date of enactment of this Act, the Comptroller General  
23          of the United States shall submit reports to the Com-  
24          mittee on Banking, Housing, and Urban Affairs of the  
25          Senate and the Committee on Financial Services of the

1 House of Representatives summarizing the results of the  
2 studies required under subsection (a). The reports shall  
3 include specific recommendations for legislative or regu-  
4 latory action regarding the treatment of hybrid capital in-  
5 struments, including trust preferred shares, and shall ex-  
6 plain the basis for such recommendations.

7 **SEC. 175. INTERNATIONAL POLICY COORDINATION.**

8 (a) BY THE PRESIDENT.—The President, or a des-  
9 ignee of the President, may coordinate through all avail-  
10 able international policy channels, similar policies as those  
11 found in United States law relating to limiting the scope,  
12 nature, size, scale, concentration, and interconnectedness  
13 of financial companies, in order to protect financial sta-  
14 bility and the global economy.

15 (b) BY THE COUNCIL.—The Chairperson of the  
16 Council, in consultation with the other members of the  
17 Council, shall regularly consult with the financial regu-  
18 latory entities and other appropriate organizations of for-  
19 eign governments or international organizations on mat-  
20 ters relating to systemic risk to the international financial  
21 system.

22 (c) BY THE BOARD OF GOVERNORS AND THE SEC-  
23 RETARY.—The Board of Governors and the Secretary  
24 shall consult with their foreign counterparts and through  
25 appropriate multilateral organizations to encourage com-

1 prehensive and robust prudential supervision and regula-  
2 tion for all highly leveraged and interconnected financial  
3 companies.

4 **SEC. 176. RULE OF CONSTRUCTION.**

5 No regulation or standard imposed under this title  
6 may be construed in a manner that would lessen the strin-  
7 gency of the requirements of any applicable primary finan-  
8 cial regulatory agency or any other Federal or State agen-  
9 cy that are otherwise applicable. This title, and the rules  
10 and regulations or orders prescribed pursuant to this title,  
11 do not divest any such agency of any authority derived  
12 from any other applicable law.

13 **TITLE II—ORDERLY**  
14 **LIQUIDATION AUTHORITY**

15 **SEC. 201. DEFINITIONS.**

16 (a) IN GENERAL.—In this title, the following defini-  
17 tions shall apply:

18 (1) ADMINISTRATIVE EXPENSES OF THE RE-  
19 CEIVER.—The term “administrative expenses of the  
20 receiver” includes—

21 (A) the actual, necessary costs and ex-  
22 penses incurred by the Corporation as receiver  
23 for a covered financial company in liquidating a  
24 covered financial company; and

1           (B) any obligations that the Corporation  
2           as receiver for a covered financial company de-  
3           termines are necessary and appropriate to fa-  
4           cilitate the smooth and orderly liquidation of  
5           the covered financial company.

6           (2) **BANKRUPTCY CODE.**—The term “Bank-  
7           ruptcy Code” means title 11, United States Code.

8           (3) **BRIDGE FINANCIAL COMPANY.**—The term  
9           “bridge financial company” means a new financial  
10          company organized by the Corporation in accordance  
11          with section 210(h) for the purpose of resolving a  
12          covered financial company.

13          (4) **CLAIM.**—The term “claim” means any right  
14          to payment, whether or not such right is reduced to  
15          judgment, liquidated, unliquidated, fixed, contingent,  
16          matured, unmatured, disputed, undisputed, legal, eq-  
17          uitable, secured, or unsecured.

18          (5) **COMPANY.**—The term “company” has the  
19          same meaning as in section 2(b) of the Bank Hold-  
20          ing Company Act of 1956 (12 U.S.C. 1841(b)), ex-  
21          cept that such term includes any company described  
22          in paragraph (11), the majority of the securities of  
23          which are owned by the United States or any State.



1           (6) COURT.—The term “Court” means the  
2           United States District Court for the District of Co-  
3           lumbia, unless the context otherwise requires.

4           (7) COVERED BROKER OR DEALER.—The term  
5           “covered broker or dealer” means a covered financial  
6           company that is a broker or dealer that—

7                   (A) is registered with the Commission  
8                   under section 15(b) of the Securities Exchange  
9                   Act of 1934 (15 U.S.C. 78o(b)); and

10                   (B) is a member of SIPC.

11           (8) COVERED FINANCIAL COMPANY.—The term  
12           “covered financial company”—

13                   (A) means a financial company for which  
14                   a determination has been made under section  
15                   203(b); and

16                   (B) does not include an insured depository  
17                   institution.

18           (9) COVERED SUBSIDIARY.—The term “covered  
19           subsidiary” means a subsidiary of a covered finan-  
20           cial company, other than—

21                   (A) an insured depository institution;

22                   (B) an insurance company; or

23                   (C) a covered broker or dealer.

24           (10) DEFINITIONS RELATING TO COVERED BRO-  
25           KERS AND DEALERS.—The terms “customer”, “cus-

1       tomer name securities”, “customer property”, and  
2       “net equity” in the context of a covered broker or  
3       dealer, have the same meanings as in section 16 of  
4       the Securities Investor Protection Act of 1970 (15  
5       U.S.C. 78lll).

6               (11) FINANCIAL COMPANY.—The term “finan-  
7       cial company” means any company that—

8                       (A) is incorporated or organized under any  
9       provision of Federal law or the laws of any  
10      State;

11                      (B) is—

12                               (i) a bank holding company, as de-  
13      fined in section 2(a) of the Bank Holding  
14      Company Act of 1956 (12 U.S.C.  
15      1841(a));

16                               (ii) a nonbank financial company su-  
17      pervised by the Board of Governors;

18                               (iii) any company that is predomi-  
19      nantly engaged in activities that the Board  
20      of Governors has determined are financial  
21      in nature or incidental thereto for purposes  
22      of section 4(k) of the Bank Holding Com-  
23      pany Act of 1956 (12 U.S.C. 1843(k))  
24      other than a company described in clause  
25      (i) or (ii); or

1 (iv) any subsidiary of any company  
2 described in any of clauses (i) through (iii)  
3 that is predominantly engaged in activities  
4 that the Board of Governors has deter-  
5 mined are financial in nature or incidental  
6 thereto for purposes of section 4(k) of the  
7 Bank Holding Company Act of 1956 (12  
8 U.S.C. 1843(k)) (other than a subsidiary  
9 that is an insured depository institution or  
10 an insurance company); and

11 (C) is not a Farm Credit System institu-  
12 tion chartered under and subject to the provi-  
13 sions of the Farm Credit Act of 1971, as  
14 amended (12 U.S.C. 2001 et seq.), a govern-  
15 mental entity, or a regulated entity, as defined  
16 under section 1303(20) of the Federal Housing  
17 Enterprises Financial Safety and Soundness  
18 Act of 1992 (12 U.S.C. 4502(20)).

19 (12) FUND.—The term “Fund” means the Or-  
20 derly Liquidation Fund established under section  
21 210(n).

22 (13) INSURANCE COMPANY.—The term “insur-  
23 ance company” means any entity that is—

24 (A) engaged in the business of insurance;

1 (B) subject to regulation by a State insur-  
2 ance regulator; and

3 (C) covered by a State law that is designed  
4 to specifically deal with the rehabilitation, liq-  
5 uidation, or insolvency of an insurance com-  
6 pany.

7 (14) NONBANK FINANCIAL COMPANY.—The  
8 term “nonbank financial company” has the same  
9 meaning as in section 102(a)(4)(C).

10 (15) NONBANK FINANCIAL COMPANY SUPER-  
11 VISIED BY THE BOARD OF GOVERNORS.—The term  
12 “nonbank financial company supervised by the  
13 Board of Governors” has the same meaning as in  
14 section 102(a)(4)(D).

15 (16) SIPC.—The term “SIPC” means the Se-  
16 curities Investor Protection Corporation.

17 (b) DEFINITIONAL CRITERIA.—For purpose of the  
18 definition of the term “financial company” under sub-  
19 section (a)(11), no company shall be deemed to be pre-  
20 dominantly engaged in activities that the Board of Gov-  
21 ernors has determined are financial in nature or incidental  
22 thereto for purposes of section 4(k) of the Bank Holding  
23 Company Act of 1956 (12 U.S.C. 1843(k)), if the consoli-  
24 dated revenues of such company from such activities con-  
25 stitute less than 85 percent of the total consolidated reve-

1 nues of such company, as the Corporation, in consultation  
2 with the Secretary, shall establish by regulation. In deter-  
3 mining whether a company is a financial company under  
4 this title, the consolidated revenues derived from the own-  
5 ership or control of a depository institution shall be in-  
6 cluded.

7 **SEC. 202. JUDICIAL REVIEW.**

8 (a) COMMENCEMENT OF ORDERLY LIQUIDATION.—

9 (1) PETITION TO DISTRICT COURT.—

10 (A) DISTRICT COURT REVIEW.—

11 (i) PETITION TO DISTRICT COURT.—

12 Subsequent to a determination by the Sec-  
13 retary under section 203 that a financial  
14 company satisfies the criteria in section  
15 203(b), the Secretary shall notify the Cor-  
16 poration and the covered financial com-  
17 pany. If the board of directors (or body  
18 performing similar functions) of the cov-  
19 ered financial company acquiesces or con-  
20 sents to the appointment of the Corpora-  
21 tion as receiver, the Secretary shall ap-  
22 point the Corporation as receiver. If the  
23 board of directors (or body performing  
24 similar functions) of the covered financial  
25 company does not acquiesce or consent to

1 the appointment of the Corporation as re-  
2 ceiver, the Secretary shall petition the  
3 United States District Court for the Dis-  
4 trict of Columbia for an order authorizing  
5 the Secretary to appoint the Corporation  
6 as receiver.

7 (ii) FORM AND CONTENT OF  
8 ORDER.—The Secretary shall present all  
9 relevant findings and the recommendation  
10 made pursuant to section 203(a) to the  
11 Court. The petition shall be filed under  
12 seal.

13 (iii) DETERMINATION.—On a strictly  
14 confidential basis, and without any prior  
15 public disclosure, the Court, after notice to  
16 the covered financial company and a hear-  
17 ing in which the covered financial company  
18 may oppose the petition, shall determine  
19 whether the determination of the Secretary  
20 that the covered financial company is in  
21 default or in danger of default and satis-  
22 fies the definition of a financial company  
23 under section 201(a)(11) is arbitrary and  
24 capricious.

1 (iv) ISSUANCE OF ORDER.—If the  
2 Court determines that the determination of  
3 the Secretary that the covered financial  
4 company is in default or in danger of de-  
5 fault and satisfies the definition of a finan-  
6 cial company under section 201(a)(11)—

7 (I) is not arbitrary and capri-  
8 cious, the Court shall issue an order  
9 immediately authorizing the Secretary  
10 to appoint the Corporation as receiver  
11 of the covered financial company; or

12 (II) is arbitrary and capricious,  
13 the Court shall immediately provide to  
14 the Secretary a written statement of  
15 each reason supporting its determina-  
16 tion, and afford the Secretary an im-  
17 mediate opportunity to amend and  
18 refile the petition under clause (i).

19 (v) PETITION GRANTED BY OPER-  
20 ATION OF LAW.—If the Court does not  
21 make a determination within 24 hours of  
22 receipt of the petition—

23 (I) the petition shall be granted  
24 by operation of law;

1 (II) the Secretary shall appoint  
2 the Corporation as receiver; and

3 (III) liquidation under this title  
4 shall automatically and without fur-  
5 ther notice or action be commenced  
6 and the Corporation may immediately  
7 take all actions authorized under this  
8 title.

9 (B) EFFECT OF DETERMINATION.—The  
10 determination of the Court under subparagraph  
11 (A) shall be final, and shall be subject to appeal  
12 only in accordance with paragraph (2). The de-  
13 cision shall not be subject to any stay or injunc-  
14 tion pending appeal. Upon conclusion of its pro-  
15 ceedings under subparagraph (A), the Court  
16 shall provide immediately for the record a writ-  
17 ten statement of each reason supporting the de-  
18 cision of the Court, and shall provide copies  
19 thereof to the Secretary and the covered finan-  
20 cial company.

21 (C) CRIMINAL PENALTIES.—A person who  
22 recklessly discloses a determination of the Sec-  
23 retary under section 203(b) or a petition of the  
24 Secretary under subparagraph (A), or the pend-  
25 ency of court proceedings as provided for under



1           subparagraph (A), shall be fined not more than  
2           \$250,000, or imprisoned for not more than 5  
3           years, or both.

4           (2) APPEAL OF DECISIONS OF THE DISTRICT  
5           COURT.—

6           (A) APPEAL TO COURT OF APPEALS.—

7                   (i) IN GENERAL.—Subject to clause  
8                   (ii), the United States Court of Appeals for  
9                   the District of Columbia Circuit shall have  
10                  jurisdiction of an appeal of a final decision  
11                  of the Court filed by the Secretary or a  
12                  covered financial company, through its  
13                  board of directors, notwithstanding section  
14                  210(a)(1)(A)(i), not later than 30 days  
15                  after the date on which the decision of the  
16                  Court is rendered or deemed rendered  
17                  under this subsection.

18                   (ii) CONDITION OF JURISDICTION.—  
19                  The Court of Appeals shall have jurisdic-  
20                  tion of an appeal by a covered financial  
21                  company only if the covered financial com-  
22                  pany did not acquiesce or consent to the  
23                  appointment of a receiver by the Secretary  
24                  under paragraph (1)(A).

1 (iii) EXPEDITION.—The Court of Ap-  
2 peals shall consider any appeal under this  
3 subparagraph on an expedited basis.

4 (iv) SCOPE OF REVIEW.—For an ap-  
5 peal taken under this subparagraph, review  
6 shall be limited to whether the determina-  
7 tion of the Secretary that a covered finan-  
8 cial company is in default or in danger of  
9 default and satisfies the definition of a fi-  
10 nancial company under section 201(a)(11)  
11 is arbitrary and capricious.

12 (B) APPEAL TO THE SUPREME COURT.—

13 (i) IN GENERAL.—A petition for a  
14 writ of certiorari to review a decision of  
15 the Court of Appeals under subparagraph  
16 (A) may be filed by the Secretary or the  
17 covered financial company, through its  
18 board of directors, notwithstanding section  
19 210(a)(1)(A)(i), with the Supreme Court  
20 of the United States, not later than 30  
21 days after the date of the final decision of  
22 the Court of Appeals, and the Supreme  
23 Court shall have discretionary jurisdiction  
24 to review such decision.

1                   (ii) WRITTEN STATEMENT.—In the  
2                   event of a petition under clause (i), the  
3                   Court of Appeals shall immediately provide  
4                   for the record a written statement of each  
5                   reason for its decision.

6                   (iii) EXPEDITION.—The Supreme  
7                   Court shall consider any petition under  
8                   this subparagraph on an expedited basis.

9                   (iv) SCOPE OF REVIEW.—Review by  
10                  the Supreme Court under this subpara-  
11                  graph shall be limited to whether the de-  
12                  termination of the Secretary that the cov-  
13                  ered financial company is in default or in  
14                  danger of default and satisfies the defini-  
15                  tion of a financial company under section  
16                  201(a)(11) is arbitrary and capricious.

17               (b) ESTABLISHMENT AND TRANSMITTAL OF RULES  
18               AND PROCEDURES.—

19                   (1) IN GENERAL.—Not later than 6 months  
20                   after the date of enactment of this Act, the Court  
21                   shall establish such rules and procedures as may be  
22                   necessary to ensure the orderly conduct of pro-  
23                   ceedings, including rules and procedures to ensure  
24                   that the 24-hour deadline is met and that the Sec-

1       retary shall have an ongoing opportunity to amend  
2       and refile petitions under subsection (a)(1).

3           (2) PUBLICATION OF RULES.—The rules and  
4       procedures established under paragraph (1), and any  
5       modifications of such rules and procedures, shall be  
6       recorded and shall be transmitted to—

7           (A) the Committee on the Judiciary of the  
8       Senate;

9           (B) the Committee on Banking, Housing,  
10       and Urban Affairs of the Senate;

11          (C) the Committee on the Judiciary of the  
12       House of Representatives; and

13          (D) the Committee on Financial Services  
14       of the House of Representatives.

15       (c) PROVISIONS APPLICABLE TO FINANCIAL COMPA-  
16       NIES.—

17           (1) BANKRUPTCY CODE.—Except as provided in  
18       this subsection, the provisions of the Bankruptcy  
19       Code and rules issued thereunder or otherwise appli-  
20       cable insolvency law, and not the provisions of this  
21       title, shall apply to financial companies that are not  
22       covered financial companies for which the Corpora-  
23       tion has been appointed as receiver.

24           (2) THIS TITLE.—The provisions of this title  
25       shall exclusively apply to and govern all matters re-

1       lating to covered financial companies for which the  
2       Corporation is appointed as receiver, and no provi-  
3       sions of the Bankruptcy Code or the rules issued  
4       thereunder shall apply in such cases, except as ex-  
5       pressly provided in this title.

6       (d) TIME LIMIT ON RECEIVERSHIP AUTHORITY.—

7           (1) BASELINE PERIOD.—Any appointment of  
8       the Corporation as receiver under this section shall  
9       terminate at the end of the 3-year period beginning  
10      on the date on which such appointment is made.

11          (2) EXTENSION OF TIME LIMIT.—The time  
12      limit established in paragraph (1) may be extended  
13      by the Corporation for up to 1 additional year, if the  
14      Chairperson of the Corporation determines and cer-  
15      tifies in writing to the Committee on Banking,  
16      Housing, and Urban Affairs of the Senate and the  
17      Committee on Financial Services of the House of  
18      Representatives that continuation of the receivership  
19      is necessary—

20           (A) to—

21                   (i) maximize the net present value re-  
22                   turn from the sale or other disposition of  
23                   the assets of the covered financial com-  
24                   pany; or

1                   (ii) minimize the amount of loss real-  
2                   ized upon the sale or other disposition of  
3                   the assets of the covered financial com-  
4                   pany; and

5                   (B) to protect the stability of the financial  
6                   system of the United States.

7                   (3) SECOND EXTENSION OF TIME LIMIT.—

8                   (A) IN GENERAL.—The time limit under  
9                   this subsection, as extended under paragraph  
10                  (2), may be extended for up to 1 additional  
11                  year, if the Chairperson of the Corporation,  
12                  with the concurrence of the Secretary, submits  
13                  the certifications described in paragraph (2).

14                  (B) ADDITIONAL REPORT REQUIRED.—Not  
15                  later than 30 days after the date of commence-  
16                  ment of the extension under subparagraph (A),  
17                  the Corporation shall submit a report to the  
18                  Committee on Banking, Housing, and Urban  
19                  Affairs of the Senate and the Committee on Fi-  
20                  nancial Services of the House of Representa-  
21                  tives describing the need for the extension and  
22                  the specific plan of the Corporation to conclude  
23                  the receivership before the end of the second ex-  
24                  tension.

1           (4) ONGOING LITIGATION.—The time limit  
2           under this subsection, as extended under paragraph  
3           (3), may be further extended solely for the purpose  
4           of completing ongoing litigation in which the Cor-  
5           poration as receiver is a party, provided that the ap-  
6           pointment of the Corporation as receiver shall termi-  
7           nate not later than 90 days after the date of comple-  
8           tion of such litigation, if—

9                   (A) the Council determines that the Cor-  
10                  poration used its best efforts to conclude the re-  
11                  ceivership in accordance with its plan before the  
12                  end of the time limit described in paragraph  
13                  (3);

14                  (B) the Council determines that the com-  
15                  pletion of longer-term responsibilities in the  
16                  form of ongoing litigation justifies the need for  
17                  an extension; and

18                  (C) the Corporation submits a report ap-  
19                  proved by the Council not later than 30 days  
20                  after the date of the determinations by the  
21                  Council under subparagraphs (A) and (B) to  
22                  the Committee on Banking, Housing, and  
23                  Urban Affairs of the Senate and the Committee  
24                  on Financial Services of the House of Rep-  
25                  resentatives, describing—

1 (i) the ongoing litigation justifying the  
2 need for an extension; and

3 (ii) the specific plan of the Corpora-  
4 tion to complete the litigation and conclude  
5 the receivership.

6 (5) REGULATIONS.—The Corporation may issue  
7 regulations governing the termination of receiver-  
8 ships under this title.

9 (6) NO LIABILITY.—The Corporation and the  
10 Deposit Insurance Fund shall not be liable for unre-  
11 solved claims arising from the receivership after the  
12 termination of the receivership.

13 (e) STUDY OF BANKRUPTCY AND ORDERLY LIQUIDA-  
14 TION PROCESS FOR FINANCIAL COMPANIES.—

15 (1) STUDY.—

16 (A) IN GENERAL.—The Administrative Of-  
17 fice of the United States Courts and the Comp-  
18 troller General of the United States shall each  
19 monitor the activities of the Court, and each  
20 such Office shall conduct separate studies re-  
21 garding the bankruptcy and orderly liquidation  
22 process for financial companies under the  
23 Bankruptcy Code.

24 (B) ISSUES TO BE STUDIED.—In con-  
25 ducting the study under subparagraph (A), the



1           Administrative Office of the United States  
2           Courts and the Comptroller General of the  
3           United States each shall evaluate—

4                   (i) the effectiveness of chapter 7 or  
5                   chapter 11 of the Bankruptcy Code in fa-  
6                   cilitating the orderly liquidation or reorga-  
7                   nization of financial companies;

8                   (ii) ways to maximize the efficiency  
9                   and effectiveness of the Court; and

10                   (iii) ways to make the orderly liquida-  
11                   tion process under the Bankruptcy Code  
12                   for financial companies more effective.

13           (2) REPORTS.—Not later than 1 year after the  
14           date of enactment of this Act, in each successive  
15           year until the third year, and every fifth year after  
16           that date of enactment, the Administrative Office of  
17           the United States Courts and the Comptroller Gen-  
18           eral of the United States shall submit to the Com-  
19           mittee on Banking, Housing, and Urban Affairs and  
20           the Committee on the Judiciary of the Senate and  
21           the Committee on Financial Services and the Com-  
22           mittee on the Judiciary of the House of Representa-  
23           tives separate reports summarizing the results of the  
24           studies conducted under paragraph (1).

1 (f) STUDY OF INTERNATIONAL COORDINATION RE-  
2 LATING TO BANKRUPTCY PROCESS FOR FINANCIAL COM-  
3 PANIES.—

4 (1) STUDY.—

5 (A) IN GENERAL.—The Comptroller Gen-  
6 eral of the United States shall conduct a study  
7 regarding international coordination relating to  
8 the orderly liquidation of financial companies  
9 under the Bankruptcy Code.

10 (B) ISSUES TO BE STUDIED.—In con-  
11 ducting the study under subparagraph (A), the  
12 Comptroller General of the United States shall  
13 evaluate, with respect to the bankruptcy process  
14 for financial companies—

15 (i) the extent to which international  
16 coordination currently exists;

17 (ii) current mechanisms and struc-  
18 tures for facilitating international coopera-  
19 tion;

20 (iii) barriers to effective international  
21 coordination; and

22 (iv) ways to increase and make more  
23 effective international coordination.

24 (2) REPORT.—Not later than 1 year after the  
25 date of enactment of this Act, the Comptroller Gen-

1           eral of the United States shall submit to the Com-  
2           mittee on Banking, Housing, and Urban Affairs and  
3           the Committee on the Judiciary of the Senate and  
4           the Committee on Financial Services and the Com-  
5           mittee on the Judiciary of the House of Representa-  
6           tives and the Secretary a report summarizing the re-  
7           sults of the study conducted under paragraph (1).

8           (g) STUDY OF PROMPT CORRECTIVE ACTION IMPLE-  
9           MENTATION BY THE APPROPRIATE FEDERAL AGEN-  
10          CIES.—

11           (1) STUDY.—The Comptroller General of the  
12          United States shall conduct a study regarding the  
13          implementation of prompt corrective action by the  
14          appropriate Federal banking agencies.

15           (2) ISSUES TO BE STUDIED.—In conducting the  
16          study under paragraph (1), the Comptroller General  
17          shall evaluate—

18           (A) the effectiveness of implementation of  
19          prompt corrective action by the appropriate  
20          Federal banking agencies and the resolution of  
21          insured depository institutions by the Corpora-  
22          tion; and

23           (B) ways to make prompt corrective action  
24          a more effective tool to resolve the insured de-

1           pository institutions at the least possible long-  
2           term cost to the Deposit Insurance Fund.

3           (3) REPORT TO COUNCIL.—Not later than 1  
4           year after the date of enactment of this Act, the  
5           Comptroller General shall submit a report to the  
6           Council on the results of the study conducted under  
7           this subsection.

8           (4) COUNCIL REPORT OF ACTION.—Not later  
9           than 6 months after the date of receipt of the report  
10          from the Comptroller General under paragraph (3),  
11          the Council shall submit a report to the Committee  
12          on Banking, Housing, and Urban Affairs of the Sen-  
13          ate and the Committee on Financial Services of the  
14          House of Representatives on actions taken in re-  
15          sponse to the report, including any recommendations  
16          made to the Federal primary financial regulatory  
17          agencies under section 120.

18 **SEC. 203. SYSTEMIC RISK DETERMINATION.**

19          (a) WRITTEN RECOMMENDATION AND DETERMINA-  
20          TION.—

21               (1) VOTE REQUIRED.—

22                       (A) IN GENERAL.—On their own initiative,  
23                       or at the request of the Secretary, the Corpora-  
24                       tion and the Board of Governors shall consider  
25                       whether to make a written recommendation de-

1           scribed in paragraph (2) with respect to wheth-  
2           er the Secretary should appoint the Corporation  
3           as receiver for a financial company. Such rec-  
4           ommendation shall be made upon a vote of not  
5           fewer than  $\frac{2}{3}$  of the members of the Board of  
6           Governors then serving and  $\frac{2}{3}$  of the members  
7           of the board of directors of the Corporation  
8           then serving.

9           (B) CASES INVOLVING BROKERS OR DEAL-  
10          ERS.—In the case of a broker or dealer, or in  
11          which the largest United States subsidiary (as  
12          measured by total assets as of the end of the  
13          previous calendar quarter) of a financial com-  
14          pany is a broker or dealer, the Commission and  
15          the Board of Governors, at the request of the  
16          Secretary, or on their own initiative, shall con-  
17          sider whether to make the written recommenda-  
18          tion described in paragraph (2) with respect to  
19          the financial company. Subject to the require-  
20          ments in paragraph (2), such recommendation  
21          shall be made upon a vote of not fewer than  $\frac{2}{3}$   
22          of the members of the Board of Governors then  
23          serving and  $\frac{2}{3}$  of the members of the Commis-  
24          sion then serving, and in consultation with the  
25          Corporation.

1                   (C) CASES INVOLVING INSURANCE COMPA-  
2                   NIES.—In the case of an insurance company, or  
3                   in which the largest United States subsidiary  
4                   (as measured by total assets as of the end of  
5                   the previous calendar quarter) of a financial  
6                   company is an insurance company, the Director  
7                   of the Federal Insurance Office and the Board  
8                   of Governors, at the request of the Secretary or  
9                   on their own initiative, shall consider whether  
10                  to make the written recommendation described  
11                  in paragraph (2) with respect to the financial  
12                  company. Subject to the requirements in para-  
13                  graph (2), such recommendation shall be made  
14                  upon a vote of not fewer than  $\frac{2}{3}$  of the Board  
15                  of Governors then serving and the affirmative  
16                  approval of the Director of the Federal Insur-  
17                  ance Office, and in consultation with the Cor-  
18                  poration.

19                  (2) RECOMMENDATION REQUIRED.—Any writ-  
20                  ten recommendation pursuant to paragraph (1) shall  
21                  contain—

22                         (A) an evaluation of whether the financial  
23                         company is in default or in danger of default;

1 (B) a description of the effect that the de-  
2 fault of the financial company would have on fi-  
3 nancial stability in the United States;

4 (C) a description of the effect that the de-  
5 fault of the financial company would have on  
6 economic conditions or financial stability for  
7 low income, minority, or underserved commu-  
8 nities;

9 (D) a recommendation regarding the na-  
10 ture and the extent of actions to be taken under  
11 this title regarding the financial company;

12 (E) an evaluation of the likelihood of a pri-  
13 vate sector alternative to prevent the default of  
14 the financial company;

15 (F) an evaluation of why a case under the  
16 Bankruptcy Code is not appropriate for the fi-  
17 nancial company;

18 (G) an evaluation of the effects on credi-  
19 tors, counterparties, and shareholders of the fi-  
20 nancial company and other market participants;  
21 and

22 (H) an evaluation of whether the company  
23 satisfies the definition of a financial company  
24 under section 201.

1 (b) DETERMINATION BY THE SECRETARY.—Notwith-  
2 standing any other provision of Federal or State law, the  
3 Secretary shall take action in accordance with section  
4 202(a)(1)(A), if, upon the written recommendation under  
5 subsection (a), the Secretary (in consultation with the  
6 President) determines that—

7 (1) the financial company is in default or in  
8 danger of default;

9 (2) the failure of the financial company and its  
10 resolution under otherwise applicable Federal or  
11 State law would have serious adverse effects on fi-  
12 nancial stability in the United States;

13 (3) no viable private sector alternative is avail-  
14 able to prevent the default of the financial company;

15 (4) any effect on the claims or interests of  
16 creditors, counterparties, and shareholders of the fi-  
17 nancial company and other market participants as a  
18 result of actions to be taken under this title is ap-  
19 propriate, given the impact that any action taken  
20 under this title would have on financial stability in  
21 the United States;

22 (5) any action under section 204 would avoid or  
23 mitigate such adverse effects, taking into consider-  
24 ation the effectiveness of the action in mitigating po-  
25 tential adverse effects on the financial system, the



1 cost to the general fund of the Treasury, and the po-  
2 tential to increase excessive risk taking on the part  
3 of creditors, counterparties, and shareholders in the  
4 financial company;

5 (6) a Federal regulatory agency has ordered the  
6 financial company to convert all of its convertible  
7 debt instruments that are subject to the regulatory  
8 order; and

9 (7) the company satisfies the definition of a fi-  
10 nancial company under section 201.

11 (c) DOCUMENTATION AND REVIEW.—

12 (1) IN GENERAL.—The Secretary shall—

13 (A) document any determination under  
14 subsection (b);

15 (B) retain the documentation for review  
16 under paragraph (2); and

17 (C) notify the covered financial company  
18 and the Corporation of such determination.

19 (2) REPORT TO CONGRESS.—Not later than 24  
20 hours after the date of appointment of the Corpora-  
21 tion as receiver for a covered financial company, the  
22 Secretary shall provide written notice of the rec-  
23 ommendations and determinations reached in ac-  
24 cordance with subsections (a) and (b) to the Major-  
25 ity Leader and the Minority Leader of the Senate

1 and the Speaker and the Minority Leader of the  
2 House of Representatives, the Committee on Bank-  
3 ing, Housing, and Urban Affairs of the Senate, and  
4 the Committee on Financial Services of the House of  
5 Representatives, which shall consist of a summary of  
6 the basis for the determination, including, to the ex-  
7 tent available at the time of the determination—

8 (A) the size and financial condition of the  
9 covered financial company;

10 (B) the sources of capital and credit sup-  
11 port that were available to the covered financial  
12 company;

13 (C) the operations of the covered financial  
14 company that could have had a significant im-  
15 pact on financial stability, markets, or both;

16 (D) identification of the banks and finan-  
17 cial companies which may be able to provide the  
18 services offered by the covered financial com-  
19 pany;

20 (E) any potential international ramifica-  
21 tions of resolution of the covered financial com-  
22 pany under other applicable insolvency law;

23 (F) an estimate of the potential effect of  
24 the resolution of the covered financial company

1 under other applicable insolvency law on the fi-  
2 nancial stability of the United States;

3 (G) the potential effect of the appointment  
4 of a receiver by the Secretary on consumers;

5 (H) the potential effect of the appointment  
6 of a receiver by the Secretary on the financial  
7 system, financial markets, and banks and other  
8 financial companies; and

9 (I) whether resolution of the covered finan-  
10 cial company under other applicable insolvency  
11 law would cause banks or other financial com-  
12 panies to experience severe liquidity distress.

13 (3) REPORTS TO CONGRESS AND THE PUB-  
14 LIC.—

15 (A) IN GENERAL.—Not later than 60 days  
16 after the date of appointment of the Corpora-  
17 tion as receiver for a covered financial company,  
18 the Corporation shall file a report with the  
19 Committee on Banking, Housing, and Urban  
20 Affairs of the Senate and the Committee on Fi-  
21 nancial Services of the House of Representa-  
22 tives—

23 (i) setting forth information on the fi-  
24 nancial condition of the covered financial  
25 company as of the date of the appoint-

1                   ment, including a description of its assets  
2                   and liabilities;

3                   (ii) describing the plan of, and actions  
4                   taken by, the Corporation to wind down  
5                   the covered financial company;

6                   (iii) explaining each instance in which  
7                   the Corporation waived any applicable re-  
8                   quirements of part 366 of title 12, Code of  
9                   Federal Regulations (or any successor  
10                  thereto) with respect to conflicts of interest  
11                  by any person in the private sector who  
12                  was retained to provide services to the Cor-  
13                  poration in connection with such receiver-  
14                  ship;

15                  (iv) describing the reasons for the  
16                  provision of any funding to the receivership  
17                  out of the Fund;

18                  (v) setting forth the expected costs of  
19                  the orderly liquidation of the covered fi-  
20                  nancial company;

21                  (vi) setting forth the identity of any  
22                  claimant that is treated in a manner dif-  
23                  ferent from other similarly situated claim-  
24                  ants under subsection (b)(4), (d)(4), or  
25                  (h)(5)(E), the amount of any additional

1 payment to such claimant under subsection  
2 (d)(4), and the reason for any such action;  
3 and

4 (vii) which report the Corporation  
5 shall publish on an online website main-  
6 tained by the Corporation, subject to main-  
7 taining appropriate confidentiality.

8 (B) AMENDMENTS.—The Corporation  
9 shall, on a timely basis, not less frequently than  
10 quarterly, amend or revise and resubmit the re-  
11 ports prepared under this paragraph, as nec-  
12 essary.

13 (C) CONGRESSIONAL TESTIMONY.—The  
14 Corporation and the primary financial regu-  
15 latory agency, if any, of the financial company  
16 for which the Corporation was appointed re-  
17 ceiver under this title shall appear before Con-  
18 gress, if requested, not later than 30 days after  
19 the date on which the Corporation first files the  
20 reports required under subparagraph (A).

21 (4) DEFAULT OR IN DANGER OF DEFAULT.—  
22 For purposes of this title, a financial company shall  
23 be considered to be in default or in danger of default  
24 if, as determined in accordance with subsection  
25 (b)—

1           (A) a case has been, or likely will promptly  
2 be, commenced with respect to the financial  
3 company under the Bankruptcy Code;

4           (B) the financial company has incurred, or  
5 is likely to incur, losses that will deplete all or  
6 substantially all of its capital, and there is no  
7 reasonable prospect for the company to avoid  
8 such depletion;

9           (C) the assets of the financial company  
10 are, or are likely to be, less than its obligations  
11 to creditors and others; or

12           (D) the financial company is, or is likely to  
13 be, unable to pay its obligations (other than  
14 those subject to a bona fide dispute) in the nor-  
15 mal course of business.

16           (5) GAO REVIEW.—The Comptroller General of  
17 the United States shall review and report to Con-  
18 gress on any determination under subsection (b),  
19 that results in the appointment of the Corporation  
20 as receiver, including—

21           (A) the basis for the determination;

22           (B) the purpose for which any action was  
23 taken pursuant thereto;

24           (C) the likely effect of the determination  
25 and such action on the incentives and conduct

1 of financial companies and their creditors,  
2 counterparties, and shareholders; and

3 (D) the likely disruptive effect of the deter-  
4 mination and such action on the reasonable ex-  
5 pectations of creditors, counterparties, and  
6 shareholders, taking into account the impact  
7 any action under this title would have on finan-  
8 cial stability in the United States, including  
9 whether the rights of such parties will be dis-  
10 rupted.

11 (d) CORPORATION POLICIES AND PROCEDURES.—As  
12 soon as is practicable after the date of enactment of this  
13 Act, the Corporation shall establish policies and proce-  
14 dures that are acceptable to the Secretary governing the  
15 use of funds available to the Corporation to carry out this  
16 title, including the terms and conditions for the provision  
17 and use of funds under sections 204(d), 210(h)(2)(G)(iv),  
18 and 210(h)(9).

19 (e) TREATMENT OF INSURANCE COMPANIES AND IN-  
20 SURANCE COMPANY SUBSIDIARIES.—

21 (1) IN GENERAL.—Notwithstanding subsection  
22 (b), if an insurance company is a covered financial  
23 company or a subsidiary or affiliate of a covered fi-  
24 nancial company, the liquidation or rehabilitation of  
25 such insurance company, and any subsidiary or affil-

1       iate of such company that is not excepted under  
2       paragraph (2), shall be conducted as provided under  
3       applicable State law.

4           (2) EXCEPTION FOR SUBSIDIARIES AND AFFILI-  
5       ATES.—The requirement of paragraph (1) shall not  
6       apply with respect to any subsidiary or affiliate of  
7       an insurance company that is not itself an insurance  
8       company.

9           (3) BACKUP AUTHORITY.—Notwithstanding  
10       paragraph (1), with respect to a covered financial  
11       company described in paragraph (1), if, after the  
12       end of the 60-day period beginning on the date on  
13       which a determination is made under section 202(a)  
14       with respect to such company, the appropriate regu-  
15       latory agency has not filed the appropriate judicial  
16       action in the appropriate State court to place such  
17       company into orderly liquidation under the laws and  
18       requirements of the State, the Corporation shall  
19       have the authority to stand in the place of the ap-  
20       propriate regulatory agency and file the appropriate  
21       judicial action in the appropriate State court to  
22       place such company into orderly liquidation under  
23       the laws and requirements of the State.



1 **SEC. 204. ORDERLY LIQUIDATION OF COVERED FINANCIAL**  
2 **COMPANIES.**

3 (a) PURPOSE OF ORDERLY LIQUIDATION AUTHOR-  
4 ITY.—It is the purpose of this title to provide the nec-  
5 essary authority to liquidate failing financial companies  
6 that pose a significant risk to the financial stability of the  
7 United States in a manner that mitigates such risk and  
8 minimizes moral hazard. The authority provided in this  
9 title shall be exercised in the manner that best fulfills such  
10 purpose, so that—

11 (1) creditors and shareholders will bear the  
12 losses of the financial company;

13 (2) management responsible for the condition of  
14 the financial company will not be retained; and

15 (3) the Corporation and other appropriate  
16 agencies will take all steps necessary and appro-  
17 priate to assure that all parties, including manage-  
18 ment, directors, and third parties, having responsi-  
19 bility for the condition of the financial company bear  
20 losses consistent with their responsibility, including  
21 actions for damages, restitution, and recoupment of  
22 compensation and other gains not compatible with  
23 such responsibility.

24 (b) CORPORATION AS RECEIVER.—Upon the appoint-  
25 ment of the Corporation under section 202, the Corpora-  
26 tion shall act as the receiver for the covered financial com-

1 pany, with all of the rights and obligations set forth in  
2 this title.

3 (c) CONSULTATION.—The Corporation, as receiver—

4 (1) shall consult with the primary financial reg-  
5 ulatory agency or agencies of the covered financial  
6 company and its covered subsidiaries for purposes of  
7 ensuring an orderly liquidation of the covered finan-  
8 cial company;

9 (2) may consult with, or under subsection  
10 (a)(1)(B)(v) or (a)(1)(L) of section 210, acquire the  
11 services of, any outside experts, as appropriate to in-  
12 form and aid the Corporation in the orderly liquida-  
13 tion process;

14 (3) shall consult with the primary financial reg-  
15 ulatory agency or agencies of any subsidiaries of the  
16 covered financial company that are not covered sub-  
17 sidiaries, and coordinate with such regulators re-  
18 garding the treatment of such solvent subsidiaries  
19 and the separate resolution of any such insolvent  
20 subsidiaries under other governmental authority, as  
21 appropriate; and

22 (4) shall consult with the Commission and the  
23 Securities Investor Protection Corporation in the  
24 case of any covered financial company for which the  
25 Corporation has been appointed as receiver that is a

1 broker or dealer registered with the Commission  
2 under section 15(b) of the Securities Exchange Act  
3 of 1934 (15 U.S.C. 78o(b)) and is a member of the  
4 Securities Investor Protection Corporation, for the  
5 purpose of determining whether to transfer to a  
6 bridge financial company organized by the Corpora-  
7 tion as receiver, without consent of any customer,  
8 customer accounts of the covered financial company.

9 (d) FUNDING FOR ORDERLY LIQUIDATION.—Upon  
10 its appointment as receiver for a covered financial com-  
11 pany, and thereafter as the Corporation may, in its discre-  
12 tion, determine to be necessary or appropriate, the Cor-  
13 poration may make available to the receivership, subject  
14 to the conditions set forth in section 206 and subject to  
15 the plan described in section 210(n)(9), funds for the or-  
16 derly liquidation of the covered financial company. All  
17 funds provided by the Corporation under this subsection  
18 shall have a priority of claims under subparagraph (A) or  
19 (B) of section 210(b)(1), as applicable, including funds  
20 used for—

21 (1) making loans to, or purchasing any debt ob-  
22 ligation of, the covered financial company or any  
23 covered subsidiary;

24 (2) purchasing or guaranteeing against loss the  
25 assets of the covered financial company or any cov-

1       ered subsidiary, directly or through an entity estab-  
2       lished by the Corporation for such purpose;

3           (3) assuming or guaranteeing the obligations of  
4       the covered financial company or any covered sub-  
5       sidiary to 1 or more third parties;

6           (4) taking a lien on any or all assets of the cov-  
7       ered financial company or any covered subsidiary,  
8       including a first priority lien on all unencumbered  
9       assets of the covered financial company or any cov-  
10      ered subsidiary to secure repayment of any trans-  
11      actions conducted under this subsection;

12          (5) selling or transferring all, or any part, of  
13      such acquired assets, liabilities, or obligations of the  
14      covered financial company or any covered subsidiary;  
15      and

16          (6) making payments pursuant to subsections  
17      (b)(4), (d)(4), and (h)(5)(E) of section 210.

18 **SEC. 205. ORDERLY LIQUIDATION OF COVERED BROKERS**

19                   **AND DEALERS.**

20      (a) APPOINTMENT OF SIPC AS TRUSTEE.—

21          (1) APPOINTMENT.—Upon the appointment of  
22      the Corporation as receiver for any covered broker  
23      or dealer, the Corporation shall appoint, without any  
24      need for court approval, the Securities Investor Pro-  
25      tection Corporation to act as trustee for the liquida-

1           tion under the Securities Investor Protection Act of  
2           1970 (15 U.S.C. 78aaa et seq.) of the covered  
3           broker or dealer.

4           (2) ACTIONS BY SIPC.—

5           (A) FILING.—Upon appointment of SIPC  
6           under paragraph (1), SIPC shall promptly file  
7           with any Federal district court of competent ju-  
8           risdiction specified in section 21 or 27 of the  
9           Securities Exchange Act of 1934 (15 U.S.C.  
10          78u, 78aa), an application for a protective de-  
11          cree under the Securities Investor Protection  
12          Act of 1970 (15 U.S.C. 78aaa et seq.) as to the  
13          covered broker or dealer. The Federal district  
14          court shall accept and approve the filing, in-  
15          cluding outside of normal business hours, and  
16          shall immediately issue the protective decree as  
17          to the covered broker or dealer.

18          (B) ADMINISTRATION BY SIPC.—Following  
19          entry of the protective decree, and except as  
20          otherwise provided in this section, the deter-  
21          mination of claims and the liquidation of assets  
22          retained in the receivership of the covered  
23          broker or dealer and not transferred to the  
24          bridge financial company shall be administered  
25          under the Securities Investor Protection Act of

1           1970 (15 U.S.C. 78aaa et seq.) by SIPC, as  
2 trustee for the covered broker or dealer.

3           (C) DEFINITION OF FILING DATE.—For  
4 purposes of the liquidation proceeding, the term  
5 “filing date” means the date on which the Cor-  
6 poration is appointed as receiver of the covered  
7 broker or dealer.

8           (D) DETERMINATION OF CLAIMS.—As  
9 trustee for the covered broker or dealer, SIPC  
10 shall determine and satisfy, consistent with this  
11 title and with the Securities Investor Protection  
12 Act of 1970 (15 U.S.C. 78aaa et seq.), all  
13 claims against the covered broker or dealer aris-  
14 ing on or before the filing date.

15 (b) POWERS AND DUTIES OF SIPC.—

16           (1) IN GENERAL.—Except as provided in this  
17 section, upon its appointment as trustee for the liq-  
18 uidation of a covered broker or dealer, SIPC shall  
19 have all of the powers and duties provided by the Se-  
20 curities Investor Protection Act of 1970 (15 U.S.C.  
21 78aaa et seq.), including, without limitation, all  
22 rights of action against third parties, and shall con-  
23 duct such liquidation in accordance with the terms  
24 of the Securities Investor Protection Act of 1970 (15  
25 U.S.C. 78aaa et seq.), except that SIPC shall have

1 no powers or duties with respect to assets and liabil-  
2 ities transferred by the Corporation from the covered  
3 broker or dealer to any bridge financial company es-  
4 tablished in accordance with this title.

5 (2) LIMITATION OF POWERS.—The exercise by  
6 SIPC of powers and functions as trustee under sub-  
7 section (a) shall not impair or impede the exercise  
8 of the powers and duties of the Corporation with re-  
9 gard to—

10 (A) any action, except as otherwise pro-  
11 vided in this title—

12 (i) to make funds available under sec-  
13 tion 204(d);

14 (ii) to organize, establish, operate, or  
15 terminate any bridge financial company;

16 (iii) to transfer assets and liabilities;

17 (iv) to enforce or repudiate contracts;

18 or

19 (v) to take any other action relating  
20 to such bridge financial company under  
21 section 210; or

22 (B) determining claims under subsection  
23 (e).

24 (3) PROTECTIVE DECREE.—SIPC and the Cor-  
25 poration, in consultation with the Commission, shall

1 jointly determine the terms of the protective decree  
2 to be filed by SIPC with any court of competent ju-  
3 risdiction under section 21 or 27 of the Securities  
4 Exchange Act of 1934 (15 U.S.C. 78u, 78aa), as re-  
5 quired by subsection (a).

6 (4) QUALIFIED FINANCIAL CONTRACTS.—Not-  
7 withstanding any provision of the Securities Investor  
8 Protection Act of 1970 (15 U.S.C. 78aaa et seq.) to  
9 the contrary (including section 5(b)(2)(C) of that  
10 Act (15 U.S.C. 78eee(b)(2)(C))), the rights and obli-  
11 gations of any party to a qualified financial contract  
12 (as that term is defined in section 210(c)(8)) to  
13 which a covered broker or dealer for which the Cor-  
14 poration has been appointed receiver is a party shall  
15 be governed exclusively by section 210, including the  
16 limitations and restrictions contained in section  
17 210(c)(10)(B).

18 (c) LIMITATION ON COURT ACTION.—Except as oth-  
19 erwise provided in this title, no court may take any action,  
20 including any action pursuant to the Securities Investor  
21 Protection Act of 1970 (15 U.S.C. 78aaa et seq.) or the  
22 Bankruptcy Code, to restrain or affect the exercise of pow-  
23 ers or functions of the Corporation as receiver for a cov-  
24 ered broker or dealer and any claims against the Corpora-  
25 tion as such receiver shall be determined in accordance



1 with subsection (e) and such claims shall be limited to  
2 money damages.

3 (d) ACTIONS BY CORPORATION AS RECEIVER.—

4 (1) IN GENERAL.—Notwithstanding any other  
5 provision of this title, no action taken by the Cor-  
6 poration as receiver with respect to a covered broker  
7 or dealer shall—

8 (A) adversely affect the rights of a cus-  
9 tomer to customer property or customer name  
10 securities;

11 (B) diminish the amount or timely pay-  
12 ment of net equity claims of customers; or

13 (C) otherwise impair the recoveries pro-  
14 vided to a customer under the Securities Inves-  
15 tor Protection Act of 1970 (15 U.S.C. 78aaa et  
16 seq.).

17 (2) NET PROCEEDS.—The net proceeds from  
18 any transfer, sale, or disposition of assets of the cov-  
19 ered broker or dealer, or proceeds thereof by the  
20 Corporation as receiver for the covered broker or  
21 dealer shall be for the benefit of the estate of the  
22 covered broker or dealer, as provided in this title.

23 (e) CLAIMS AGAINST THE CORPORATION AS RE-  
24 CEIVER.—Any claim against the Corporation as receiver  
25 for a covered broker or dealer for assets transferred to

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1 a bridge financial company established with respect to  
2 such covered broker or dealer—

3 (1) shall be determined in accordance with sec-  
4 tion 210(a)(2); and

5 (2) may be reviewed by the appropriate district  
6 or territorial court of the United States in accord-  
7 ance with section 210(a)(5).

8 (f) SATISFACTION OF CUSTOMER CLAIMS.—

9 (1) OBLIGATIONS TO CUSTOMERS.—Notwith-  
10 standing any other provision of this title, all obliga-  
11 tions of a covered broker or dealer or of any bridge  
12 financial company established with respect to such  
13 covered broker or dealer to a customer relating to,  
14 or net equity claims based upon, customer property  
15 or customer name securities shall be promptly dis-  
16 charged by SIPC, the Corporation, or the bridge fi-  
17 nancial company, as applicable, by the delivery of se-  
18 curities or the making of payments to or for the ac-  
19 count of such customer, in a manner and in an  
20 amount at least as beneficial to the customer as  
21 would have been the case had the actual proceeds re-  
22 alized from the liquidation of the covered broker or  
23 dealer under this title been distributed in a pro-  
24 ceeding under the Securities Investor Protection Act  
25 of 1970 (15 U.S.C. 78aaa et seq.) without the ap-

1 pointment of the Corporation as receiver and with-  
2 out any transfer of assets or liabilities to a bridge  
3 financial company, and with a filing date as of the  
4 date on which the Corporation is appointed as re-  
5 ceiver.

6 (2) SATISFACTION OF CLAIMS BY SIPC.—SIPC,  
7 as trustee for a covered broker or dealer, shall sat-  
8 isfy customer claims in the manner and amount pro-  
9 vided under the Securities Investor Protection Act of  
10 1970 (15 U.S.C. 78aaa et seq.), as if the appoint-  
11 ment of the Corporation as receiver had not oc-  
12 curred, and with a filing date as of the date on  
13 which the Corporation is appointed as receiver. The  
14 Corporation shall satisfy customer claims, to the ex-  
15 tent that a customer would have received more secu-  
16 rities or cash with respect to the allocation of cus-  
17 tomer property had the covered financial company  
18 been subject to a proceeding under the Securities In-  
19 vestor Protection Act (15 U.S.C. 78aaa et seq.)  
20 without the appointment of the Corporation as re-  
21 ceiver, and with a filing date as of the date on which  
22 the Corporation is appointed as receiver.

23 (g) PRIORITIES.—

24 (1) CUSTOMER PROPERTY.—As trustee for a  
25 covered broker or dealer, SIPC shall allocate cus-

1        tomer property and deliver customer name securities  
2        in accordance with section 8(c) of the Securities In-  
3        vestor Protection Act of 1970 (15 U.S.C. 78fff-  
4        2(c)).

5           (2) OTHER CLAIMS.—All claims other than  
6        those described in paragraph (1) (including any un-  
7        paid claim by a customer for the allowed net equity  
8        claim of such customer from customer property)  
9        shall be paid in accordance with the priorities in sec-  
10       tion 210(b).

11       (h) RULEMAKING.—The Commission and the Cor-  
12       poration, after consultation with SIPC, shall jointly issue  
13       rules to implement this section.

14       **SEC. 206. MANDATORY TERMS AND CONDITIONS FOR ALL**  
15                       **ORDERLY LIQUIDATION ACTIONS.**

16        In taking action under this title, the Corporation  
17        shall—

18           (1) determine that such action is necessary for  
19        purposes of the financial stability of the United  
20        States, and not for the purpose of preserving the  
21        covered financial company;

22           (2) ensure that the shareholders of a covered fi-  
23        nancial company do not receive payment until after  
24        all other claims and the Fund are fully paid;

1           (3) ensure that unsecured creditors bear losses  
2           in accordance with the priority of claim provisions in  
3           section 210;

4           (4) ensure that management responsible for the  
5           failed condition of the covered financial company is  
6           removed (if such management has not already been  
7           removed at the time at which the Corporation is ap-  
8           pointed receiver);

9           (5) ensure that the members of the board of di-  
10          rectors (or body performing similar functions) re-  
11          sponsible for the failed condition of the covered fi-  
12          nancial company are removed, if such members have  
13          not already been removed at the time the Corpora-  
14          tion is appointed as receiver; and

15          (6) not take an equity interest in or become a  
16          shareholder of any covered financial company or any  
17          covered subsidiary.

18 **SEC. 207. DIRECTORS NOT LIABLE FOR ACQUIESCING IN**

19 **APPOINTMENT OF RECEIVER.**

20          The members of the board of directors (or body per-  
21          forming similar functions) of a covered financial company  
22          shall not be liable to the shareholders or creditors thereof  
23          for acquiescing in or consenting in good faith to the ap-  
24          pointment of the Corporation as receiver for the covered  
25          financial company under section 203.

1 **SEC. 208. DISMISSAL AND EXCLUSION OF OTHER ACTIONS.**

2 (a) IN GENERAL.—Effective as of the date of the ap-  
3 pointment of the Corporation as receiver for the covered  
4 financial company under section 202 or the appointment  
5 of SIPC as trustee for a covered broker or dealer under  
6 section 205, as applicable, any case or proceeding com-  
7 menced with respect to the covered financial company  
8 under the Bankruptcy Code or the Securities Investor  
9 Protection Act of 1970 (15 U.S.C. 78aaa et seq.) shall  
10 be dismissed, upon notice to the bankruptcy court (with  
11 respect to a case commenced under the Bankruptcy Code),  
12 and upon notice to SIPC (with respect to a covered broker  
13 or dealer) and no such case or proceeding may be com-  
14 menced with respect to a covered financial company at any  
15 time while the orderly liquidation is pending.

16 (b) REVESTING OF ASSETS.—Effective as of the date  
17 of appointment of the Corporation as receiver, the assets  
18 of a covered financial company shall, to the extent they  
19 have vested in any entity other than the covered financial  
20 company as a result of any case or proceeding commenced  
21 with respect to the covered financial company under the  
22 Bankruptcy Code, the Securities Investor Protection Act  
23 of 1970 (15 U.S.C. 78aaa et seq.), or any similar provision  
24 of State liquidation or insolvency law applicable to the cov-  
25 ered financial company, revert in the covered financial  
26 company.

1 (c) LIMITATION.—Notwithstanding subsections (a)  
2 and (b), any order entered or other relief granted by a  
3 bankruptcy court prior to the date of appointment of the  
4 Corporation as receiver shall continue with the same valid-  
5 ity as if an orderly liquidation had not been commenced.

6 **SEC. 209. RULEMAKING; NON-CONFLICTING LAW.**

7 The Corporation shall, in consultation with the Coun-  
8 cil, prescribe such rules or regulations as the Corporation  
9 considers necessary or appropriate to implement this title,  
10 including rules and regulations with respect to the rights,  
11 interests, and priorities of creditors, counterparties, secu-  
12 rity entitlement holders, or other persons with respect to  
13 any covered financial company or any assets or other prop-  
14 erty of or held by such covered financial company, and  
15 address the potential for conflicts of interest between or  
16 among individual receiverships established under this title  
17 or under the Federal Deposit Insurance Act. To the extent  
18 possible, the Corporation shall seek to harmonize applica-  
19 ble rules and regulations promulgated under this section  
20 with the insolvency laws that would otherwise apply to a  
21 covered financial company.

22 **SEC. 210. POWERS AND DUTIES OF THE CORPORATION.**

23 (a) POWERS AND AUTHORITIES.—

24 (1) GENERAL POWERS.—

1 (A) SUCCESSOR TO COVERED FINANCIAL  
2 COMPANY.—The Corporation shall, upon ap-  
3 pointment as receiver for a covered financial  
4 company under this title, succeed to—

5 (i) all rights, titles, powers, and privi-  
6 leges of the covered financial company and  
7 its assets, and of any stockholder, member,  
8 officer, or director of such company; and

9 (ii) title to the books, records, and as-  
10 sets of any previous receiver or other legal  
11 custodian of such covered financial com-  
12 pany.

13 (B) OPERATION OF THE COVERED FINAN-  
14 CIAL COMPANY DURING THE PERIOD OF OR-  
15 DERLY LIQUIDATION.—The Corporation, as re-  
16 ceiver for a covered financial company, may—

17 (i) take over the assets of and operate  
18 the covered financial company with all of  
19 the powers of the members or share-  
20 holders, the directors, and the officers of  
21 the covered financial company, and con-  
22 duct all business of the covered financial  
23 company;

24 (ii) collect all obligations and money  
25 owed to the covered financial company;



1 (iii) perform all functions of the cov-  
2 ered financial company, in the name of the  
3 covered financial company;

4 (iv) manage the assets and property  
5 of the covered financial company, con-  
6 sistent with maximization of the value of  
7 the assets in the context of the orderly liq-  
8 uidation; and

9 (v) provide by contract for assistance  
10 in fulfilling any function, activity, action,  
11 or duty of the Corporation as receiver.

12 (C) FUNCTIONS OF COVERED FINANCIAL  
13 COMPANY OFFICERS, DIRECTORS, AND SHARE-  
14 HOLDERS.—The Corporation may provide for  
15 the exercise of any function by any member or  
16 stockholder, director, or officer of any covered  
17 financial company for which the Corporation  
18 has been appointed as receiver under this title.

19 (D) ADDITIONAL POWERS AS RECEIVER.—  
20 The Corporation shall, as receiver for a covered  
21 financial company, and subject to all legally en-  
22 forceable and perfected security interests and  
23 all legally enforceable security entitlements in  
24 respect of assets held by the covered financial  
25 company, liquidate, and wind-up the affairs of

1 a covered financial company, including taking  
2 steps to realize upon the assets of the covered  
3 financial company, in such manner as the Cor-  
4 poration deems appropriate, including through  
5 the sale of assets, the transfer of assets to a  
6 bridge financial company established under sub-  
7 section (h), or the exercise of any other rights  
8 or privileges granted to the receiver under this  
9 section.

10 (E) ADDITIONAL POWERS WITH RESPECT  
11 TO FAILING SUBSIDIARIES OF A COVERED FI-  
12 NANCIAL COMPANY.—

13 (i) IN GENERAL.—In any case in  
14 which a receiver is appointed for a covered  
15 financial company under section 202, the  
16 Corporation may appoint itself as receiver  
17 of any covered subsidiary of the covered fi-  
18 nancial company that is organized under  
19 Federal law or the laws of any State, if the  
20 Corporation and the Secretary jointly de-  
21 termine that—

22 (I) the covered subsidiary is in  
23 default or in danger of default;

24 (II) such action would avoid or  
25 mitigate serious adverse effects on the

1 financial stability or economic condi-  
2 tions of the United States; and

3 (III) such action would facilitate  
4 the orderly liquidation of the covered  
5 financial company.

6 (ii) TREATMENT AS COVERED FINAN-  
7 CIAL COMPANY.—If the Corporation is ap-  
8 pointed as receiver of a covered subsidiary  
9 of a covered financial company under  
10 clause (i), the covered subsidiary shall  
11 thereafter be considered a covered financial  
12 company under this title, and the Corpora-  
13 tion shall thereafter have all the powers  
14 and rights with respect to that covered  
15 subsidiary as it has with respect to a cov-  
16 ered financial company under this title.

17 (F) ORGANIZATION OF BRIDGE COMPA-  
18 NIES.—The Corporation, as receiver for a cov-  
19 ered financial company, may organize a bridge  
20 financial company under subsection (h).

21 (G) MERGER; TRANSFER OF ASSETS AND  
22 LIABILITIES.—

23 (i) IN GENERAL.—Subject to clauses  
24 (ii) and (iii), the Corporation, as receiver  
25 for a covered financial company, may—

1 (I) merge the covered financial  
2 company with another company; or

3 (II) transfer any asset or liability  
4 of the covered financial company (in-  
5 cluding any assets and liabilities held  
6 by the covered financial company for  
7 security entitlement holders, any cus-  
8 tomer property, or any assets and li-  
9 abilities associated with any trust or  
10 custody business) without obtaining  
11 any approval, assignment, or consent  
12 with respect to such transfer.

13 (ii) FEDERAL AGENCY APPROVAL;  
14 ANTITRUST REVIEW.—With respect to a  
15 transaction described in clause (i)(I) that  
16 requires approval by a Federal agency—

17 (I) the transaction may not be  
18 consummated before the 5th calendar  
19 day after the date of approval by the  
20 Federal agency responsible for such  
21 approval;

22 (II) if, in connection with any  
23 such approval, a report on competitive  
24 factors is required, the Federal agency  
25 responsible for such approval shall

1 promptly notify the Attorney General  
2 of the United States of the proposed  
3 transaction, and the Attorney General  
4 shall provide the required report not  
5 later than 10 days after the date of  
6 the request; and

7 (III) if notification under section  
8 7A of the Clayton Act is required with  
9 respect to such transaction, then the  
10 required waiting period shall end on  
11 the 15th day after the date on which  
12 the Attorney General and the Federal  
13 Trade Commission receive such notifi-  
14 cation, unless the waiting period is  
15 terminated earlier under subsection  
16 (b)(2) of such section 7A, or is ex-  
17 tended pursuant to subsection (e)(2)  
18 of such section 7A.

19 (iii) SETOFF.—Subject to the other  
20 provisions of this title, any transferee of  
21 assets from a receiver, including a bridge  
22 financial company, shall be subject to such  
23 claims or rights as would prevail over the  
24 rights of such transferee in such assets  
25 under applicable noninsolvency law.

1 (H) PAYMENT OF VALID OBLIGATIONS.—

2 The Corporation, as receiver for a covered fi-  
3 nancial company, shall, to the extent that funds  
4 are available, pay all valid obligations of the  
5 covered financial company that are due and  
6 payable at the time of the appointment of the  
7 Corporation as receiver, in accordance with the  
8 prescriptions and limitations of this title.

9 (I) APPLICABLE NONINSOLVENCY LAW.—

10 Except as may otherwise be provided in this  
11 title, the applicable noninsolvency law shall be  
12 determined by the noninsolvency choice of law  
13 rules otherwise applicable to the claims, rights,  
14 titles, persons, or entities at issue.

15 (J) SUBPOENA AUTHORITY.—

16 (i) IN GENERAL.—The Corporation,  
17 as receiver for a covered financial com-  
18 pany, may, for purposes of carrying out  
19 any power, authority, or duty with respect  
20 to the covered financial company (includ-  
21 ing determining any claim against the cov-  
22 ered financial company and determining  
23 and realizing upon any asset of any person  
24 in the course of collecting money due the  
25 covered financial company), exercise any

1 power established under section 8(n) of the  
2 Federal Deposit Insurance Act, as if the  
3 Corporation were the appropriate Federal  
4 banking agency for the covered financial  
5 company, and the covered financial com-  
6 pany were an insured depository institu-  
7 tion.

8 (ii) RULE OF CONSTRUCTION.—This  
9 subparagraph may not be construed as  
10 limiting any rights that the Corporation, in  
11 any capacity, might otherwise have to exer-  
12 cise any powers described in clause (i) or  
13 under any other provision of law.

14 (K) INCIDENTAL POWERS.—The Corpora-  
15 tion, as receiver for a covered financial com-  
16 pany, may exercise all powers and authorities  
17 specifically granted to receivers under this title,  
18 and such incidental powers as shall be nec-  
19 essary to carry out such powers under this title.

20 (L) UTILIZATION OF PRIVATE SECTOR.—  
21 In carrying out its responsibilities in the man-  
22 agement and disposition of assets from the cov-  
23 ered financial company, the Corporation, as re-  
24 ceiver for a covered financial company, may uti-  
25 lize the services of private persons, including

1 real estate and loan portfolio asset manage-  
2 ment, property management, auction mar-  
3 keting, legal, and brokerage services, if such  
4 services are available in the private sector, and  
5 the Corporation determines that utilization of  
6 such services is practicable, efficient, and cost  
7 effective.

8 (M) SHAREHOLDERS AND CREDITORS OF  
9 COVERED FINANCIAL COMPANY.—Notwith-  
10 standing any other provision of law, the Cor-  
11 poration, as receiver for a covered financial  
12 company, shall succeed by operation of law to  
13 the rights, titles, powers, and privileges de-  
14 scribed in subparagraph (A), and shall termi-  
15 nate all rights and claims that the stockholders  
16 and creditors of the covered financial company  
17 may have against the assets of the covered fi-  
18 nancial company or the Corporation arising out  
19 of their status as stockholders or creditors, ex-  
20 cept for their right to payment, resolution, or  
21 other satisfaction of their claims, as permitted  
22 under this section. The Corporation shall en-  
23 sure that shareholders and unsecured creditors  
24 bear losses, consistent with the priority of  
25 claims provisions under this section.



1 (N) COORDINATION WITH FOREIGN FINAN-  
2 CIAL AUTHORITIES.—The Corporation, as re-  
3 ceiver for a covered financial company, shall co-  
4 ordinate, to the maximum extent possible, with  
5 the appropriate foreign financial authorities re-  
6 garding the orderly liquidation of any covered  
7 financial company that has assets or operations  
8 in a country other than the United States.

9 (O) RESTRICTION ON TRANSFERS.—

10 (i) SELECTION OF ACCOUNTS FOR  
11 TRANSFER.—If the Corporation establishes  
12 one or more bridge financial companies  
13 with respect to a covered broker or dealer,  
14 the Corporation shall transfer to one of  
15 such bridge financial companies, all cus-  
16 tomer accounts of the covered broker or  
17 dealer, and all associated customer name  
18 securities and customer property, unless  
19 the Corporation, after consulting with the  
20 Commission and SIPC, determines that—

21 (I) the customer accounts, cus-  
22 tomer name securities, and customer  
23 property are likely to be promptly  
24 transferred to another broker or deal-  
25 er that is registered with the Commis-



1 (iv) NOTIFICATION OF SIPC AND  
2 SHARING OF INFORMATION.—The Corpora-  
3 tion shall identify to SIPC the customer  
4 accounts and associated customer name se-  
5 curities and customer property transferred  
6 to the bridge financial company. The Cor-  
7 poration and SIPC shall cooperate in the  
8 sharing of any information necessary for  
9 each entity to discharge its obligations  
10 under this title and under the Securities  
11 Investor Protection Act of 1970 (15 U.S.C.  
12 78aaa et seq.) including by providing ac-  
13 cess to the books and records of the cov-  
14 ered financial company and any bridge fi-  
15 nancial company established in accordance  
16 with this title.

17 (2) DETERMINATION OF CLAIMS.—

18 (A) IN GENERAL.—The Corporation, as re-  
19 ceiver for a covered financial company, shall re-  
20 port on claims, as set forth in section 203(c)(3).  
21 Subject to paragraph (4) of this subsection, the  
22 Corporation, as receiver for a covered financial  
23 company, shall determine claims in accordance  
24 with the requirements of this subsection and  
25 regulations prescribed under section 209.

1           (B) NOTICE REQUIREMENTS.—The Cor-  
2           poration, as receiver for a covered financial  
3           company, in any case involving the liquidation  
4           or winding up of the affairs of a covered finan-  
5           cial company, shall—

6                   (i) promptly publish a notice to the  
7                   creditors of the covered financial company  
8                   to present their claims, together with  
9                   proof, to the receiver by a date specified in  
10                  the notice, which shall be not earlier than  
11                  90 days after the date of publication of  
12                  such notice; and

13                  (ii) republish such notice 1 month and  
14                  2 months, respectively, after the date of  
15                  publication under clause (i).

16           (C) MAILING REQUIRED.—The Corpora-  
17           tion as receiver shall mail a notice similar to  
18           the notice published under clause (i) or (ii) of  
19           subparagraph (B), at the time of such publica-  
20           tion, to any creditor shown on the books and  
21           records of the covered financial company—

22                   (i) at the last address of the creditor  
23                   appearing in such books;

24                   (ii) in any claim filed by the claimant;

25                   or

1 (iii) upon discovery of the name and  
2 address of a claimant not appearing on the  
3 books and records of the covered financial  
4 company, not later than 30 days after the  
5 date of the discovery of such name and ad-  
6 dress.

7 (3) PROCEDURES FOR RESOLUTION OF  
8 CLAIMS.—

9 (A) DECISION PERIOD.—

10 (i) IN GENERAL.—Prior to the 180th  
11 day after the date on which a claim  
12 against a covered financial company is  
13 filed with the Corporation as receiver, or  
14 such later date as may be agreed as pro-  
15 vided in clause (ii), the Corporation shall  
16 notify the claimant whether it allows or  
17 disallows the claim, in accordance with  
18 subparagraphs (B), (C), and (D).

19 (ii) EXTENSION OF TIME.—By written  
20 agreement executed not later than 180  
21 days after the date on which a claim  
22 against a covered financial company is  
23 filed with the Corporation, the period de-  
24 scribed in clause (i) may be extended by  
25 written agreement between the claimant

1 and the Corporation. Failure to notify the  
2 claimant of any disallowance within the  
3 time period set forth in clause (i), as it  
4 may be extended by agreement under this  
5 clause, shall be deemed to be a disallow-  
6 ance of such claim, and the claimant may  
7 file or continue an action in court, as pro-  
8 vided in paragraph (4).

9 (iii) MAILING OF NOTICE SUFFI-  
10 CIENT.—The requirements of clause (i)  
11 shall be deemed to be satisfied if the notice  
12 of any decision with respect to any claim  
13 is mailed to the last address of the claim-  
14 ant which appears—

15 (I) on the books, records, or both  
16 of the covered financial company;

17 (II) in the claim filed by the  
18 claimant; or

19 (III) in documents submitted in  
20 proof of the claim.

21 (iv) CONTENTS OF NOTICE OF DIS-  
22 ALLOWANCE.—If the Corporation as re-  
23 ceiver disallows any claim filed under  
24 clause (i), the notice to the claimant shall  
25 contain—

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1 (I) a statement of each reason  
2 for the disallowance; and

3 (II) the procedures required to  
4 file or continue an action in court, as  
5 provided in paragraph (4).

6 (B) ALLOWANCE OF PROVEN CLAIM.—The  
7 receiver shall allow any claim received by the  
8 receiver on or before the date specified in the  
9 notice under paragraph (2)(B)(i), which is  
10 proved to the satisfaction of the receiver.

11 (C) DISALLOWANCE OF CLAIMS FILED  
12 AFTER END OF FILING PERIOD.—

13 (i) IN GENERAL.—Except as provided  
14 in clause (ii), claims filed after the date  
15 specified in the notice published under  
16 paragraph (2)(B)(i) shall be disallowed,  
17 and such disallowance shall be final.

18 (ii) CERTAIN EXCEPTIONS.—Clause  
19 (i) shall not apply with respect to any  
20 claim filed by a claimant after the date  
21 specified in the notice published under  
22 paragraph (2)(B)(i), and such claim may  
23 be considered by the receiver under sub-  
24 paragraph (B), if—

1 (I) the claimant did not receive  
2 notice of the appointment of the re-  
3 ceiver in time to file such claim before  
4 such date; and

5 (II) such claim is filed in time to  
6 permit payment of such claim.

7 (D) AUTHORITY TO DISALLOW CLAIMS.—

8 (i) IN GENERAL.—The Corporation  
9 may disallow any portion of any claim by  
10 a creditor or claim of a security, pref-  
11 erence, setoff, or priority which is not  
12 proved to the satisfaction of the Corpora-  
13 tion.

14 (ii) PAYMENTS TO UNDERSECURED  
15 CREDITORS.—In the case of a claim  
16 against a covered financial company that is  
17 secured by any property or other asset of  
18 such covered financial company, the re-  
19 ceiver—

20 (I) may treat the portion of such  
21 claim which exceeds an amount equal  
22 to the fair market value of such prop-  
23 erty or other asset as an unsecured  
24 claim; and



1 (II) may not make any payment  
2 with respect to such unsecured por-  
3 tion of the claim, other than in con-  
4 nection with the disposition of all  
5 claims of unsecured creditors of the  
6 covered financial company.

7 (iii) EXCEPTIONS.—No provision of  
8 this paragraph shall apply with respect  
9 to—

10 (I) any extension of credit from  
11 any Federal reserve bank, or the Cor-  
12 poration, to any covered financial  
13 company; or

14 (II) subject to clause (ii), any le-  
15 gally enforceable and perfected secu-  
16 rity interest in the assets of the cov-  
17 ered financial company securing any  
18 such extension of credit.

19 (E) LEGAL EFFECT OF FILING.—

20 (i) STATUTE OF LIMITATIONS  
21 TOLLED.—For purposes of any applicable  
22 statute of limitations, the filing of a claim  
23 with the receiver shall constitute a com-  
24 mencement of an action.

1                   (ii) NO PREJUDICE TO OTHER AC-  
2                   TIONS.—Subject to paragraph (8), the fil-  
3                   ing of a claim with the receiver shall not  
4                   prejudice any right of the claimant to con-  
5                   tinue any action which was filed before the  
6                   date of appointment of the receiver for the  
7                   covered financial company.

8                   (4) JUDICIAL DETERMINATION OF CLAIMS.—

9                   (A) IN GENERAL.—Subject to subpara-  
10                  graph (B), a claimant may file suit on a claim  
11                  (or continue an action commenced before the  
12                  date of appointment of the Corporation as re-  
13                  ceiver) in the district or territorial court of the  
14                  United States for the district within which the  
15                  principal place of business of the covered finan-  
16                  cial company is located (and such court shall  
17                  have jurisdiction to hear such claim).

18                  (B) TIMING.—A claim under subparagraph  
19                  (A) may be filed before the end of the 60-day  
20                  period beginning on the earlier of—

21                   (i) the end of the period described in  
22                   paragraph (3)(A)(i) (or, if extended by  
23                   agreement of the Corporation and the  
24                   claimant, the period described in para-  
25                   graph (3)(A)(ii)) with respect to any claim

1           against a covered financial company for  
2           which the Corporation is receiver; or

3                   (ii) the date of any notice of disallow-  
4           ance of such claim pursuant to paragraph  
5           (3)(A)(i).

6           (C) STATUTE OF LIMITATIONS.—If any  
7           claimant fails to file suit on such claim (or to  
8           continue an action on such claim commenced  
9           before the date of appointment of the Corpora-  
10          tion as receiver) prior to the end of the 60-day  
11          period described in subparagraph (B), the claim  
12          shall be deemed to be disallowed (other than  
13          any portion of such claim which was allowed by  
14          the receiver) as of the end of such period, such  
15          disallowance shall be final, and the claimant  
16          shall have no further rights or remedies with re-  
17          spect to such claim.

18          (5) EXPEDITED DETERMINATION OF CLAIMS.—

19               (A) PROCEDURE REQUIRED.—The Cor-  
20          poration shall establish a procedure for expe-  
21          dited relief outside of the claims process estab-  
22          lished under paragraph (3), for any claimant  
23          that alleges—

24                   (i) having a legally valid and enforce-  
25          able or perfected security interest in prop-



1 allowance and the procedure for obtaining  
2 a judicial determination.

3 (C) PERIOD FOR FILING OR RENEWING  
4 SUIT.—Any claimant who files a request for ex-  
5 pedited relief shall be permitted to file suit (or  
6 continue a suit filed before the date of appoint-  
7 ment of the Corporation as receiver seeking a  
8 determination of the rights of the claimant with  
9 respect to such security interest (or such secu-  
10 rity entitlement) after the earlier of—

11 (i) the end of the 90-day period begin-  
12 ning on the date of the filing of a request  
13 for expedited relief; or

14 (ii) the date on which the Corporation  
15 denies the claim or a portion thereof.

16 (D) STATUTE OF LIMITATIONS.—If an ac-  
17 tion described in subparagraph (C) is not filed,  
18 or the motion to renew a previously filed suit is  
19 not made, before the end of the 30-day period  
20 beginning on the date on which such action or  
21 motion may be filed in accordance with sub-  
22 paragraph (C), the claim shall be deemed to be  
23 disallowed as of the end of such period (other  
24 than any portion of such claim which was al-  
25 lowed by the receiver), such disallowance shall

1           be final, and the claimant shall have no further  
2           rights or remedies with respect to such claim.

3                   (E) LEGAL EFFECT OF FILING.—

4                           (i) STATUTE OF LIMITATIONS  
5                           TOLLED.—For purposes of any applicable  
6                           statute of limitations, the filing of a claim  
7                           with the receiver shall constitute a com-  
8                           mencement of an action.

9                           (ii) NO PREJUDICE TO OTHER AC-  
10                           TIONS.—Subject to paragraph (8), the fil-  
11                           ing of a claim with the receiver shall not  
12                           prejudice any right of the claimant to con-  
13                           tinue any action which was filed before the  
14                           appointment of the Corporation as receiver  
15                           for the covered financial company.

16                   (6) AGREEMENTS AGAINST INTEREST OF THE  
17                   RECEIVER.—No agreement that tends to diminish or  
18                   defeat the interest of the Corporation as receiver in  
19                   any asset acquired by the receiver under this section  
20                   shall be valid against the receiver, unless such agree-  
21                   ment—

22                           (A) is in writing;

23                           (B) was executed by an authorized officer  
24                   or representative of the covered financial com-

1           pany, or confirmed in the ordinary course of  
2           business by the covered financial company; and

3           (C) has been, since the time of its execu-  
4           tion, an official record of the company or the  
5           party claiming under the agreement provides  
6           documentation, acceptable to the receiver, of  
7           such agreement and its authorized execution or  
8           confirmation by the covered financial company.

9           (7) PAYMENT OF CLAIMS.—

10           (A) IN GENERAL.—Subject to subpara-  
11           graph (B), the Corporation as receiver may, in  
12           its discretion and to the extent that funds are  
13           available, pay creditor claims, in such manner  
14           and amounts as are authorized under this sec-  
15           tion, which are—

16                   (i) allowed by the receiver;

17                   (ii) approved by the receiver pursuant  
18                   to a final determination pursuant to para-  
19                   graph (3) or (5), as applicable; or

20                   (iii) determined by the final judgment  
21                   of a court of competent jurisdiction.

22           (B) LIMITATION.—A creditor shall, in no  
23           event, receive less than the amount that the  
24           creditor is entitled to receive under paragraphs  
25           (2) and (3) of subsection (d), as applicable.

1           (C) PAYMENT OF DIVIDENDS ON  
2 CLAIMS.—The Corporation as receiver may, in  
3 its sole discretion, and to the extent otherwise  
4 permitted by this section, pay dividends on  
5 proven claims at any time, and no liability shall  
6 attach to the Corporation as receiver, by reason  
7 of any such payment or for failure to pay divi-  
8 dends to a claimant whose claim is not proved  
9 at the time of any such payment.

10           (D) RULEMAKING BY THE CORPORA-  
11 TION.—The Corporation may prescribe such  
12 rules, including definitions of terms, as the Cor-  
13 poration deems appropriate to establish an in-  
14 terest rate for or to make payments of post-in-  
15 solvency interest to creditors holding proven  
16 claims against the receivership estate of a cov-  
17 ered financial company, except that no such in-  
18 terest shall be paid until the Corporation as re-  
19 ceiver has satisfied the principal amount of all  
20 creditor claims.

21 (8) SUSPENSION OF LEGAL ACTIONS.—

22           (A) IN GENERAL.—After the appointment  
23 of the Corporation as receiver for a covered fi-  
24 nancial company, the Corporation may request  
25 a stay in any judicial action or proceeding in



1           which such covered financial company is or be-  
2           comes a party, for a period of not to exceed 90  
3           days.

4           (B) GRANT OF STAY BY ALL COURTS RE-  
5           QUIRED.—Upon receipt of a request by the Cor-  
6           poration pursuant to subparagraph (A), the  
7           court shall grant such stay as to all parties.

8           (9) ADDITIONAL RIGHTS AND DUTIES.—

9           (A) PRIOR FINAL ADJUDICATION.—The  
10          Corporation shall abide by any final, non-ap-  
11          pealable judgment of any court of competent ju-  
12          risdiction that was rendered before the appoint-  
13          ment of the Corporation as receiver.

14          (B) RIGHTS AND REMEDIES OF RE-  
15          CEIVER.—In the event of any appealable judg-  
16          ment, the Corporation as receiver shall—

17                 (i) have all the rights and remedies  
18                 available to the covered financial company  
19                 (before the date of appointment of the Cor-  
20                 poration as receiver under section 202)  
21                 and the Corporation, including removal to  
22                 Federal court and all appellate rights; and

23                 (ii) not be required to post any bond  
24                 in order to pursue such remedies.

1 (C) NO ATTACHMENT OR EXECUTION.—No  
2 attachment or execution may be issued by any  
3 court upon assets in the possession of the Cor-  
4 poration as receiver for a covered financial com-  
5 pany.

6 (D) LIMITATION ON JUDICIAL REVIEW.—  
7 Except as otherwise provided in this title, no  
8 court shall have jurisdiction over—

9 (i) any claim or action for payment  
10 from, or any action seeking a determina-  
11 tion of rights with respect to, the assets of  
12 any covered financial company for which  
13 the Corporation has been appointed re-  
14 ceiver, including any assets which the Cor-  
15 poration may acquire from itself as such  
16 receiver; or

17 (ii) any claim relating to any act or  
18 omission of such covered financial company  
19 or the Corporation as receiver.

20 (E) DISPOSITION OF ASSETS.—In exer-  
21 cising any right, power, privilege, or authority  
22 as receiver in connection with any covered fi-  
23 nancial company for which the Corporation is  
24 acting as receiver under this section, the Cor-  
25 poration shall, to the greatest extent prac-

1            ticable, conduct its operations in a manner  
2            that—

3                    (i) maximizes the net present value  
4                    return from the sale or disposition of such  
5                    assets;

6                    (ii) minimizes the amount of any loss  
7                    realized in the resolution of cases;

8                    (iii) mitigates the potential for serious  
9                    adverse effects to the financial system;

10                   (iv) ensures timely and adequate com-  
11                   petition and fair and consistent treatment  
12                   of offerors; and

13                   (v) prohibits discrimination on the  
14                   basis of race, sex, or ethnic group in the  
15                   solicitation and consideration of offers.

16            (10) STATUTE OF LIMITATIONS FOR ACTIONS  
17            BROUGHT BY RECEIVER.—

18                    (A) IN GENERAL.—Notwithstanding any  
19                    provision of any contract, the applicable statute  
20                    of limitations with regard to any action brought  
21                    by the Corporation as receiver for a covered fi-  
22                    nancial company shall be—

23                    (i) in the case of any contract claim,  
24                    the longer of—

1 (I) the 6-year period beginning  
2 on the date on which the claim ac-  
3 crues; or

4 (II) the period applicable under  
5 State law; and

6 (ii) in the case of any tort claim, the  
7 longer of—

8 (I) the 3-year period beginning  
9 on the date on which the claim ac-  
10 crues; or

11 (II) the period applicable under  
12 State law.

13 (B) DATE ON WHICH A CLAIM ACCRUES.—  
14 For purposes of subparagraph (A), the date on  
15 which the statute of limitations begins to run  
16 on any claim described in subparagraph (A)  
17 shall be the later of—

18 (i) the date of the appointment of the  
19 Corporation as receiver under this title; or

20 (ii) the date on which the cause of ac-  
21 tion accrues.

22 (C) REVIVAL OF EXPIRED STATE CAUSES  
23 OF ACTION.—

24 (i) IN GENERAL.—In the case of any  
25 tort claim described in clause (ii) for which

1           the applicable statute of limitations under  
2           State law has expired not more than 5  
3           years before the date of appointment of the  
4           Corporation as receiver for a covered fi-  
5           nancial company, the Corporation may  
6           bring an action as receiver on such claim  
7           without regard to the expiration of the  
8           statute of limitations.

9                   (ii) CLAIMS DESCRIBED.—A tort  
10           claim referred to in clause (i) is a claim  
11           arising from fraud, intentional misconduct  
12           resulting in unjust enrichment, or inten-  
13           tional misconduct resulting in substantial  
14           loss to the covered financial company.

15           (11) AVOIDABLE TRANSFERS.—

16                   (A) FRAUDULENT TRANSFERS.—The Cor-  
17           poration, as receiver for any covered financial  
18           company, may avoid a transfer of any interest  
19           of the covered financial company in property, or  
20           any obligation incurred by the covered financial  
21           company, that was made or incurred at or with-  
22           in 2 years before the date on which the Cor-  
23           poration was appointed receiver, if—

24                   (i) the covered financial company vol-  
25           untarily or involuntarily—

1 (I) made such transfer or in-  
2 curred such obligation with actual in-  
3 tent to hinder, delay, or defraud any  
4 entity to which the covered financial  
5 company was or became, on or after  
6 the date on which such transfer was  
7 made or such obligation was incurred,  
8 indebted; or

9 (II) received less than a reason-  
10 ably equivalent value in exchange for  
11 such transferor obligation; and

12 (ii) the covered financial company vol-  
13 untarily or involuntarily—

14 (I) was insolvent on the date that  
15 such transfer was made or such obli-  
16 gation was incurred, or became insol-  
17 vent as a result of such transfer or  
18 obligation;

19 (II) was engaged in business or a  
20 transaction, or was about to engage in  
21 business or a transaction, for which  
22 any property remaining with the cov-  
23 ered financial company was an unrea-  
24 sonably small capital;

1 (III) intended to incur, or be-  
2 lieved that the covered financial com-  
3 pany would incur, debts that would be  
4 beyond the ability of the covered fi-  
5 nancial company to pay as such debts  
6 matured; or

7 (IV) made such transfer to or for  
8 the benefit of an insider, or incurred  
9 such obligation to or for the benefit of  
10 an insider, under an employment con-  
11 tract and not in the ordinary course  
12 of business.

13 (B) PREFERENTIAL TRANSFERS.—The  
14 Corporation as receiver for any covered finan-  
15 cial company may avoid a transfer of an inter-  
16 est of the covered financial company in prop-  
17 erty—

18 (i) to or for the benefit of a creditor;

19 (ii) for or on account of an antecedent  
20 debt that was owed by the covered finan-  
21 cial company before the transfer was made;

22 (iii) that was made while the covered  
23 financial company was insolvent;

24 (iv) that was made—

1 (I) 90 days or less before the  
2 date on which the Corporation was  
3 appointed receiver; or

4 (II) more than 90 days, but less  
5 than 1 year before the date on which  
6 the Corporation was appointed re-  
7 ceiver, if such creditor at the time of  
8 the transfer was an insider; and

9 (v) that enables the creditor to receive  
10 more than the creditor would receive if—

11 (I) the covered financial company  
12 had been liquidated under chapter 7  
13 of the Bankruptcy Code;

14 (II) the transfer had not been  
15 made; and

16 (III) the creditor received pay-  
17 ment of such debt to the extent pro-  
18 vided by the provisions of chapter 7 of  
19 the Bankruptcy Code.

20 (C) POST-RECEIVERSHIP TRANSACTIONS.—

21 The Corporation as receiver for any covered fi-  
22 nancial company may avoid a transfer of prop-  
23 erty of the receivership that occurred after the  
24 Corporation was appointed receiver that was



1 not authorized under this title by the Corpora-  
2 tion as receiver.

3 (D) RIGHT OF RECOVERY.—To the extent  
4 that a transfer is avoided under subparagraph  
5 (A), (B), or (C), the Corporation may recover,  
6 for the benefit of the covered financial com-  
7 pany, the property transferred or, if a court so  
8 orders, the value of such property (at the time  
9 of such transfer) from—

10 (i) the initial transferee of such trans-  
11 fer or the person for whose benefit such  
12 transfer was made; or

13 (ii) any immediate or mediate trans-  
14 feree of any such initial transferee.

15 (E) RIGHTS OF TRANSFEREE OR OBLI-  
16 GEE.—The Corporation may not recover under  
17 subparagraph (D)(ii) from—

18 (i) any transferee that takes for value,  
19 including in satisfaction of or to secure a  
20 present or antecedent debt, in good faith,  
21 and without knowledge of the voidability of  
22 the transfer avoided; or

23 (ii) any immediate or mediate good  
24 faith transferee of such transferee.

1 (F) DEFENSES.—Subject to the other pro-  
2 visions of this title—

3 (i) a transferee or obligee from which  
4 the Corporation seeks to recover a transfer  
5 or to avoid an obligation under subpara-  
6 graph (A), (B), (C), or (D) shall have the  
7 same defenses available to a transferee or  
8 obligee from which a trustee seeks to re-  
9 cover a transfer or avoid an obligation  
10 under sections 547, 548, and 549 of the  
11 Bankruptcy Code; and

12 (ii) the authority of the Corporation  
13 to recover a transfer or avoid an obligation  
14 shall be subject to subsections (b) and (c)  
15 of section 546, section 547(c), and section  
16 548(c) of the Bankruptcy Code.

17 (G) RIGHTS UNDER THIS SECTION.—The  
18 rights of the Corporation as receiver under this  
19 section shall be superior to any rights of a  
20 trustee or any other party (other than a Fed-  
21 eral agency) under the Bankruptcy Code.

22 (H) RULES OF CONSTRUCTION; DEFINI-  
23 TIONS.—For purposes of—

24 (i) subparagraphs (A) and (B)—

1 (I) the term “insider” has the  
2 same meaning as in section 101(31)  
3 of the Bankruptcy Code;

4 (II) a transfer is made when  
5 such transfer is so perfected that a  
6 bona fide purchaser from the covered  
7 financial company against whom ap-  
8 plicable law permits such transfer to  
9 be perfected cannot acquire an inter-  
10 est in the property transferred that is  
11 superior to the interest in such prop-  
12 erty of the transferee, but if such  
13 transfer is not so perfected before the  
14 date on which the Corporation is ap-  
15 pointed as receiver for the covered fi-  
16 nancial company, such transfer is  
17 made immediately before the date of  
18 such appointment; and

19 (III) the term “value” means  
20 property, or satisfaction or securing of  
21 a present or antecedent debt of the  
22 covered financial company, but does  
23 not include an unperformed promise  
24 to furnish support to the covered fi-  
25 nancial company; and

1 (ii) subparagraph (B)—

2 (I) the covered financial company  
3 is presumed to have been insolvent on  
4 and during the 90-day period imme-  
5 diately preceding the date of appoint-  
6 ment of the Corporation as receiver;  
7 and

8 (II) the term “insolvent” has the  
9 same meaning as in section 101(32)  
10 of the Bankruptcy Code.

11 (12) SETOFF.—

12 (A) GENERALLY.—Except as otherwise  
13 provided in this title, any right of a creditor to  
14 offset a mutual debt owed by the creditor to  
15 any covered financial company that arose before  
16 the Corporation was appointed as receiver for  
17 the covered financial company against a claim  
18 of such creditor may be asserted if enforceable  
19 under applicable noninsolvency law, except to  
20 the extent that—

21 (i) the claim of the creditor against  
22 the covered financial company is dis-  
23 allowed;

1 (ii) the claim was transferred, by an  
2 entity other than the covered financial  
3 company, to the creditor—

4 (I) after the Corporation was ap-  
5 pointed as receiver of the covered fi-  
6 nancial company; or

7 (II)(aa) after the 90-day period  
8 preceding the date on which the Cor-  
9 poration was appointed as receiver for  
10 the covered financial company; and

11 (bb) while the covered financial  
12 company was insolvent (except for a  
13 setoff in connection with a qualified  
14 financial contract); or

15 (iii) the debt owed to the covered fi-  
16 nancial company was incurred by the cov-  
17 ered financial company—

18 (I) after the 90-day period pre-  
19 ceding the date on which the Corpora-  
20 tion was appointed as receiver for the  
21 covered financial company;

22 (II) while the covered financial  
23 company was insolvent; and

24 (III) for the purpose of obtaining  
25 a right of setoff against the covered

1 financial company (except for a setoff  
2 in connection with a qualified finan-  
3 cial contract).

4 (B) INSUFFICIENCY.—

5 (i) IN GENERAL.—Except with respect  
6 to a setoff in connection with a qualified fi-  
7 nancial contract, if a creditor offsets a mu-  
8 tual debt owed to the covered financial  
9 company against a claim of the covered fi-  
10 nancial company on or within the 90-day  
11 period preceding the date on which the  
12 Corporation is appointed as receiver for  
13 the covered financial company, the Cor-  
14 poration may recover from the creditor the  
15 amount so offset, to the extent that any in-  
16 sufficiency on the date of such setoff is less  
17 than the insufficiency on the later of—

18 (I) the date that is 90 days be-  
19 fore the date on which the Corpora-  
20 tion is appointed as receiver for the  
21 covered financial company; or

22 (II) the first day on which there  
23 is an insufficiency during the 90-day  
24 period preceding the date on which  
25 the Corporation is appointed as re-

1                   ceiver for the covered financial com-  
2                   pany.

3                   (ii) DEFINITION OF INSUFFI-  
4                   CIENCY.—In this subparagraph, the term  
5                   “insufficiency” means the amount, if any,  
6                   by which a claim against the covered finan-  
7                   cial company exceeds a mutual debt owed  
8                   to the covered financial company by the  
9                   holder of such claim.

10                  (C) INSOLVENCY.—The term “insolvent”  
11                  has the same meaning as in section 101(32) of  
12                  the Bankruptcy Code.

13                  (D) PRESUMPTION OF INSOLVENCY.—For  
14                  purposes of this paragraph, the covered finan-  
15                  cial company is presumed to have been insol-  
16                  vent on and during the 90-day period preceding  
17                  the date of appointment of the Corporation as  
18                  receiver.

19                  (E) LIMITATION.—Nothing in this para-  
20                  graph (12) shall be the basis for any right of  
21                  setoff where no such right exists under applica-  
22                  ble noninsolvency law.

23                  (F) PRIORITY CLAIM.—Except as other-  
24                  wise provided in this title, the Corporation as  
25                  receiver for the covered financial company may

1           sell or transfer any assets free and clear of the  
2           setoff rights of any party, except that such  
3           party shall be entitled to a claim, subordinate  
4           to the claims payable under subparagraphs (A),  
5           (B), (C), and (D) of subsection (b)(1), but sen-  
6           ior to all other unsecured liabilities defined in  
7           subsection (b)(1)(E), in an amount equal to the  
8           value of such setoff rights.

9           (13) ATTACHMENT OF ASSETS AND OTHER IN-  
10          JUNCTIVE RELIEF.—Subject to paragraph (14), any  
11          court of competent jurisdiction may, at the request  
12          of the Corporation as receiver for a covered financial  
13          company, issue an order in accordance with Rule 65  
14          of the Federal Rules of Civil Procedure, including an  
15          order placing the assets of any person designated by  
16          the Corporation under the control of the court and  
17          appointing a trustee to hold such assets.

18          (14) STANDARDS.—

19                 (A) SHOWING.—Rule 65 of the Federal  
20          Rules of Civil Procedure shall apply with re-  
21          spect to any proceeding under paragraph (13),  
22          without regard to the requirement that the ap-  
23          plicant show that the injury, loss, or damage is  
24          irreparable and immediate.



1           (B) STATE PROCEEDING.—If, in the case  
2           of any proceeding in a State court, the court  
3           determines that rules of civil procedure avail-  
4           able under the laws of the State provide sub-  
5           stantially similar protections of the right of the  
6           parties to due process as provided under Rule  
7           65 (as modified with respect to such proceeding  
8           by subparagraph (A)), the relief sought by the  
9           Corporation pursuant to paragraph (14) may be  
10          requested under the laws of such State.

11          (15) TREATMENT OF CLAIMS ARISING FROM  
12          BREACH OF CONTRACTS EXECUTED BY THE COR-  
13          PORATION AS RECEIVER.—Notwithstanding any  
14          other provision of this title, any final and non-ap-  
15          pealable judgment for monetary damages entered  
16          against the Corporation as receiver for a covered fi-  
17          nancial company for the breach of an agreement exe-  
18          cuted or approved by the Corporation after the date  
19          of its appointment shall be paid as an administrative  
20          expense of the receiver. Nothing in this paragraph  
21          shall be construed to limit the power of a receiver  
22          to exercise any rights under contract or law, includ-  
23          ing to terminate, breach, cancel, or otherwise dis-  
24          continue such agreement.

1           (16) ACCOUNTING AND RECORDKEEPING RE-  
2           QUIREMENTS.—

3                   (A) IN GENERAL.—The Corporation as re-  
4           ceiver for a covered financial company shall,  
5           consistent with the accounting and reporting  
6           practices and procedures established by the  
7           Corporation, maintain a full accounting of each  
8           receivership or other disposition of any covered  
9           financial company.

10                   (B) ANNUAL ACCOUNTING OR REPORT.—  
11           With respect to each receivership to which the  
12           Corporation is appointed, the Corporation shall  
13           make an annual accounting or report, as appro-  
14           priate, available to the Secretary and the Com-  
15           ptroller General of the United States.

16                   (C) AVAILABILITY OF REPORTS.—Any re-  
17           port prepared pursuant to subparagraph (B)  
18           and section 203(c)(3) shall be made available to  
19           the public by the Corporation.

20                   (D) RECORDKEEPING REQUIREMENT.—

21                           (i) IN GENERAL.—The Corporation  
22           shall prescribe such regulations and estab-  
23           lish such retention schedules as are nec-  
24           essary to maintain the documents and  
25           records of the Corporation generated in ex-

1           ercising the authorities of this title and the  
2           records of a covered financial company for  
3           which the Corporation is appointed re-  
4           ceiver, with due regard for—

5                   (I) the avoidance of duplicative  
6                   record retention; and

7                   (II) the expected evidentiary  
8                   needs of the Corporation as receiver  
9                   for a covered financial company and  
10                  the public regarding the records of  
11                  covered financial companies.

12               (ii) RETENTION OF RECORDS.—Un-  
13               less otherwise required by applicable Fed-  
14               eral law or court order, the Corporation  
15               may not, at any time, destroy any records  
16               that are subject to clause (i).

17               (iii) RECORDS DEFINED.—As used in  
18               this subparagraph, the terms “records”  
19               and “records of a covered financial com-  
20               pany” mean any document, book, paper,  
21               map, photograph, microfiche, microfilm,  
22               computer or electronically-created record  
23               generated or maintained by the covered fi-  
24               nancial company in the course of and nec-  
25               essary to its transaction of business.

1 (b) PRIORITY OF EXPENSES AND UNSECURED  
2 CLAIMS.—

3 (1) IN GENERAL.—Unsecured claims against a  
4 covered financial company, or the Corporation as re-  
5 ceiver for such covered financial company under this  
6 section, that are proven to the satisfaction of the re-  
7 ceiver shall have priority in the following order:

8 (A) Administrative expenses of the re-  
9 ceiver.

10 (B) Any amounts owed to the United  
11 States, unless the United States agrees or con-  
12 sents otherwise.

13 (C) Wages, salaries, or commissions, in-  
14 cluding vacation, severance, and sick leave pay  
15 earned by an individual (other than an indi-  
16 vidual described in subparagraph (G)), but only  
17 to the extent of \$11,725 for each individual (as  
18 indexed for inflation, by regulation of the Cor-  
19 poration) earned not later than 180 days before  
20 the date of appointment of the Corporation as  
21 receiver.

22 (D) Contributions owed to employee ben-  
23 efit plans arising from services rendered not  
24 later than 180 days before the date of appoint-  
25 ment of the Corporation as receiver, to the ex-

1           tent of the number of employees covered by  
2           each such plan, multiplied by \$11,725 (as in-  
3           dexed for inflation, by regulation of the Cor-  
4           poration), less the aggregate amount paid to  
5           such employees under subparagraph (C), plus  
6           the aggregate amount paid by the receivership  
7           on behalf of such employees to any other em-  
8           ployee benefit plan.

9           (E) Any other general or senior liability of  
10          the covered financial company (which is not a  
11          liability described under subparagraph (F), (G),  
12          or (H)).

13          (F) Any obligation subordinated to general  
14          creditors (which is not an obligation described  
15          under subparagraph (G) or (H)).

16          (G) Any wages, salaries, or commissions,  
17          including vacation, severance, and sick leave  
18          pay earned, owed to senior executives and direc-  
19          tors of the covered financial company.

20          (H) Any obligation to shareholders, mem-  
21          bers, general partners, limited partners, or  
22          other persons, with interests in the equity of  
23          the covered financial company arising as a re-  
24          sult of their status as shareholders, members,  
25          general partners, limited partners, or other per-

1           sons with interests in the equity of the covered  
2           financial company.

3           (2)   POST-RECEIVERSHIP   FINANCING   PRI-  
4           ORITY.—In the event that the Corporation, as re-  
5           ceiver for a covered financial company, is unable to  
6           obtain unsecured credit for the covered financial  
7           company from commercial sources, the Corporation  
8           as receiver may obtain credit or incur debt on the  
9           part of the covered financial company, which shall  
10          have priority over any or all administrative expenses  
11          of the receiver under paragraph (1)(A).

12          (3)   CLAIMS OF THE UNITED STATES.—Unse-  
13          cured claims of the United States shall, at a min-  
14          imum, have a higher priority than liabilities of the  
15          covered financial company that count as regulatory  
16          capital.

17          (4)   CREDITORS   SIMILARLY   SITUATED.—All  
18          claimants of a covered financial company that are  
19          similarly situated under paragraph (1) shall be  
20          treated in a similar manner, except that the Cor-  
21          poration may take any action (including making  
22          payments, subject to subsection (o)(1)(D)(i)) that  
23          does not comply with this subsection, if—

24                  (A) the Corporation determines that such  
25                  action is necessary—

1 (i) to maximize the value of the assets  
2 of the covered financial company;

3 (ii) to initiate and continue operations  
4 essential to implementation of the receiver-  
5 ship or any bridge financial company;

6 (iii) to maximize the present value re-  
7 turn from the sale or other disposition of  
8 the assets of the covered financial com-  
9 pany; or

10 (iv) to minimize the amount of any  
11 loss realized upon the sale or other disposi-  
12 tion of the assets of the covered financial  
13 company; and

14 (B) all claimants that are similarly situ-  
15 ated under paragraph (1) receive not less than  
16 the amount provided in paragraphs (2) and (3)  
17 of subsection (d).

18 (5) SECURED CLAIMS UNAFFECTED.—This sec-  
19 tion shall not affect secured claims or security enti-  
20 tlements in respect of assets or property held by the  
21 covered financial company, except to the extent that  
22 the security is insufficient to satisfy the claim, and  
23 then only with regard to the difference between the  
24 claim and the amount realized from the security.

1           (6) PRIORITY OF EXPENSES AND UNSECURED  
2 CLAIMS IN THE ORDERLY LIQUIDATION OF SIPC  
3 MEMBER.—Where the Corporation is appointed as  
4 receiver for a covered broker or dealer, unsecured  
5 claims against such covered broker or dealer, or the  
6 Corporation as receiver for such covered broker or  
7 dealer under this section, that are proven to the sat-  
8 isfaction of the receiver under section 205(e), shall  
9 have the priority prescribed in paragraph (1), except  
10 that—

11           (A) SIPC shall be entitled to recover ad-  
12 ministrative expenses incurred in performing its  
13 responsibilities under section 205 on an equal  
14 basis with the Corporation, in accordance with  
15 paragraph (1)(A);

16           (B) the Corporation shall be entitled to re-  
17 cover any amounts paid to customers or to  
18 SIPC pursuant to section 205(f), in accordance  
19 with paragraph (1)(B);

20           (C) SIPC shall be entitled to recover any  
21 amounts paid out of the SIPC Fund to meet its  
22 obligations under section 205 and under the Se-  
23 curities Investor Protection Act of 1970 (15  
24 U.S.C. 78aaa et seq.), which claim shall be sub-  
25 ordinate to the claims payable under subpara-



1           graphs (A) and (B) of paragraph (1), but sen-  
2           ior to all other claims; and

3                   (D) the Corporation may, after paying any  
4           proven claims to customers under section 205  
5           and the Securities Investor Protection Act of  
6           1970 (15 U.S.C. 78aaa et seq.), and as pro-  
7           vided above, pay dividends on other proven  
8           claims, in its discretion, and to the extent that  
9           funds are available, in accordance with the pri-  
10          orities set forth in paragraph (1).

11          (c) PROVISIONS RELATING TO CONTRACTS ENTERED  
12 INTO BEFORE APPOINTMENT OF RECEIVER.—

13           (1) AUTHORITY TO REPUDIATE CONTRACTS.—

14          In addition to any other rights that a receiver may  
15          have, the Corporation as receiver for any covered fi-  
16          nancial company may disaffirm or repudiate any  
17          contract or lease—

18                   (A) to which the covered financial company  
19           is a party;

20                   (B) the performance of which the Corpora-  
21           tion as receiver, in the discretion of the Cor-  
22           poration, determines to be burdensome; and

23                   (C) the disaffirmance or repudiation of  
24           which the Corporation as receiver determines,  
25           in the discretion of the Corporation, will pro-



1                   repudiation of such contract or agree-  
2                   ment.

3                   (B) NO LIABILITY FOR OTHER DAM-  
4                   AGES.—For purposes of subparagraph (A), the  
5                   term “actual direct compensatory damages”  
6                   does not include—

7                   (i) punitive or exemplary damages;  
8                   (ii) damages for lost profits or oppor-  
9                   tunity; or  
10                  (iii) damages for pain and suffering.

11                  (C) MEASURE OF DAMAGES FOR REPUDI-  
12                  ATION OF QUALIFIED FINANCIAL CONTRACTS.—  
13                  In the case of any qualified financial contract  
14                  or agreement to which paragraph (8) applies,  
15                  compensatory damages shall be—

16                  (i) deemed to include normal and rea-  
17                  sonable costs of cover or other reasonable  
18                  measures of damages utilized in the indus-  
19                  tries for such contract and agreement  
20                  claims; and

21                  (ii) paid in accordance with this para-  
22                  graph and subsection (d), except as other-  
23                  wise specifically provided in this sub-  
24                  section.

1 (D) MEASURE OF DAMAGES FOR REPUDI-  
2 ATION OR DISAFFIRMANCE OF DEBT OBLIGA-  
3 TION.—In the case of any debt for borrowed  
4 money or evidenced by a security, actual direct  
5 compensatory damages shall be no less than the  
6 amount lent plus accrued interest plus any  
7 accreted original issue discount as of the date  
8 the Corporation was appointed receiver of the  
9 covered financial company and, to the extent  
10 that an allowed secured claim is secured by  
11 property the value of which is greater than the  
12 amount of such claim and any accrued interest  
13 through the date of repudiation or  
14 disaffirmance, such accrued interest pursuant  
15 to paragraph (1).

16 (E) MEASURE OF DAMAGES FOR REPUDI-  
17 ATION OR DISAFFIRMANCE OF CONTINGENT OB-  
18 LIGATION.—In the case of any contingent obli-  
19 gation of a covered financial company con-  
20 sisting of any obligation under a guarantee, let-  
21 ter of credit, loan commitment, or similar credit  
22 obligation, the Corporation may, by rule or reg-  
23 ulation, prescribe that actual direct compen-  
24 satory damages shall be no less than the esti-  
25 mated value of the claim as of the date the Cor-



1                   sor is in default or breach of the  
2                   terms of the lease;

3                   (ii) have no claim for damages under  
4                   any acceleration clause or other penalty  
5                   provision in the lease; and

6                   (iii) have a claim for any unpaid rent,  
7                   subject to all appropriate offsets and de-  
8                   fenses, due as of the date of the appoint-  
9                   ment which shall be paid in accordance  
10                  with this paragraph and subsection (d).

11                  (5) LEASES UNDER WHICH THE COVERED FI-  
12                  NANCIAL COMPANY IS THE LESSOR.—

13                  (A) IN GENERAL.—If the Corporation as  
14                  receiver for a covered financial company repudi-  
15                  ates an unexpired written lease of real property  
16                  of the covered financial company under which  
17                  the covered financial company is the lessor and  
18                  the lessee is not, as of the date of such repudi-  
19                  ation, in default, the lessee under such lease  
20                  may either—

21                         (i) treat the lease as terminated by  
22                         such repudiation; or

23                         (ii) remain in possession of the lease-  
24                         hold interest for the balance of the term of  
25                         the lease, unless the lessee defaults under



1           (6) CONTRACTS FOR THE SALE OF REAL PROP-  
2        ERTY.—

3           (A) IN GENERAL.—If the receiver repudi-  
4        ates any contract (which meets the require-  
5        ments of subsection (a)(6)) for the sale of real  
6        property, and the purchaser of such real prop-  
7        erty under such contract is in possession and is  
8        not, as of the date of such repudiation, in de-  
9        fault, such purchaser may either—

10                   (i) treat the contract as terminated by  
11                   such repudiation; or

12                   (ii) remain in possession of such real  
13                   property.

14           (B) PROVISIONS APPLICABLE TO PUR-  
15        CHASER REMAINING IN POSSESSION.—If any  
16        purchaser of real property under any contract  
17        described in subparagraph (A) remains in pos-  
18        session of such property pursuant to clause (ii)  
19        of subparagraph (A)—

20                   (i) the purchaser—

21                           (I) shall continue to make all  
22                           payments due under the contract after  
23                           the date of the repudiation of the con-  
24                           tract; and



1 (II) may offset against any such  
2 payments any damages which accrue  
3 after such date due to the non-  
4 performance (after such date) of any  
5 obligation of the covered financial  
6 company under the contract; and

7 (ii) the Corporation as receiver shall—

8 (I) not be liable to the purchaser  
9 for any damages arising after such  
10 date as a result of the repudiation,  
11 other than the amount of any offset  
12 allowed under clause (i)(II);

13 (II) deliver title to the purchaser  
14 in accordance with the provisions of  
15 the contract; and

16 (III) have no obligation under  
17 the contract other than the perform-  
18 ance required under subclause (II).

19 (C) ASSIGNMENT AND SALE ALLOWED.—

20 (i) IN GENERAL.—No provision of this  
21 paragraph shall be construed as limiting  
22 the right of the Corporation as receiver to  
23 assign the contract described in subpara-  
24 graph (A) and sell the property, subject to

1           the contract and the provisions of this  
2           paragraph.

3                   (ii) NO LIABILITY AFTER ASSIGNMENT  
4           AND SALE.—If an assignment and sale de-  
5           scribed in clause (i) is consummated, the  
6           Corporation as receiver shall have no fur-  
7           ther liability under the contract described  
8           in subparagraph (A) or with respect to the  
9           real property which was the subject of such  
10          contract.

11                   (7) PROVISIONS APPLICABLE TO SERVICE CON-  
12          TRACTS.—

13                   (A) SERVICES PERFORMED BEFORE AP-  
14          POINTMENT.—In the case of any contract for  
15          services between any person and any covered fi-  
16          nancial company for which the Corporation has  
17          been appointed receiver, any claim of such per-  
18          son for services performed before the date of  
19          appointment shall be—

20                           (i) a claim to be paid in accordance  
21                           with subsections (a), (b), and (d); and

22                           (ii) deemed to have arisen as of the  
23                           date on which the receiver was appointed.

24                   (B) SERVICES PERFORMED AFTER AP-  
25          POINTMENT AND PRIOR TO REPUDIATION.—If,

1 in the case of any contract for services de-  
2 scribed in subparagraph (A), the Corporation as  
3 receiver accepts performance by the other per-  
4 son before making any determination to exer-  
5 cise the right of repudiation of such contract  
6 under this section—

7 (i) the other party shall be paid under  
8 the terms of the contract for the services  
9 performed; and

10 (ii) the amount of such payment shall  
11 be treated as an administrative expense of  
12 the receivership.

13 (C) ACCEPTANCE OF PERFORMANCE NO  
14 BAR TO SUBSEQUENT REPUDIATION.—The ac-  
15 ceptance by the Corporation as receiver for  
16 services referred to in subparagraph (B) in con-  
17 nection with a contract described in subpara-  
18 graph (B) shall not affect the right of the Cor-  
19 poration as receiver to repudiate such contract  
20 under this section at any time after such per-  
21 formance.

22 (8) CERTAIN QUALIFIED FINANCIAL CON-  
23 TRACTS.—

24 (A) RIGHTS OF PARTIES TO CONTRACTS.—

25 Subject to subsection (a)(8) and paragraphs (9)

1 and (10) of this subsection, and notwith-  
2 standing any other provision of this section, any  
3 other provision of Federal law, or the law of  
4 any State, no person shall be stayed or prohib-  
5 ited from exercising—

6 (i) any right that such person has to  
7 cause the termination, liquidation, or accel-  
8 eration of any qualified financial contract  
9 with a covered financial company which  
10 arises upon the date of appointment of the  
11 Corporation as receiver for such covered fi-  
12 nancial company or at any time after such  
13 appointment;

14 (ii) any right under any security  
15 agreement or arrangement or other credit  
16 enhancement related to one or more quali-  
17 fied financial contracts described in clause  
18 (i); or

19 (iii) any right to offset or net out any  
20 termination value, payment amount, or  
21 other transfer obligation arising under or  
22 in connection with 1 or more contracts or  
23 agreements described in clause (i), includ-  
24 ing any master agreement for such con-  
25 tracts or agreements.

1 (B) APPLICABILITY OF OTHER PROVI-  
2 SIONS.—Subsection (a)(8) shall apply in the  
3 case of any judicial action or proceeding  
4 brought against the Corporation as receiver re-  
5 ferred to in subparagraph (A), or the subject  
6 covered financial company, by any party to a  
7 contract or agreement described in subpara-  
8 graph (A)(i) with such covered financial com-  
9 pany.

10 (C) CERTAIN TRANSFERS NOT AVOID-  
11 ABLE.—

12 (i) IN GENERAL.—Notwithstanding  
13 subsection (a)(11), (a)(12), or (c)(12), sec-  
14 tion 5242 of the Revised Statutes of the  
15 United States, or any other provision of  
16 Federal or State law relating to the avoid-  
17 ance of preferential or fraudulent trans-  
18 fers, the Corporation, whether acting as  
19 the Corporation or as receiver for a cov-  
20 ered financial company, may not avoid any  
21 transfer of money or other property in con-  
22 nection with any qualified financial con-  
23 tract with a covered financial company.

24 (ii) EXCEPTION FOR CERTAIN TRANS-  
25 FERS.—Clause (i) shall not apply to any

1 transfer of money or other property in con-  
2 nection with any qualified financial con-  
3 tract with a covered financial company if  
4 the transferee had actual intent to hinder,  
5 delay, or defraud such company, the credi-  
6 tors of such company, or the Corporation  
7 as receiver appointed for such company.

8 (D) CERTAIN CONTRACTS AND AGREE-  
9 MENTS DEFINED.—For purposes of this sub-  
10 section, the following definitions shall apply:

11 (i) QUALIFIED FINANCIAL CON-  
12 TRACT.—The term “qualified financial  
13 contract” means any securities contract,  
14 commodity contract, forward contract, re-  
15 purchase agreement, swap agreement, and  
16 any similar agreement that the Corpora-  
17 tion determines by regulation, resolution,  
18 or order to be a qualified financial contract  
19 for purposes of this paragraph.

20 (ii) SECURITIES CONTRACT.—The  
21 term “securities contract”—

22 (I) means a contract for the pur-  
23 chase, sale, or loan of a security, a  
24 certificate of deposit, a mortgage loan,  
25 any interest in a mortgage loan, a

1 group or index of securities, certifi-  
2 cates of deposit, or mortgage loans or  
3 interests therein (including any inter-  
4 est therein or based on the value  
5 thereof), or any option on any of the  
6 foregoing, including any option to  
7 purchase or sell any such security,  
8 certificate of deposit, mortgage loan,  
9 interest, group or index, or option,  
10 and including any repurchase or re-  
11 verse repurchase transaction on any  
12 such security, certificate of deposit,  
13 mortgage loan, interest, group or  
14 index, or option (whether or not such  
15 repurchase or reverse repurchase  
16 transaction is a “repurchase agree-  
17 ment”, as defined in clause (v));

18 (II) does not include any pur-  
19 chase, sale, or repurchase obligation  
20 under a participation in a commercial  
21 mortgage loan unless the Corporation  
22 determines by regulation, resolution,  
23 or order to include any such agree-  
24 ment within the meaning of such  
25 term;

1 (III) means any option entered  
2 into on a national securities exchange  
3 relating to foreign currencies;

4 (IV) means the guarantee (in-  
5 cluding by novation) by or to any se-  
6 curities clearing agency of any settle-  
7 ment of cash, securities, certificates of  
8 deposit, mortgage loans or interests  
9 therein, group or index of securities,  
10 certificates of deposit or mortgage  
11 loans or interests therein (including  
12 any interest therein or based on the  
13 value thereof) or an option on any of  
14 the foregoing, including any option to  
15 purchase or sell any such security,  
16 certificate of deposit, mortgage loan,  
17 interest, group or index, or option  
18 (whether or not such settlement is in  
19 connection with any agreement or  
20 transaction referred to in subclauses  
21 (I) through (XII) (other than sub-  
22 clause (II)));

23 (V) means any margin loan;



1 (VI) means any extension of  
2 credit for the clearance or settlement  
3 of securities transactions;

4 (VII) means any loan transaction  
5 coupled with a securities collar trans-  
6 action, any prepaid securities forward  
7 transaction, or any total return swap  
8 transaction coupled with a securities  
9 sale transaction;

10 (VIII) means any other agree-  
11 ment or transaction that is similar to  
12 any agreement or transaction referred  
13 to in this clause;

14 (IX) means any combination of  
15 the agreements or transactions re-  
16 ferred to in this clause;

17 (X) means any option to enter  
18 into any agreement or transaction re-  
19 ferred to in this clause;

20 (XI) means a master agreement  
21 that provides for an agreement or  
22 transaction referred to in any of sub-  
23 clauses (I) through (X), other than  
24 subclause (II), together with all sup-  
25 plements to any such master agree-

1                   ment, without regard to whether the  
2                   master agreement provides for an  
3                   agreement or transaction that is not a  
4                   securities contract under this clause,  
5                   except that the master agreement  
6                   shall be considered to be a securities  
7                   contract under this clause only with  
8                   respect to each agreement or trans-  
9                   action under the master agreement  
10                  that is referred to in any of sub-  
11                  clauses (I) through (X), other than  
12                  subclause (II); and

13                   (XII) means any security agree-  
14                   ment or arrangement or other credit  
15                   enhancement related to any agree-  
16                   ment or transaction referred to in this  
17                   clause, including any guarantee or re-  
18                   imbursement obligation in connection  
19                   with any agreement or transaction re-  
20                   ferred to in this clause.

21                   (iii) COMMODITY CONTRACT.—The  
22                   term “commodity contract” means—

23                   (I) with respect to a futures com-  
24                   mission merchant, a contract for the  
25                   purchase or sale of a commodity for

1 future delivery on, or subject to the  
2 rules of, a contract market or board  
3 of trade;

4 (II) with respect to a foreign fu-  
5 tures commission merchant, a foreign  
6 future;

7 (III) with respect to a leverage  
8 transaction merchant, a leverage  
9 transaction;

10 (IV) with respect to a clearing  
11 organization, a contract for the pur-  
12 chase or sale of a commodity for fu-  
13 ture delivery on, or subject to the  
14 rules of, a contract market or board  
15 of trade that is cleared by such clear-  
16 ing organization, or commodity option  
17 traded on, or subject to the rules of,  
18 a contract market or board of trade  
19 that is cleared by such clearing orga-  
20 nization;

21 (V) with respect to a commodity  
22 options dealer, a commodity option;

23 (VI) any other agreement or  
24 transaction that is similar to any

1 agreement or transaction referred to  
2 in this clause;

3 (VII) any combination of the  
4 agreements or transactions referred to  
5 in this clause;

6 (VIII) any option to enter into  
7 any agreement or transaction referred  
8 to in this clause;

9 (IX) a master agreement that  
10 provides for an agreement or trans-  
11 action referred to in any of subclauses  
12 (I) through (VIII), together with all  
13 supplements to any such master  
14 agreement, without regard to whether  
15 the master agreement provides for an  
16 agreement or transaction that is not a  
17 commodity contract under this clause,  
18 except that the master agreement  
19 shall be considered to be a commodity  
20 contract under this clause only with  
21 respect to each agreement or trans-  
22 action under the master agreement  
23 that is referred to in any of sub-  
24 clauses (I) through (VIII); or

1 (X) any security agreement or  
2 arrangement or other credit enhance-  
3 ment related to any agreement or  
4 transaction referred to in this clause,  
5 including any guarantee or reimburse-  
6 ment obligation in connection with  
7 any agreement or transaction referred  
8 to in this clause.

9 (iv) FORWARD CONTRACT.—The term  
10 “forward contract” means—

11 (I) a contract (other than a com-  
12 modity contract) for the purchase,  
13 sale, or transfer of a commodity or  
14 any similar good, article, service,  
15 right, or interest which is presently or  
16 in the future becomes the subject of  
17 dealing in the forward contract trade,  
18 or product or byproduct thereof, with  
19 a maturity date that is more than 2  
20 days after the date on which the con-  
21 tract is entered into, including a re-  
22 purchase or reverse repurchase trans-  
23 action (whether or not such repur-  
24 chase or reverse repurchase trans-  
25 action is a “repurchase agreement”,

1 as defined in clause (v)), consignment,  
2 lease, swap, hedge transaction, de-  
3 posit, loan, option, allocated trans-  
4 action, unallocated transaction, or any  
5 other similar agreement;

6 (II) any combination of agree-  
7 ments or transactions referred to in  
8 subclauses (I) and (III);

9 (III) any option to enter into any  
10 agreement or transaction referred to  
11 in subclause (I) or (II);

12 (IV) a master agreement that  
13 provides for an agreement or trans-  
14 action referred to in subclause (I),  
15 (II), or (III), together with all supple-  
16 ments to any such master agreement,  
17 without regard to whether the master  
18 agreement provides for an agreement  
19 or transaction that is not a forward  
20 contract under this clause, except that  
21 the master agreement shall be consid-  
22 ered to be a forward contract under  
23 this clause only with respect to each  
24 agreement or transaction under the

1 master agreement that is referred to  
2 in subclause (I), (II), or (III); or

3 (V) any security agreement or ar-  
4 rangement or other credit enhance-  
5 ment related to any agreement or  
6 transaction referred to in subclause  
7 (I), (II), (III), or (IV), including any  
8 guarantee or reimbursement obliga-  
9 tion in connection with any agreement  
10 or transaction referred to in any such  
11 subclause.

12 (v) REPURCHASE AGREEMENT.—The  
13 term “repurchase agreement” (which defi-  
14 nition also applies to a reverse repurchase  
15 agreement)—

16 (I) means an agreement, includ-  
17 ing related terms, which provides for  
18 the transfer of one or more certifi-  
19 cates of deposit, mortgage related se-  
20 curities (as such term is defined in  
21 section 3 of the Securities Exchange  
22 Act of 1934), mortgage loans, inter-  
23 ests in mortgage-related securities or  
24 mortgage loans, eligible bankers’ ac-  
25 ceptances, qualified foreign govern-

1                   ment securities (which, for purposes  
2                   of this clause, means a security that is  
3                   a direct obligation of, or that is fully  
4                   guaranteed by, the central government  
5                   of a member of the Organization for  
6                   Economic Cooperation and Develop-  
7                   ment, as determined by regulation or  
8                   order adopted by the Board of Gov-  
9                   ernors), or securities that are direct  
10                  obligations of, or that are fully guar-  
11                  anteed by, the United States or any  
12                  agency of the United States against  
13                  the transfer of funds by the transferee  
14                  of such certificates of deposit, eligible  
15                  bankers' acceptances, securities, mort-  
16                  gage loans, or interests with a simul-  
17                  taneous agreement by such transferee  
18                  to transfer to the transferor thereof  
19                  certificates of deposit, eligible bank-  
20                  ers' acceptances, securities, mortgage  
21                  loans, or interests as described above,  
22                  at a date certain not later than 1 year  
23                  after such transfers or on demand,  
24                  against the transfer of funds, or any  
25                  other similar agreement;



1 (II) does not include any repur-  
2 chase obligation under a participation  
3 in a commercial mortgage loan, unless  
4 the Corporation determines, by regu-  
5 lation, resolution, or order to include  
6 any such participation within the  
7 meaning of such term;

8 (III) means any combination of  
9 agreements or transactions referred to  
10 in subclauses (I) and (IV);

11 (IV) means any option to enter  
12 into any agreement or transaction re-  
13 ferred to in subclause (I) or (III);

14 (V) means a master agreement  
15 that provides for an agreement or  
16 transaction referred to in subclause  
17 (I), (III), or (IV), together with all  
18 supplements to any such master  
19 agreement, without regard to whether  
20 the master agreement provides for an  
21 agreement or transaction that is not a  
22 repurchase agreement under this  
23 clause, except that the master agree-  
24 ment shall be considered to be a re-  
25 purchase agreement under this sub-

1 clause only with respect to each agree-  
2 ment or transaction under the master  
3 agreement that is referred to in sub-  
4 clause (I), (III), or (IV); and

5 (VI) means any security agree-  
6 ment or arrangement or other credit  
7 enhancement related to any agree-  
8 ment or transaction referred to in  
9 subclause (I), (III), (IV), or (V), in-  
10 cluding any guarantee or reimburse-  
11 ment obligation in connection with  
12 any agreement or transaction referred  
13 to in any such subclause.

14 (vi) SWAP AGREEMENT.—The term  
15 “swap agreement” means—

16 (I) any agreement, including the  
17 terms and conditions incorporated by  
18 reference in any such agreement,  
19 which is an interest rate swap, option,  
20 future, or forward agreement, includ-  
21 ing a rate floor, rate cap, rate collar,  
22 cross-currency rate swap, and basis  
23 swap; a spot, same day-tomorrow, to-  
24 morrow-next, forward, or other for-  
25 eign exchange, precious metals, or

1 other commodity agreement; a cur-  
2 rency swap, option, future, or forward  
3 agreement; an equity index or equity  
4 swap, option, future, or forward  
5 agreement; a debt index or debt swap,  
6 option, future, or forward agreement;  
7 a total return, credit spread or credit  
8 swap, option, future, or forward  
9 agreement; a commodity index or  
10 commodity swap, option, future, or  
11 forward agreement; weather swap, op-  
12 tion, future, or forward agreement; an  
13 emissions swap, option, future, or for-  
14 ward agreement; or an inflation swap,  
15 option, future, or forward agreement;

16 (II) any agreement or transaction  
17 that is similar to any other agreement  
18 or transaction referred to in this  
19 clause and that is of a type that has  
20 been, is presently, or in the future be-  
21 comes, the subject of recurrent deal-  
22 ings in the swap or other derivatives  
23 markets (including terms and condi-  
24 tions incorporated by reference in  
25 such agreement) and that is a for-

1           ward, swap, future, option, or spot  
2           transaction on one or more rates, cur-  
3           rencies, commodities, equity securities  
4           or other equity instruments, debt se-  
5           curities or other debt instruments,  
6           quantitative measures associated with  
7           an occurrence, extent of an occur-  
8           rence, or contingency associated with  
9           a financial, commercial, or economic  
10          consequence, or economic or financial  
11          indices or measures of economic or fi-  
12          nancial risk or value;

13                   (III) any combination of agree-  
14                   ments or transactions referred to in  
15                   this clause;

16                   (IV) any option to enter into any  
17                   agreement or transaction referred to  
18                   in this clause;

19                   (V) a master agreement that pro-  
20                   vides for an agreement or transaction  
21                   referred to in subclause (I), (II), (III),  
22                   or (IV), together with all supplements  
23                   to any such master agreement, with-  
24                   out regard to whether the master  
25                   agreement contains an agreement or

1 transaction that is not a swap agree-  
2 ment under this clause, except that  
3 the master agreement shall be consid-  
4 ered to be a swap agreement under  
5 this clause only with respect to each  
6 agreement or transaction under the  
7 master agreement that is referred to  
8 in subclause (I), (II), (III), or (IV);  
9 and

10 (VI) any security agreement or  
11 arrangement or other credit enhance-  
12 ment related to any agreement or  
13 transaction referred to in any of sub-  
14 clauses (I) through (V), including any  
15 guarantee or reimbursement obliga-  
16 tion in connection with any agreement  
17 or transaction referred to in any such  
18 clause.

19 (vii) DEFINITIONS RELATING TO DE-  
20 FAULT.—When used in this paragraph and  
21 paragraphs (9) and (10)—

22 (I) the term “default” means,  
23 with respect to a covered financial  
24 company, any adjudication or other  
25 official decision by any court of com-

1                   petent jurisdiction, or other public au-  
2                   thority pursuant to which the Cor-  
3                   poration has been appointed receiver;  
4                   and

5                   (II) the term “in danger of de-  
6                   fault” means a covered financial com-  
7                   pany with respect to which the Cor-  
8                   poration or appropriate State author-  
9                   ity has determined that—

10                   (aa) in the opinion of the  
11                   Corporation or such authority—

12                   (AA) the covered finan-  
13                   cial company is not likely to  
14                   be able to pay its obligations  
15                   in the normal course of busi-  
16                   ness; and

17                   (BB) there is no rea-  
18                   sonable prospect that the  
19                   covered financial company  
20                   will be able to pay such obli-  
21                   gations without Federal as-  
22                   sistance; or

23                   (bb) in the opinion of the  
24                   Corporation or such authority—

1 (AA) the covered finan-  
2 cial company has incurred or  
3 is likely to incur losses that  
4 will deplete all or substan-  
5 tially all of its capital; and

6 (BB) there is no rea-  
7 sonable prospect that the  
8 capital will be replenished  
9 without Federal assistance.

10 (viii) TREATMENT OF MASTER AGREE-  
11 MENT AS ONE AGREEMENT.—Any master  
12 agreement for any contract or agreement  
13 described in any of clauses (i) through (vi)  
14 (or any master agreement for such master  
15 agreement or agreements), together with  
16 all supplements to such master agreement,  
17 shall be treated as a single agreement and  
18 a single qualified financial contract. If a  
19 master agreement contains provisions re-  
20 lating to agreements or transactions that  
21 are not themselves qualified financial con-  
22 tracts, the master agreement shall be  
23 deemed to be a qualified financial contract  
24 only with respect to those transactions that

1           are themselves qualified financial con-  
2           tracts.

3                   (ix) TRANSFER.—The term “transfer”  
4           means every mode, direct or indirect, abso-  
5           lute or conditional, voluntary or involun-  
6           tary, of disposing of or parting with prop-  
7           erty or with an interest in property, includ-  
8           ing retention of title as a security interest  
9           and foreclosure of the equity of redemption  
10          of the covered financial company.

11                   (x) PERSON.—The term “person” in-  
12          cludes any governmental entity in addition  
13          to any entity included in the definition of  
14          such term in section 1, title 1, United  
15          States Code.

16                   (E) CLARIFICATION.—No provision of law  
17          shall be construed as limiting the right or  
18          power of the Corporation, or authorizing any  
19          court or agency to limit or delay, in any man-  
20          ner, the right or power of the Corporation to  
21          transfer any qualified financial contract or to  
22          disaffirm or repudiate any such contract in ac-  
23          cordance with this subsection.

24                   (F) WALKAWAY CLAUSES NOT EFFEC-  
25          TIVE.—



1 (i) IN GENERAL.—Notwithstanding  
2 the provisions of subparagraph (A) of this  
3 paragraph and sections 403 and 404 of the  
4 Federal Deposit Insurance Corporation  
5 Improvement Act of 1991, no walkaway  
6 clause shall be enforceable in a qualified fi-  
7 nancial contract of a covered financial  
8 company in default.

9 (ii) LIMITED SUSPENSION OF CERTAIN  
10 OBLIGATIONS.—In the case of a qualified  
11 financial contract referred to in clause (i),  
12 any payment or delivery obligations other-  
13 wise due from a party pursuant to the  
14 qualified financial contract shall be sus-  
15 pended from the time at which the Cor-  
16 poration is appointed as receiver until the  
17 earlier of—

18 (I) the time at which such party  
19 receives notice that such contract has  
20 been transferred pursuant to para-  
21 graph (10)(A); or

22 (II) 5:00 p.m. (eastern time) on  
23 the business day following the date of  
24 the appointment of the Corporation as  
25 receiver.

1 (iii) WALKAWAY CLAUSE DEFINED.—

2 For purposes of this subparagraph, the  
3 term “walkaway clause” means any provi-  
4 sion in a qualified financial contract that  
5 suspends, conditions, or extinguishes a  
6 payment obligation of a party, in whole or  
7 in part, or does not create a payment obli-  
8 gation of a party that would otherwise  
9 exist, solely because of the status of such  
10 party as a nondefaulting party in connec-  
11 tion with the insolvency of a covered finan-  
12 cial company that is a party to the con-  
13 tract or the appointment of or the exercise  
14 of rights or powers by the Corporation as  
15 receiver for such covered financial com-  
16 pany, and not as a result of the exercise by  
17 a party of any right to offset, setoff, or net  
18 obligations that exist under the contract,  
19 any other contract between those parties,  
20 or applicable law.

21 (G) CERTAIN OBLIGATIONS TO CLEARING  
22 ORGANIZATIONS.—In the event that the Cor-  
23 poration has been appointed as receiver for a  
24 covered financial company which is a party to  
25 any qualified financial contract cleared by or

1 subject to the rules of a clearing organization  
2 (as defined in paragraph (9)(D)), the receiver  
3 shall use its best efforts to meet all margin, col-  
4 lateral, and settlement obligations of the cov-  
5 ered financial company that arise under quali-  
6 fied financial contracts (other than any margin,  
7 collateral, or settlement obligation that is not  
8 enforceable against the receiver under para-  
9 graph (8)(F)(i) or paragraph (10)(B)), as re-  
10 quired by the rules of the clearing organization  
11 when due. Notwithstanding any other provision  
12 of this title, if the receiver fails to satisfy any  
13 such margin, collateral, or settlement obliga-  
14 tions under the rules of the clearing organiza-  
15 tion, the clearing organization shall have the  
16 immediate right to exercise, and shall not be  
17 stayed from exercising, all of its rights and  
18 remedies under its rules and applicable law with  
19 respect to any qualified financial contract of the  
20 covered financial company, including, without  
21 limitation, the right to liquidate all positions  
22 and collateral of such covered financial com-  
23 pany under the company's qualified financial  
24 contracts, and suspend or cease to act for such

1 covered financial company, all in accordance  
2 with the rules of the clearing organization.

3 (H) RECORDKEEPING.—

4 (i) JOINT RULEMAKING.—The Federal  
5 primary financial regulatory agencies shall  
6 jointly prescribe regulations requiring that  
7 financial companies maintain such records  
8 with respect to qualified financial contracts  
9 (including market valuations) that the  
10 Federal primary financial regulatory agen-  
11 cies determine to be necessary or appro-  
12 priate in order to assist the Corporation as  
13 receiver for a covered financial company in  
14 being able to exercise its rights and fulfill  
15 its obligations under this paragraph or  
16 paragraph (9) or (10).

17 (ii) TIME FRAME.—The Federal pri-  
18 mary financial regulatory agencies shall  
19 prescribe joint final or interim final regula-  
20 tions not later than 24 months after the  
21 date of enactment of this Act.

22 (iii) BACK-UP RULEMAKING AUTHOR-  
23 ITY.—If the Federal primary financial reg-  
24 ulatory agencies do not prescribe joint final  
25 or interim final regulations within the time

1 frame in clause (ii), the Chairperson of the  
2 Council shall prescribe, in consultation  
3 with the Corporation, the regulations re-  
4 quired by clause (i).

5 (iv) CATEGORIZATION AND  
6 TIERING.—The joint regulations prescribed  
7 under clause (i) shall, as appropriate, dif-  
8 ferentiate among financial companies by  
9 taking into consideration their size, risk,  
10 complexity, leverage, frequency and dollar  
11 amount of qualified financial contracts,  
12 interconnectedness to the financial system,  
13 and any other factors deemed appropriate.

14 (9) TRANSFER OF QUALIFIED FINANCIAL CON-  
15 TRACTS.—

16 (A) IN GENERAL.—In making any transfer  
17 of assets or liabilities of a covered financial  
18 company in default, which includes any quali-  
19 fied financial contract, the Corporation as re-  
20 ceiver for such covered financial company shall  
21 either—

22 (i) transfer to one financial institu-  
23 tion, other than a financial institution for  
24 which a conservator, receiver, trustee in  
25 bankruptcy, or other legal custodian has

1           been appointed or which is otherwise the  
2           subject of a bankruptcy or insolvency pro-  
3           ceeding—

4                   (I) all qualified financial con-  
5                   tracts between any person or any af-  
6                   filiate of such person and the covered  
7                   financial company in default;

8                   (II) all claims of such person or  
9                   any affiliate of such person against  
10                  such covered financial company under  
11                  any such contract (other than any  
12                  claim which, under the terms of any  
13                  such contract, is subordinated to the  
14                  claims of general unsecured creditors  
15                  of such company);

16                  (III) all claims of such covered fi-  
17                  nancial company against such person  
18                  or any affiliate of such person under  
19                  any such contract; and

20                  (IV) all property securing or any  
21                  other credit enhancement for any con-  
22                  tract described in subclause (I) or any  
23                  claim described in subclause (II) or  
24                  (III) under any such contract; or

1                   (ii) transfer none of the qualified fi-  
2                   nancial contracts, claims, property or other  
3                   credit enhancement referred to in clause (i)  
4                   (with respect to such person and any affil-  
5                   iate of such person).

6                   (B) TRANSFER TO FOREIGN BANK, FINAN-  
7                   CIAL INSTITUTION, OR BRANCH OR AGENCY  
8                   THEREOF.—In transferring any qualified finan-  
9                   cial contracts and related claims and property  
10                  under subparagraph (A)(i), the Corporation as  
11                  receiver for the covered financial company shall  
12                  not make such transfer to a foreign bank, fi-  
13                  nancial institution organized under the laws of  
14                  a foreign country, or a branch or agency of a  
15                  foreign bank or financial institution unless,  
16                  under the law applicable to such bank, financial  
17                  institution, branch or agency, to the qualified  
18                  financial contracts, and to any netting contract,  
19                  any security agreement or arrangement or other  
20                  credit enhancement related to one or more  
21                  qualified financial contracts, the contractual  
22                  rights of the parties to such qualified financial  
23                  contracts, netting contracts, security agree-  
24                  ments or arrangements, or other credit en-

1           hancements are enforceable substantially to the  
2           same extent as permitted under this section.

3           (C) TRANSFER OF CONTRACTS SUBJECT  
4           TO THE RULES OF A CLEARING ORGANIZA-  
5           TION.—In the event that the Corporation as re-  
6           ceiver for a financial institution transfers any  
7           qualified financial contract and related claims,  
8           property, or credit enhancement pursuant to  
9           subparagraph (A)(i) and such contract is  
10          cleared by or subject to the rules of a clearing  
11          organization, the clearing organization shall not  
12          be required to accept the transferee as a mem-  
13          ber by virtue of the transfer.

14          (D) DEFINITIONS.—For purposes of this  
15          paragraph—

16               (i) the term “financial institution”  
17               means a broker or dealer, a depository in-  
18               stitution, a futures commission merchant,  
19               a bridge financial company, or any other  
20               institution determined by the Corporation,  
21               by regulation, to be a financial institution;  
22               and

23               (ii) the term “clearing organization”  
24               has the same meaning as in section 402 of



1 the Federal Deposit Insurance Corporation  
2 Improvement Act of 1991.

3 (10) NOTIFICATION OF TRANSFER.—

4 (A) IN GENERAL.—

5 (i) NOTICE.—The Corporation shall  
6 provide notice in accordance with clause

7 (ii), if—

8 (I) the Corporation as receiver  
9 for a covered financial company in de-  
10 fault or in danger of default transfers  
11 any assets or liabilities of the covered  
12 financial company; and

13 (II) the transfer includes any  
14 qualified financial contract.

15 (ii) TIMING.—The Corporation as re-  
16 ceiver for a covered financial company  
17 shall notify any person who is a party to  
18 any contract described in clause (i) of such  
19 transfer not later than 5:00 p.m. (eastern  
20 time) on the business day following the  
21 date of the appointment of the Corporation  
22 as receiver.

23 (B) CERTAIN RIGHTS NOT ENFORCE-  
24 ABLE.—

1 (i) RECEIVERSHIP.—A person who is  
2 a party to a qualified financial contract  
3 with a covered financial company may not  
4 exercise any right that such person has to  
5 terminate, liquidate, or net such contract  
6 under paragraph (8)(A) solely by reason of  
7 or incidental to the appointment under this  
8 section of the Corporation as receiver for  
9 the covered financial company (or the in-  
10 solvency or financial condition of the cov-  
11 ered financial company for which the Cor-  
12 poration has been appointed as receiver)—

13 (I) until 5:00 p.m. (eastern time)  
14 on the business day following the date  
15 of the appointment; or

16 (II) after the person has received  
17 notice that the contract has been  
18 transferred pursuant to paragraph  
19 (9)(A).

20 (ii) NOTICE.—For purposes of this  
21 paragraph, the Corporation as receiver for  
22 a covered financial company shall be  
23 deemed to have notified a person who is a  
24 party to a qualified financial contract with  
25 such covered financial company, if the Cor-

1                   poration has taken steps reasonably cal-  
2                   culated to provide notice to such person by  
3                   the time specified in subparagraph (A).

4                   (C) TREATMENT OF BRIDGE FINANCIAL  
5                   COMPANY.—For purposes of paragraph (9), a  
6                   bridge financial company shall not be consid-  
7                   ered to be a financial institution for which a  
8                   conservator, receiver, trustee in bankruptcy, or  
9                   other legal custodian has been appointed, or  
10                  which is otherwise the subject of a bankruptcy  
11                  or insolvency proceeding.

12                  (D) BUSINESS DAY DEFINED.—For pur-  
13                  poses of this paragraph, the term “business  
14                  day” means any day other than any Saturday,  
15                  Sunday, or any day on which either the New  
16                  York Stock Exchange or the Federal Reserve  
17                  Bank of New York is closed.

18                  (11) DISAFFIRMANCE OR REPUDIATION OF  
19                  QUALIFIED FINANCIAL CONTRACTS.—In exercising  
20                  the rights of disaffirmance or repudiation of the  
21                  Corporation as receiver with respect to any qualified  
22                  financial contract to which a covered financial com-  
23                  pany is a party, the Corporation shall either—

24                         (A) disaffirm or repudiate all qualified fi-  
25                         nancial contracts between—

1 (i) any person or any affiliate of such  
2 person; and

3 (ii) the covered financial company in  
4 default; or

5 (B) disaffirm or repudiate none of the  
6 qualified financial contracts referred to in sub-  
7 paragraph (A) (with respect to such person or  
8 any affiliate of such person).

9 (12) CERTAIN SECURITY AND CUSTOMER IN-  
10 TERESTS NOT AVOIDABLE.—No provision of this  
11 subsection shall be construed as permitting the  
12 avoidance of any—

13 (A) legally enforceable or perfected secu-  
14 rity interest in any of the assets of any covered  
15 financial company, except in accordance with  
16 subsection (a)(11); or

17 (B) legally enforceable interest in customer  
18 property, security entitlements in respect of as-  
19 sets or property held by the covered financial  
20 company for any security entitlement holder.

21 (13) AUTHORITY TO ENFORCE CONTRACTS.—

22 (A) IN GENERAL.—The Corporation, as re-  
23 ceiver for a covered financial company, may en-  
24 force any contract, other than a liability insur-  
25 ance contract of a director or officer, a financial

1 institution bond entered into by the covered fi-  
2 nancial company, notwithstanding any provision  
3 of the contract providing for termination, de-  
4 fault, acceleration, or exercise of rights upon, or  
5 solely by reason of, insolvency, the appointment  
6 of or the exercise of rights or powers by the  
7 Corporation as receiver, the filing of the peti-  
8 tion pursuant to section 202(a)(1), or the  
9 issuance of the recommendations or determina-  
10 tion, or any actions or events occurring in con-  
11 nection therewith or as a result thereof, pursu-  
12 ant to section 203.

13 (B) CERTAIN RIGHTS NOT AFFECTED.—  
14 No provision of this paragraph may be con-  
15 strued as impairing or affecting any right of the  
16 Corporation as receiver to enforce or recover  
17 under a liability insurance contract of a director  
18 or officer or financial institution bond under  
19 other applicable law.

20 (C) CONSENT REQUIREMENT AND IPSO  
21 FACTO CLAUSES.—

22 (i) IN GENERAL.—Except as otherwise  
23 provided by this section, no person may ex-  
24 ercise any right or power to terminate, ac-  
25 celerate, or declare a default under any

1 contract to which the covered financial  
2 company is a party (and no provision in  
3 any such contract providing for such de-  
4 fault, termination, or acceleration shall be  
5 enforceable), or to obtain possession of or  
6 exercise control over any property of the  
7 covered financial company or affect any  
8 contractual rights of the covered financial  
9 company, without the consent of the Cor-  
10 poration as receiver for the covered finan-  
11 cial company during the 90 day period be-  
12 ginning from the appointment of the Cor-  
13 poration as receiver.

14 (ii) EXCEPTIONS.—No provision of  
15 this subparagraph shall apply to a director  
16 or officer liability insurance contract or a  
17 financial institution bond, to the rights of  
18 parties to certain qualified financial con-  
19 tracts pursuant to paragraph (8), or to the  
20 rights of parties to netting contracts pur-  
21 suant to subtitle A of title IV of the Fed-  
22 eral Deposit Insurance Corporation Im-  
23 provement Act of 1991 (12 U.S.C. 4401 et  
24 seq.), or shall be construed as permitting  
25 the Corporation as receiver to fail to com-

1                   ply with otherwise enforceable provisions of  
2                   such contract.

3                   (D) CONTRACTS TO EXTEND CREDIT.—  
4                   Notwithstanding any other provision in this  
5                   title, if the Corporation as receiver enforces any  
6                   contract to extend credit to the covered finan-  
7                   cial company or bridge financial company, any  
8                   valid and enforceable obligation to repay such  
9                   debt shall be paid by the Corporation as re-  
10                  ceiver, as an administrative expense of the re-  
11                  ceivership.

12                  (14) EXCEPTION FOR FEDERAL RESERVE  
13                  BANKS AND CORPORATION SECURITY INTEREST.—  
14                  No provision of this subsection shall apply with re-  
15                  spect to—

16                         (A) any extension of credit from any Fed-  
17                         eral reserve bank or the Corporation to any cov-  
18                         ered financial company; or

19                         (B) any security interest in the assets of  
20                         the covered financial company securing any  
21                         such extension of credit.

22                  (15) SAVINGS CLAUSE.—The meanings of terms  
23                  used in this subsection are applicable for purposes of  
24                  this subsection only, and shall not be construed or  
25                  applied so as to challenge or affect the characteriza-

1       tion, definition, or treatment of any similar terms  
2       under any other statute, regulation, or rule, includ-  
3       ing the Gramm-Leach-Bliley Act, the Legal Cer-  
4       tainty for Bank Products Act of 2000, the securities  
5       laws (as that term is defined in section 3(a)(47) of  
6       the Securities Exchange Act of 1934), and the Com-  
7       modity Exchange Act.

8               (16) ENFORCEMENT OF CONTRACTS GUARAN-  
9       TEED BY THE COVERED FINANCIAL COMPANY.—

10               (A) IN GENERAL.—The Corporation, as re-  
11       ceiver for a covered financial company or as re-  
12       ceiver for a subsidiary of a covered financial  
13       company (including an insured depository insti-  
14       tution) shall have the power to enforce con-  
15       tracts of subsidiaries or affiliates of the covered  
16       financial company, the obligations under which  
17       are guaranteed or otherwise supported by or  
18       linked to the covered financial company, not-  
19       withstanding any contractual right to cause the  
20       termination, liquidation, or acceleration of such  
21       contracts based solely on the insolvency, finan-  
22       cial condition, or receivership of the covered fi-  
23       nancial company, if—

24               (i) such guaranty or other support  
25       and all related assets and liabilities are



1 transferred to and assumed by a bridge fi-  
2 nancial company or a third party (other  
3 than a third party for which a conservator,  
4 receiver, trustee in bankruptcy, or other  
5 legal custodian has been appointed, or  
6 which is otherwise the subject of a bank-  
7 ruptcy or insolvency proceeding) within the  
8 same period of time as the Corporation is  
9 entitled to transfer the qualified financial  
10 contracts of such covered financial com-  
11 pany; or

12 (ii) the Corporation, as receiver, oth-  
13 erwise provides adequate protection with  
14 respect to such obligations.

15 (B) RULE OF CONSTRUCTION.—For pur-  
16 poses of this paragraph, a bridge financial com-  
17 pany shall not be considered to be a third party  
18 for which a conservator, receiver, trustee in  
19 bankruptcy, or other legal custodian has been  
20 appointed, or which is otherwise the subject of  
21 a bankruptcy or insolvency proceeding.

22 (d) VALUATION OF CLAIMS IN DEFAULT.—

23 (1) IN GENERAL.—Notwithstanding any other  
24 provision of Federal law or the law of any State, and  
25 regardless of the method utilized by the Corporation

1 for a covered financial company, including trans-  
2 actions authorized under subsection (h), this sub-  
3 section shall govern the rights of the creditors of any  
4 such covered financial company.

5 (2) MAXIMUM LIABILITY.—The maximum li-  
6 ability of the Corporation, acting as receiver for a  
7 covered financial company or in any other capacity,  
8 to any person having a claim against the Corpora-  
9 tion as receiver or the covered financial company for  
10 which the Corporation is appointed shall equal the  
11 amount that such claimant would have received if—

12 (A) the Corporation had not been ap-  
13 pointed receiver with respect to the covered fi-  
14 nancial company; and

15 (B) the covered financial company had  
16 been liquidated under chapter 7 of the Bank-  
17 ruptcy Code, or any similar provision of State  
18 insolvency law applicable to the covered finan-  
19 cial company.

20 (3) SPECIAL PROVISION FOR ORDERLY LIQ-  
21 UIDATION BY SIPC.—The maximum liability of the  
22 Corporation, acting as receiver or in its corporate  
23 capacity for any covered broker or dealer to any cus-  
24 tomer of such covered broker or dealer, with respect  
25 to customer property of such customer, shall be—

1 (A) equal to the amount that such cus-  
2 tomer would have received with respect to such  
3 customer property in a case initiated by SIPC  
4 under the Securities Investor Protection Act of  
5 1970 (15 U.S.C. 78aaa et seq.); and

6 (B) determined as of the close of business  
7 on the date on which the Corporation is ap-  
8 pointed as receiver.

9 (4) ADDITIONAL PAYMENTS AUTHORIZED.—

10 (A) IN GENERAL.—Subject to subsection  
11 (o)(1)(D)(i), the Corporation, with the approval  
12 of the Secretary, may make additional pay-  
13 ments or credit additional amounts to or with  
14 respect to or for the account of any claimant or  
15 category of claimants of the covered financial  
16 company, if the Corporation determines that  
17 such payments or credits are necessary or ap-  
18 propriate to minimize losses to the Corporation  
19 as receiver from the orderly liquidation of the  
20 covered financial company under this section.

21 (B) LIMITATIONS.—

22 (i) PROHIBITION.—The Corporation  
23 shall not make any payments or credit  
24 amounts to any claimant or category of  
25 claimants that would result in any claim-

1           ant receiving more than the face value  
2           amount of any claim that is proven to the  
3           satisfaction of the Corporation.

4           (ii) NO OBLIGATION.—Notwith-  
5           standing any other provision of Federal or  
6           State law, or the Constitution of any State,  
7           the Corporation shall not be obligated, as  
8           a result of having made any payment  
9           under subparagraph (A) or credited any  
10          amount described in subparagraph (A) to  
11          or with respect to, or for the account, of  
12          any claimant or category of claimants, to  
13          make payments to any other claimant or  
14          category of claimants.

15          (C) MANNER OF PAYMENT.—The Corpora-  
16          tion may make payments or credit amounts  
17          under subparagraph (A) directly to the claim-  
18          ants or may make such payments or credit such  
19          amounts to a company other than a covered fi-  
20          nancial company or a bridge financial company  
21          established with respect thereto in order to in-  
22          duce such other company to accept liability for  
23          such claims.

24          (e) LIMITATION ON COURT ACTION.—Except as pro-  
25          vided in this title, no court may take any action to restrain

1 or affect the exercise of powers or functions of the receiver  
2 hereunder, and any remedy against the Corporation or re-  
3 ceiver shall be limited to money damages determined in  
4 accordance with this title.

5 (f) LIABILITY OF DIRECTORS AND OFFICERS.—

6 (1) IN GENERAL.—A director or officer of a  
7 covered financial company may be held personally  
8 liable for monetary damages in any civil action de-  
9 scribed in paragraph (2) by, on behalf of, or at the  
10 request or direction of the Corporation, which action  
11 is prosecuted wholly or partially for the benefit of  
12 the Corporation—

13 (A) acting as receiver for such covered fi-  
14 nancial company;

15 (B) acting based upon a suit, claim, or  
16 cause of action purchased from, assigned by, or  
17 otherwise conveyed by the Corporation as re-  
18 ceiver; or

19 (C) acting based upon a suit, claim, or  
20 cause of action purchased from, assigned by, or  
21 otherwise conveyed in whole or in part by a cov-  
22 ered financial company or its affiliate in con-  
23 nection with assistance provided under this  
24 title.

1           (2) ACTIONS COVERED.—Paragraph (1) shall  
2           apply with respect to actions for gross negligence,  
3           including any similar conduct or conduct that dem-  
4           onstrates a greater disregard of a duty of care (than  
5           gross negligence) including intentional tortious con-  
6           duct, as such terms are defined and determined  
7           under applicable State law.

8           (3) SAVINGS CLAUSE.—Nothing in this sub-  
9           section shall impair or affect any right of the Cor-  
10          poration under other applicable law.

11          (g) DAMAGES.—In any proceeding related to any  
12          claim against a director, officer, employee, agent, attorney,  
13          accountant, or appraiser of a covered financial company,  
14          or any other party employed by or providing services to  
15          a covered financial company, recoverable damages deter-  
16          mined to result from the improvident or otherwise im-  
17          proper use or investment of any assets of the covered fi-  
18          nancial company shall include principal losses and appro-  
19          priate interest.

20          (h) BRIDGE FINANCIAL COMPANIES.—

21                  (1) ORGANIZATION.—

22                          (A) PURPOSE.—The Corporation, as re-  
23                          ceiver for one or more covered financial compa-  
24                          nies or in anticipation of being appointed re-  
25                          ceiver for one or more covered financial compa-

1           nies, may organize one or more bridge financial  
2           companies in accordance with this subsection.

3           (B) AUTHORITIES.—Upon the creation of  
4           a bridge financial company under subparagraph  
5           (A) with respect to a covered financial com-  
6           pany, such bridge financial company may—

7                   (i) assume such liabilities (including  
8                   liabilities associated with any trust or cus-  
9                   tody business, but excluding any liabilities  
10                  that count as regulatory capital) of such  
11                  covered financial company as the Corpora-  
12                  tion may, in its discretion, determine to be  
13                  appropriate;

14                  (ii) purchase such assets (including  
15                  assets associated with any trust or custody  
16                  business) of such covered financial com-  
17                  pany as the Corporation may, in its discre-  
18                  tion, determine to be appropriate; and

19                  (iii) perform any other temporary  
20                  function which the Corporation may, in its  
21                  discretion, prescribe in accordance with  
22                  this section.

23           (2) CHARTER AND ESTABLISHMENT.—

24           (A) ESTABLISHMENT.—Except as provided  
25           in subparagraph (H), where the covered finan-

1           cial company is a covered broker or dealer, the  
2           Corporation, as receiver for a covered financial  
3           company, may grant a Federal charter to and  
4           approve articles of association for one or more  
5           bridge financial company or companies, with re-  
6           spect to such covered financial company which  
7           shall, by operation of law and immediately upon  
8           issuance of its charter and approval of its arti-  
9           cles of association, be established and operate  
10          in accordance with, and subject to, such char-  
11          ter, articles, and this section.

12           (B) MANAGEMENT.—Upon its establish-  
13          ment, a bridge financial company shall be under  
14          the management of a board of directors ap-  
15          pointed by the Corporation.

16           (C) ARTICLES OF ASSOCIATION.—The arti-  
17          cles of association and organization certificate  
18          of a bridge financial company shall have such  
19          terms as the Corporation may provide, and  
20          shall be executed by such representatives as the  
21          Corporation may designate.

22           (D) TERMS OF CHARTER; RIGHTS AND  
23          PRIVILEGES.—Subject to and in accordance  
24          with the provisions of this subsection, the Cor-  
25          poration shall—



1 (i) establish the terms of the charter  
2 of a bridge financial company and the  
3 rights, powers, authorities, and privileges  
4 of a bridge financial company granted by  
5 the charter or as an incident thereto; and  
6 (ii) provide for, and establish the  
7 terms and conditions governing, the man-  
8 agement (including the bylaws and the  
9 number of directors of the board of direc-  
10 tors) and operations of the bridge financial  
11 company.

12 (E) TRANSFER OF RIGHTS AND PRIVI-  
13 LEGES OF COVERED FINANCIAL COMPANY.—

14 (i) IN GENERAL.—Notwithstanding  
15 any other provision of Federal or State  
16 law, the Corporation may provide for a  
17 bridge financial company to succeed to and  
18 assume any rights, powers, authorities, or  
19 privileges of the covered financial company  
20 with respect to which the bridge financial  
21 company was established and, upon such  
22 determination by the Corporation, the  
23 bridge financial company shall immediately  
24 and by operation of law succeed to and as-

1           sume such rights, powers, authorities, and  
2           privileges.

3                   (ii)   EFFECTIVE   WITHOUT   AP-  
4           PROVAL.—Any succession to or assumption  
5           by a bridge financial company of rights,  
6           powers, authorities, or privileges of a cov-  
7           ered financial company under clause (i) or  
8           otherwise shall be effective without any  
9           further approval under Federal or State  
10          law, assignment, or consent with respect  
11          thereto.

12                   (F) CORPORATE GOVERNANCE AND ELEC-  
13          TION AND DESIGNATION OF BODY OF LAW.—To  
14          the extent permitted by the Corporation and  
15          consistent with this section and any rules, regu-  
16          lations, or directives issued by the Corporation  
17          under this section, a bridge financial company  
18          may elect to follow the corporate governance  
19          practices and procedures that are applicable to  
20          a corporation incorporated under the general  
21          corporation law of the State of Delaware, or the  
22          State of incorporation or organization of the  
23          covered financial company with respect to which  
24          the bridge financial company was established,  
25          as such law may be amended from time to time.

1 (G) CAPITAL.—

2 (i) CAPITAL NOT REQUIRED.—Not-  
3 withstanding any other provision of Fed-  
4 eral or State law, a bridge financial com-  
5 pany may, if permitted by the Corporation,  
6 operate without any capital or surplus, or  
7 with such capital or surplus as the Cor-  
8 poration may in its discretion determine to  
9 be appropriate.

10 (ii) NO CONTRIBUTION BY THE COR-  
11 PORATION REQUIRED.—The Corporation is  
12 not required to pay capital into a bridge fi-  
13 nancial company or to issue any capital  
14 stock on behalf of a bridge financial com-  
15 pany established under this subsection.

16 (iii) AUTHORITY.—If the Corporation  
17 determines that such action is advisable,  
18 the Corporation may cause capital stock or  
19 other securities of a bridge financial com-  
20 pany established with respect to a covered  
21 financial company to be issued and offered  
22 for sale in such amounts and on such  
23 terms and conditions as the Corporation  
24 may, in its discretion, determine.

1 (iv) OPERATING FUNDS IN LIEU OF  
2 CAPITAL AND IMPLEMENTATION PLAN.—  
3 Upon the organization of a bridge financial  
4 company, and thereafter as the Corpora-  
5 tion may, in its discretion, determine to be  
6 necessary or advisable, the Corporation  
7 may make available to the bridge financial  
8 company, subject to the plan described in  
9 subsection (n)(9), funds for the operation  
10 of the bridge financial company in lieu of  
11 capital.

12 (H) BRIDGE BROKERS OR DEALERS.—

13 (i) IN GENERAL.—The Corporation,  
14 as receiver for a covered broker or dealer,  
15 may approve articles of association for one  
16 or more bridge financial companies with  
17 respect to such covered broker or dealer,  
18 which bridge financial company or compa-  
19 nies shall, by operation of law and imme-  
20 diately upon approval of its articles of as-  
21 sociation—

22 (I) be established and deemed  
23 registered with the Commission under  
24 the Securities Exchange Act of 1934  
25 and a member of SIPC;

1 (II) operate in accordance with  
2 such articles and this section; and

3 (III) succeed to any and all reg-  
4 istrations and memberships of the  
5 covered financial company with or in  
6 any self-regulatory organizations.

7 (ii) OTHER REQUIREMENTS.—Except  
8 as provided in clause (i), and notwith-  
9 standing any other provision of this sec-  
10 tion, the bridge financial company shall be  
11 subject to the Federal securities laws and  
12 all requirements with respect to being a  
13 member of a self-regulatory organization,  
14 unless exempted from any such require-  
15 ments by the Commission, as is necessary  
16 or appropriate in the public interest or for  
17 the protection of investors.

18 (iii) TREATMENT OF CUSTOMERS.—  
19 Except as otherwise provided by this title,  
20 any customer of the covered broker or  
21 dealer whose account is transferred to a  
22 bridge financial company shall have all the  
23 rights, privileges, and protections under  
24 section 205(f) and under the Securities In-  
25 vestor Protection Act of 1970 (15 U.S.C.

1           78aaa et seq.), that such customer would  
2           have had if the account were not trans-  
3           ferred from the covered financial company  
4           under this subparagraph.

5                   (iv) OPERATION OF BRIDGE BROKERS  
6           OR DEALERS.—Notwithstanding any other  
7           provision of this title, the Corporation shall  
8           not operate any bridge financial company  
9           created by the Corporation under this title  
10          with respect to a covered broker or dealer  
11          in such a manner as to adversely affect the  
12          ability of customers to promptly access  
13          their customer property in accordance with  
14          applicable law.

15                   (3) INTERESTS IN AND ASSETS AND OBLIGA-  
16          TIONS OF COVERED FINANCIAL COMPANY.—Notwith-  
17          standing paragraph (1) or (2) or any other provision  
18          of law—

19                   (A) a bridge financial company shall as-  
20          sume, acquire, or succeed to the assets or liabil-  
21          ities of a covered financial company (including  
22          the assets or liabilities associated with any trust  
23          or custody business) only to the extent that  
24          such assets or liabilities are transferred by the  
25          Corporation to the bridge financial company in

1           accordance with, and subject to the restrictions  
2           set forth in, paragraph (1)(B); and

3                   (B) a bridge financial company shall not  
4           assume, acquire, or succeed to any obligation  
5           that a covered financial company for which the  
6           Corporation has been appointed receiver may  
7           have to any shareholder, member, general part-  
8           ner, limited partner, or other person with an in-  
9           terest in the equity of the covered financial  
10          company that arises as a result of the status of  
11          that person having an equity claim in the cov-  
12          ered financial company.

13                   (4) BRIDGE FINANCIAL COMPANY TREATED AS  
14          BEING IN DEFAULT FOR CERTAIN PURPOSES.—A  
15          bridge financial company shall be treated as a cov-  
16          ered financial company in default at such times and  
17          for such purposes as the Corporation may, in its dis-  
18          cretion, determine.

19                   (5) TRANSFER OF ASSETS AND LIABILITIES.—

20                           (A) AUTHORITY OF CORPORATION.—The  
21          Corporation, as receiver for a covered financial  
22          company, may transfer any assets and liabilities  
23          of a covered financial company (including any  
24          assets or liabilities associated with any trust or  
25          custody business) to one or more bridge finan-

1           cial companies, in accordance with and subject  
2           to the restrictions of paragraph (1).

3           (B) SUBSEQUENT TRANSFERS.—At any  
4           time after the establishment of a bridge finan-  
5           cial company with respect to a covered financial  
6           company, the Corporation, as receiver, may  
7           transfer any assets and liabilities of such cov-  
8           ered financial company as the Corporation may,  
9           in its discretion, determine to be appropriate in  
10          accordance with and subject to the restrictions  
11          of paragraph (1).

12          (C) TREATMENT OF TRUST OR CUSTODY  
13          BUSINESS.—For purposes of this paragraph,  
14          the trust or custody business, including fidu-  
15          ciary appointments, held by any covered finan-  
16          cial company is included among its assets and  
17          liabilities.

18          (D) EFFECTIVE WITHOUT APPROVAL.—  
19          The transfer of any assets or liabilities, includ-  
20          ing those associated with any trust or custody  
21          business of a covered financial company, to a  
22          bridge financial company shall be effective with-  
23          out any further approval under Federal or  
24          State law, assignment, or consent with respect  
25          thereto.





1 other disposition of the assets of the  
2 covered financial company; and

3 (ii) all creditors that are similarly sit-  
4 uated under subsection (b)(1) receive not  
5 less than the amount provided under para-  
6 graphs (2) and (3) of subsection (d).

7 (F) LIMITATION ON TRANSFER OF LIABIL-  
8 ITIES.—Notwithstanding any other provision of  
9 law, the aggregate amount of liabilities of a cov-  
10 ered financial company that are transferred to,  
11 or assumed by, a bridge financial company from  
12 a covered financial company may not exceed the  
13 aggregate amount of the assets of the covered  
14 financial company that are transferred to, or  
15 purchased by, the bridge financial company  
16 from the covered financial company.

17 (6) STAY OF JUDICIAL ACTION.—Any judicial  
18 action to which a bridge financial company becomes  
19 a party by virtue of its acquisition of any assets or  
20 assumption of any liabilities of a covered financial  
21 company shall be stayed from further proceedings  
22 for a period of not longer than 45 days (or such  
23 longer period as may be agreed to upon the consent  
24 of all parties) at the request of the bridge financial  
25 company.

1           (7) AGREEMENTS AGAINST INTEREST OF THE  
2 BRIDGE FINANCIAL COMPANY.—No agreement that  
3 tends to diminish or defeat the interest of the bridge  
4 financial company in any asset of a covered financial  
5 company acquired by the bridge financial company  
6 shall be valid against the bridge financial company,  
7 unless such agreement—

8           (A) is in writing;

9           (B) was executed by an authorized officer  
10 or representative of the covered financial com-  
11 pany or confirmed in the ordinary course of  
12 business by the covered financial company; and

13           (C) has been on the official record of the  
14 company, since the time of its execution, or  
15 with which, the party claiming under the agree-  
16 ment provides documentation of such agreement  
17 and its authorized execution or confirmation by  
18 the covered financial company that is acceptable  
19 to the receiver.

20           (8) NO FEDERAL STATUS.—

21           (A) AGENCY STATUS.—A bridge financial  
22 company is not an agency, establishment, or in-  
23 strumentality of the United States.

24           (B) EMPLOYEE STATUS.—Representatives  
25 for purposes of paragraph (1)(B), directors, of-

1           ficers, employees, or agents of a bridge financial  
2           company are not, solely by virtue of service in  
3           any such capacity, officers or employees of the  
4           United States. Any employee of the Corporation  
5           or of any Federal instrumentality who serves at  
6           the request of the Corporation as a representa-  
7           tive for purposes of paragraph (1)(B), director,  
8           officer, employee, or agent of a bridge financial  
9           company shall not—

10                   (i) solely by virtue of service in any  
11                   such capacity lose any existing status as  
12                   an officer or employee of the United States  
13                   for purposes of title 5, United States Code,  
14                   or any other provision of law; or

15                   (ii) receive any salary or benefits for  
16                   service in any such capacity with respect to  
17                   a bridge financial company in addition to  
18                   such salary or benefits as are obtained  
19                   through employment with the Corporation  
20                   or such Federal instrumentality.

21           (9) FUNDING AUTHORIZED.—The Corporation  
22           may, subject to the plan described in subsection  
23           (n)(9), provide funding to facilitate any transaction  
24           described in subparagraph (A), (B), (C), or (D) of  
25           paragraph (13) with respect to any bridge financial

1 company, or facilitate the acquisition by a bridge fi-  
2 nancial company of any assets, or the assumption of  
3 any liabilities, of a covered financial company for  
4 which the Corporation has been appointed receiver.

5 (10) EXEMPT TAX STATUS.—Notwithstanding  
6 any other provision of Federal or State law, a bridge  
7 financial company, its franchise, property, and in-  
8 come shall be exempt from all taxation now or here-  
9 after imposed by the United States, by any territory,  
10 dependency, or possession thereof, or by any State,  
11 county, municipality, or local taxing authority.

12 (11) FEDERAL AGENCY APPROVAL; ANTITRUST  
13 REVIEW.—If a transaction involving the merger or  
14 sale of a bridge financial company requires approval  
15 by a Federal agency, the transaction may not be  
16 consummated before the 5th calendar day after the  
17 date of approval by the Federal agency responsible  
18 for such approval with respect thereto. If, in connec-  
19 tion with any such approval a report on competitive  
20 factors from the Attorney General is required, the  
21 Federal agency responsible for such approval shall  
22 promptly notify the Attorney General of the pro-  
23 posed transaction and the Attorney General shall  
24 provide the required report within 10 days of the re-  
25 quest. If a notification is required under section 7A

1 of the Clayton Act with respect to such transaction,  
2 the required waiting period shall end on the 15th  
3 day after the date on which the Attorney General  
4 and the Federal Trade Commission receive such no-  
5 tification, unless the waiting period is terminated  
6 earlier under section 7A(b)(2) of the Clayton Act, or  
7 extended under section 7A(e)(2) of that Act.

8 (12) DURATION OF BRIDGE FINANCIAL COM-  
9 PANY.—Subject to paragraphs (13) and (14), the  
10 status of a bridge financial company as such shall  
11 terminate at the end of the 2-year period following  
12 the date on which it was granted a charter. The  
13 Corporation may, in its discretion, extend the status  
14 of the bridge financial company as such for no more  
15 than 3 additional 1-year periods.

16 (13) TERMINATION OF BRIDGE FINANCIAL COM-  
17 PANY STATUS.—The status of any bridge financial  
18 company as such shall terminate upon the earliest  
19 of—

20 (A) the date of the merger or consolidation  
21 of the bridge financial company with a company  
22 that is not a bridge financial company;

23 (B) at the election of the Corporation, the  
24 sale of a majority of the capital stock of the  
25 bridge financial company to a company other

1 than the Corporation and other than another  
2 bridge financial company;

3 (C) the sale of 80 percent, or more, of the  
4 capital stock of the bridge financial company to  
5 a person other than the Corporation and other  
6 than another bridge financial company;

7 (D) at the election of the Corporation, ei-  
8 ther the assumption of all or substantially all of  
9 the liabilities of the bridge financial company by  
10 a company that is not a bridge financial com-  
11 pany, or the acquisition of all or substantially  
12 all of the assets of the bridge financial company  
13 by a company that is not a bridge financial  
14 company, or other entity as permitted under  
15 applicable law; and

16 (E) the expiration of the period provided in  
17 paragraph (12), or the earlier dissolution of the  
18 bridge financial company, as provided in para-  
19 graph (15).

20 (14) EFFECT OF TERMINATION EVENTS.—

21 (A) MERGER OR CONSOLIDATION.—A  
22 merger or consolidation, described in paragraph  
23 (13)(A) shall be conducted in accordance with,  
24 and shall have the effect provided in, the provi-  
25 sions of applicable law. For the purpose of ef-

1           fecting such a merger or consolidation, the  
2           bridge financial company shall be treated as a  
3           corporation organized under the laws of the  
4           State of Delaware (unless the law of another  
5           State has been selected by the bridge financial  
6           company in accordance with paragraph (2)(F)),  
7           and the Corporation shall be treated as the sole  
8           shareholder thereof, notwithstanding any other  
9           provision of State or Federal law.

10           (B) CHARTER CONVERSION.—Following  
11           the sale of a majority of the capital stock of the  
12           bridge financial company, as provided in para-  
13           graph (13)(B), the Corporation may amend the  
14           charter of the bridge financial company to re-  
15           flect the termination of the status of the bridge  
16           financial company as such, whereupon the com-  
17           pany shall have all of the rights, powers, and  
18           privileges under its constituent documents and  
19           applicable Federal or State law. In connection  
20           therewith, the Corporation may take such steps  
21           as may be necessary or convenient to reincor-  
22           porate the bridge financial company under the  
23           laws of a State and, notwithstanding any provi-  
24           sions of Federal or State law, such State-char-  
25           tered corporation shall be deemed to succeed by



1 operation of law to such rights, titles, powers,  
2 and interests of the bridge financial company as  
3 the Corporation may provide, with the same ef-  
4 fect as if the bridge financial company had  
5 merged with the State-chartered corporation  
6 under provisions of the corporate laws of such  
7 State.

8 (C) SALE OF STOCK.—Following the sale  
9 of 80 percent or more of the capital stock of a  
10 bridge financial company, as provided in para-  
11 graph (13)(C), the company shall have all of  
12 the rights, powers, and privileges under its con-  
13 stituent documents and applicable Federal or  
14 State law. In connection therewith, the Cor-  
15 poration may take such steps as may be nec-  
16 essary or convenient to reincorporate the bridge  
17 financial company under the laws of a State  
18 and, notwithstanding any provisions of Federal  
19 or State law, the State-chartered corporation  
20 shall be deemed to succeed by operation of law  
21 to such rights, titles, powers and interests of  
22 the bridge financial company as the Corpora-  
23 tion may provide, with the same effect as if the  
24 bridge financial company had merged with the

1 State-chartered corporation under provisions of  
2 the corporate laws of such State.

3 (D) ASSUMPTION OF LIABILITIES AND  
4 SALE OF ASSETS.—Following the assumption of  
5 all or substantially all of the liabilities of the  
6 bridge financial company, or the sale of all or  
7 substantially all of the assets of the bridge fi-  
8 nancial company, as provided in paragraph  
9 (13)(D), at the election of the Corporation, the  
10 bridge financial company may retain its status  
11 as such for the period provided in paragraph  
12 (12) or may be dissolved at the election of the  
13 Corporation.

14 (E) AMENDMENTS TO CHARTER.—Fol-  
15 lowing the consummation of a transaction de-  
16 scribed in subparagraph (A), (B), (C), or (D)  
17 of paragraph (13), the charter of the resulting  
18 company shall be amended to reflect the termi-  
19 nation of bridge financial company status, if ap-  
20 propriate.

21 (15) DISSOLUTION OF BRIDGE FINANCIAL COM-  
22 PANY.—

23 (A) IN GENERAL.—Notwithstanding any  
24 other provision of Federal or State law, if the  
25 status of a bridge financial company as such

1 has not previously been terminated by the oc-  
2 currence of an event specified in subparagraph  
3 (A), (B), (C), or (D) of paragraph (13)—

4 (i) the Corporation may, in its discre-  
5 tion, dissolve the bridge financial company  
6 in accordance with this paragraph at any  
7 time; and

8 (ii) the Corporation shall promptly  
9 commence dissolution proceedings in ac-  
10 cordance with this paragraph upon the ex-  
11 piration of the 2-year period following the  
12 date on which the bridge financial com-  
13 pany was chartered, or any extension  
14 thereof, as provided in paragraph (12).

15 (B) PROCEDURES.—The Corporation shall  
16 remain the receiver for a bridge financial com-  
17 pany for the purpose of dissolving the bridge fi-  
18 nancial company. The Corporation as receiver  
19 for a bridge financial company shall wind up  
20 the affairs of the bridge financial company in  
21 conformity with the provisions of law relating to  
22 the liquidation of covered financial companies  
23 under this title. With respect to any such bridge  
24 financial company, the Corporation as receiver  
25 shall have all the rights, powers, and privileges

1 and shall perform the duties related to the exer-  
2 cise of such rights, powers, or privileges granted  
3 by law to the Corporation as receiver for a cov-  
4 ered financial company under this title and,  
5 notwithstanding any other provision of law, in  
6 the exercise of such rights, powers, and privi-  
7 leges, the Corporation shall not be subject to  
8 the direction or supervision of any State agency  
9 or other Federal agency.

10 (16) AUTHORITY TO OBTAIN CREDIT.—

11 (A) IN GENERAL.—A bridge financial com-  
12 pany may obtain unsecured credit and issue un-  
13 secured debt.

14 (B) INABILITY TO OBTAIN CREDIT.—If a  
15 bridge financial company is unable to obtain  
16 unsecured credit or issue unsecured debt, the  
17 Corporation may authorize the obtaining of  
18 credit or the issuance of debt by the bridge fi-  
19 nancial company—

20 (i) with priority over any or all of the  
21 obligations of the bridge financial com-  
22 pany;

23 (ii) secured by a lien on property of  
24 the bridge financial company that is not  
25 otherwise subject to a lien; or

1 (iii) secured by a junior lien on prop-  
2 erty of the bridge financial company that  
3 is subject to a lien.

4 (C) LIMITATIONS.—

5 (i) IN GENERAL.—The Corporation,  
6 after notice and a hearing, may authorize  
7 the obtaining of credit or the issuance of  
8 debt by a bridge financial company that is  
9 secured by a senior or equal lien on prop-  
10 erty of the bridge financial company that  
11 is subject to a lien, only if—

12 (I) the bridge financial company  
13 is unable to otherwise obtain such  
14 credit or issue such debt; and

15 (II) there is adequate protection  
16 of the interest of the holder of the lien  
17 on the property with respect to which  
18 such senior or equal lien is proposed  
19 to be granted.

20 (ii) HEARING.—The hearing required  
21 pursuant to this subparagraph shall be be-  
22 fore a court of the United States, which  
23 shall have jurisdiction to conduct such  
24 hearing and to authorize a bridge financial

1           company to obtain secured credit under  
2           clause (i).

3           (D) BURDEN OF PROOF.—In any hearing  
4           under this paragraph, the Corporation has the  
5           burden of proof on the issue of adequate protec-  
6           tion.

7           (E) QUALIFIED FINANCIAL CONTRACTS.—  
8           No credit or debt obtained or issued by a bridge  
9           financial company may contain terms that im-  
10          pair the rights of a counterparty to a qualified  
11          financial contract upon a default by the bridge  
12          financial company, other than the priority of  
13          such counterparty's unsecured claim (after the  
14          exercise of rights) relative to the priority of the  
15          bridge financial company's obligations in re-  
16          spect of such credit or debt, unless such  
17          counterparty consents in writing to any such  
18          impairment.

19          (17) EFFECT ON DEBTS AND LIENS.—The re-  
20          versal or modification on appeal of an authorization  
21          under this subsection to obtain credit or issue debt,  
22          or of a grant under this section of a priority or a  
23          lien, does not affect the validity of any debt so  
24          issued, or any priority or lien so granted, to an enti-  
25          ty that extended such credit in good faith, whether

1 or not such entity knew of the pendency of the ap-  
2 peal, unless such authorization and the issuance of  
3 such debt, or the granting of such priority or lien,  
4 were stayed pending appeal.

5 (i) SHARING RECORDS.—If the Corporation has been  
6 appointed as receiver for a covered financial company,  
7 other Federal regulators shall make all records relating  
8 to the covered financial company available to the Corpora-  
9 tion, which may be used by the Corporation in any manner  
10 that the Corporation determines to be appropriate.

11 (j) EXPEDITED PROCEDURES FOR CERTAIN  
12 CLAIMS.—

13 (1) TIME FOR FILING NOTICE OF APPEAL.—

14 The notice of appeal of any order, whether interlocu-  
15 tory or final, entered in any case brought by the  
16 Corporation against a director, officer, employee,  
17 agent, attorney, accountant, or appraiser of the cov-  
18 ered financial company, or any other person em-  
19 ployed by or providing services to a covered financial  
20 company, shall be filed not later than 30 days after  
21 the date of entry of the order. The hearing of the  
22 appeal shall be held not later than 120 days after  
23 the date of the notice of appeal. The appeal shall be  
24 decided not later than 180 days after the date of the  
25 notice of appeal.

1           (2) SCHEDULING.—The court shall expedite the  
2           consideration of any case brought by the Corpora-  
3           tion against a director, officer, employee, agent, at-  
4           torney, accountant, or appraiser of a covered finan-  
5           cial company or any other person employed by or  
6           providing services to a covered financial company.  
7           As far as practicable, the court shall give such case  
8           priority on its docket.

9           (3) JUDICIAL DISCRETION.—The court may  
10          modify the schedule and limitations stated in para-  
11          graphs (1) and (2) in a particular case, based on a  
12          specific finding that the ends of justice that would  
13          be served by making such a modification would out-  
14          weigh the best interest of the public in having the  
15          case resolved expeditiously.

16          (k) FOREIGN INVESTIGATIONS.—The Corporation, as  
17          receiver for any covered financial company, and for pur-  
18          poses of carrying out any power, authority, or duty with  
19          respect to a covered financial company—

20                 (1) may request the assistance of any foreign fi-  
21                 nancial authority and provide assistance to any for-  
22                 eign financial authority in accordance with section  
23                 8(v) of the Federal Deposit Insurance Act, as if the  
24                 covered financial company were an insured deposi-  
25                 tory institution, the Corporation were the appro-



1        appropriate Federal banking agency for the company, and  
2        any foreign financial authority were the foreign  
3        banking authority; and

4            (2) may maintain an office to coordinate for-  
5        eign investigations or investigations on behalf of for-  
6        eign financial authorities.

7        (l) PROHIBITION ON ENTERING SECRECY AGREE-  
8        MENTS AND PROTECTIVE ORDERS.—The Corporation  
9        may not enter into any agreement or approve any protec-  
10       tive order which prohibits the Corporation from disclosing  
11       the terms of any settlement of an administrative or other  
12       action for damages or restitution brought by the Corpora-  
13       tion in its capacity as receiver for a covered financial com-  
14       pany.

15       (m) LIQUIDATION OF CERTAIN COVERED FINANCIAL  
16       COMPANIES OR BRIDGE FINANCIAL COMPANIES.—

17            (1) IN GENERAL.—Except as specifically pro-  
18        vided in this section, and notwithstanding any other  
19        provision of law, the Corporation, in connection with  
20        the liquidation of any covered financial company or  
21        bridge financial company with respect to which the  
22        Corporation has been appointed as receiver, shall—

23            (A) in the case of any covered financial  
24        company or bridge financial company that is a  
25        stockbroker, but is not a member of the Securi-

1           ties Investor Protection Corporation, apply the  
2           provisions of subchapter III of chapter 7 of the  
3           Bankruptcy Code, in respect of the distribution  
4           to any customer of all customer name security  
5           and customer property and member property,  
6           as if such covered financial company or bridge  
7           financial company were a debtor for purposes of  
8           such subchapter; or

9           (B) in the case of any covered financial  
10          company or bridge financial company that is a  
11          commodity broker, apply the provisions of sub-  
12          chapter IV of chapter 7 the Bankruptcy Code,  
13          in respect of the distribution to any customer of  
14          all customer property and member property, as  
15          if such covered financial company or bridge fi-  
16          nancial company were a debtor for purposes of  
17          such subchapter.

18          (2) DEFINITIONS.—For purposes of this sub-  
19          section—

20                 (A) the terms “customer”, “customer  
21                 name security”, and “customer property and  
22                 member property” have the same meanings as  
23                 in sections 741 and 761 of title 11, United  
24                 States Code; and

1                   (B) the terms “commodity broker” and  
2                   “stockbroker” have the same meanings as in  
3                   section 101 of the Bankruptcy Code.

4           (n) ORDERLY LIQUIDATION FUND.—

5                   (1) ESTABLISHMENT.—There is established in  
6                   the Treasury of the United States a separate fund  
7                   to be known as the “Orderly Liquidation Fund”,  
8                   which shall be available to the Corporation to carry  
9                   out the authorities contained in this title, for the  
10                   cost of actions authorized by this title, including the  
11                   orderly liquidation of covered financial companies,  
12                   payment of administrative expenses, the payment of  
13                   principal and interest by the Corporation on obliga-  
14                   tions issued under paragraph (5), and the exercise  
15                   of the authorities of the Corporation under this title.

16                   (2) PROCEEDS.—Amounts received by the Cor-  
17                   poration, including assessments received under sub-  
18                   section (o), proceeds of obligations issued under  
19                   paragraph (5), interest and other earnings from in-  
20                   vestments, and repayments to the Corporation by  
21                   covered financial companies, shall be deposited into  
22                   the Fund.

23                   (3) MANAGEMENT.—The Corporation shall  
24                   manage the Fund in accordance with this subsection

1 and the policies and procedures established under  
2 section 203(d).

3 (4) INVESTMENTS.—At the request of the Cor-  
4 poration, the Secretary may invest such portion of  
5 amounts held in the Fund that are not, in the judg-  
6 ment of the Corporation, required to meet the cur-  
7 rent needs of the Corporation, in obligations of the  
8 United States having suitable maturities, as deter-  
9 mined by the Corporation. The interest on and the  
10 proceeds from the sale or redemption of such obliga-  
11 tions shall be credited to the Fund.

12 (5) AUTHORITY TO ISSUE OBLIGATIONS.—

13 (A) CORPORATION AUTHORIZED TO ISSUE  
14 OBLIGATIONS.—Upon appointment by the Sec-  
15 retary of the Corporation as receiver for a cov-  
16 ered financial company, the Corporation is au-  
17 thorized to issue obligations to the Secretary.

18 (B) SECRETARY AUTHORIZED TO PUR-  
19 CHASE OBLIGATIONS.—The Secretary may,  
20 under such terms and conditions as the Sec-  
21 retary may require, purchase or agree to pur-  
22 chase any obligations issued under subpara-  
23 graph (A), and for such purpose, the Secretary  
24 is authorized to use as a public debt transaction  
25 the proceeds of the sale of any securities issued

1 under chapter 31 of title 31, United States  
2 Code, and the purposes for which securities  
3 may be issued under chapter 31 of title 31,  
4 United States Code, are extended to include  
5 such purchases.

6 (C) INTEREST RATE.—Each purchase of  
7 obligations by the Secretary under this para-  
8 graph shall be upon such terms and conditions  
9 as to yield a return at a rate determined by the  
10 Secretary, taking into consideration the current  
11 average yield on outstanding marketable obliga-  
12 tions of the United States of comparable matu-  
13 rity, plus an interest rate surcharge to be deter-  
14 mined by the Secretary, which shall be greater  
15 than the difference between—

16 (i) the current average rate on an  
17 index of corporate obligations of com-  
18 parable maturity; and

19 (ii) the current average rate on out-  
20 standing marketable obligations of the  
21 United States of comparable maturity.

22 (D) SECRETARY AUTHORIZED TO SELL OB-  
23 LIGATIONS.—The Secretary may sell, upon such  
24 terms and conditions as the Secretary shall de-

1           termine, any of the obligations acquired under  
2           this paragraph.

3           (E) PUBLIC DEBT TRANSACTIONS.—All  
4           purchases and sales by the Secretary of such  
5           obligations under this paragraph shall be treat-  
6           ed as public debt transactions of the United  
7           States, and the proceeds from the sale of any  
8           obligations acquired by the Secretary under this  
9           paragraph shall be deposited into the Treasury  
10          of the United States as miscellaneous receipts.

11          (6) MAXIMUM OBLIGATION LIMITATION.—The  
12          Corporation may not, in connection with the orderly  
13          liquidation of a covered financial company, issue or  
14          incur any obligation, if, after issuing or incurring  
15          the obligation, the aggregate amount of such obliga-  
16          tions outstanding under this subsection for each cov-  
17          ered financial company would exceed—

18                 (A) an amount that is equal to 10 percent  
19                 of the total consolidated assets of the covered  
20                 financial company, based on the most recent fi-  
21                 nancial statement available, during the 30-day  
22                 period immediately following the date of ap-  
23                 pointment of the Corporation as receiver (or a  
24                 shorter time period if the Corporation has cal-



1 assist any financial company under appli-  
2 cable law other than this Act;

3 (ii) the authorities of the Corporation  
4 relating to the Deposit Insurance Fund, or  
5 any other responsibilities of the Corpora-  
6 tion under applicable law other than this  
7 title, shall not be used to assist a covered  
8 financial company pursuant to this title;  
9 and

10 (iii) the Deposit Insurance Fund may  
11 not be used in any manner to otherwise  
12 circumvent the purposes of this title.

13 (B) VALUATION.—For purposes of deter-  
14 mining the amount of obligations under this  
15 subsection—

16 (i) the Corporation shall include as an  
17 obligation any contingent liability of the  
18 Corporation pursuant to this title; and

19 (ii) the Corporation shall value any  
20 contingent liability at its expected cost to  
21 the Corporation.

22 (9) ORDERLY LIQUIDATION AND REPAYMENT  
23 PLANS.—

24 (A) ORDERLY LIQUIDATION PLAN.—

25 Amounts in the Fund shall be available to the



1 Corporation with regard to a covered financial  
2 company for which the Corporation is appointed  
3 receiver after the Corporation has developed an  
4 orderly liquidation plan that is acceptable to the  
5 Secretary with regard to such covered financial  
6 company, including the provision and use of  
7 funds, including taking any actions specified  
8 under section 204(d) and subsection  
9 (h)(2)(G)(iv) and (h)(9) of this section, and  
10 payments to third parties. The orderly liquida-  
11 tion plan shall take into account actions to  
12 avoid or mitigate potential adverse effects on  
13 low income, minority, or underserved commu-  
14 nities affected by the failure of the covered fi-  
15 nancial company, and shall provide for coordi-  
16 nation with the primary financial regulatory  
17 agencies, as appropriate, to ensure that such  
18 actions are taken. The Corporation may, at any  
19 time, amend any orderly liquidation plan ap-  
20 proved by the Secretary with the concurrence of  
21 the Secretary.

22 (B) MANDATORY REPAYMENT PLAN.—

23 (i) IN GENERAL.—No amount author-  
24 ized under paragraph (6)(B) may be pro-  
25 vided by the Secretary to the Corporation

1 under paragraph (5), unless an agreement  
2 is in effect between the Secretary and the  
3 Corporation that—

4 (I) provides a specific plan and  
5 schedule to achieve the repayment of  
6 the outstanding amount of any bor-  
7 rowing under paragraph (5); and

8 (II) demonstrates that income to  
9 the Corporation from the liquidated  
10 assets of the covered financial com-  
11 pany and assessments under sub-  
12 section (o) will be sufficient to amor-  
13 tize the outstanding balance within  
14 the period established in the repay-  
15 ment schedule and pay the interest  
16 accruing on such balance within the  
17 time provided in subsection (o)(1)(B).

18 (ii) CONSULTATION WITH AND RE-  
19 PORT TO CONGRESS.—The Secretary and  
20 the Corporation shall—

21 (I) consult with the Committee  
22 on Banking, Housing, and Urban Af-  
23 fairs of the Senate and the Committee  
24 on Financial Services of the House of

1                   Representatives on the terms of any  
2                   repayment schedule agreement; and

3                   (II) submit a copy of the repay-  
4                   ment schedule agreement to the Com-  
5                   mittees described in subclause (I) be-  
6                   fore the end of the 30-day period be-  
7                   ginning on the date on which any  
8                   amount is provided by the Secretary  
9                   to the Corporation under paragraph  
10                  (5).

11                  (10) IMPLEMENTATION EXPENSES.—

12                  (A) IN GENERAL.—Reasonable implemen-  
13                  tation expenses of the Corporation incurred  
14                  after the date of enactment of this Act shall be  
15                  treated as expenses of the Council.

16                  (B) REQUESTS FOR REIMBURSEMENT.—  
17                  The Corporation shall periodically submit a re-  
18                  quest for reimbursement for implementation ex-  
19                  penses to the Chairperson of the Council, who  
20                  shall arrange for prompt reimbursement to the  
21                  Corporation of reasonable implementation ex-  
22                  penses.

23                  (C) DEFINITION.—As used in this para-  
24                  graph, the term “implementation expenses”—

1 (i) means costs incurred by the Cor-  
2 poration beginning on the date of enact-  
3 ment of this Act, as part of its efforts to  
4 implement this title that do not relate to a  
5 particular covered financial company; and

6 (ii) includes the costs incurred in con-  
7 nection with the development of policies,  
8 procedures, rules, and regulations and  
9 other planning activities of the Corporation  
10 consistent with carrying out this title.

11 (o) ASSESSMENTS.—

12 (1) RISK-BASED ASSESSMENTS.—

13 (A) ELIGIBLE FINANCIAL COMPANIES DE-  
14 FINED.—For purposes of this subsection, the  
15 term “eligible financial company” means any  
16 bank holding company with total consolidated  
17 assets equal to or greater than  
18 \$50,000,000,000 and any nonbank financial  
19 company supervised by the Board of Governors.

20 (B) ASSESSMENTS.—The Corporation shall  
21 charge one or more risk-based assessments in  
22 accordance with the provisions of subparagraph  
23 (D), if such assessments are necessary to pay  
24 in full the obligations issued by the Corporation  
25 to the Secretary under this title within 60

1 months of the date of issuance of such obliga-  
2 tions.

3 (C) EXTENSIONS AUTHORIZED.—The Cor-  
4 poration may, with the approval of the Sec-  
5 retary, extend the time period under subpara-  
6 graph (B), if the Corporation determines that  
7 an extension is necessary to avoid a serious ad-  
8 verse effect on the financial system of the  
9 United States.

10 (D) APPLICATION OF ASSESSMENTS.—To  
11 meet the requirements of subparagraph (B), the  
12 Corporation shall—

13 (i) impose assessments, as soon as  
14 practicable, on any claimant that received  
15 additional payments or amounts from the  
16 Corporation pursuant to subsection (b)(4),  
17 (d)(4), or (h)(5)(E), except for payments  
18 or amounts necessary to initiate and con-  
19 tinue operations essential to implementa-  
20 tion of the receivership or any bridge fi-  
21 nancial company, to recover on a cumu-  
22 lative basis, the entire difference be-  
23 tween—

24 (I) the aggregate value the claim-  
25 ant received from the Corporation on

1 a claim pursuant to this title (includ-  
2 ing pursuant to subsection (b)(4),  
3 (d)(4), and (h)(5)(E)), as of the date  
4 on which such value was received; and

5 (II) the value the claimant was  
6 entitled to receive from the Corpora-  
7 tion on such claim solely from the  
8 proceeds of the liquidation of the cov-  
9 ered financial company under this  
10 title; and

11 (ii) if the amounts to be recovered on  
12 a cumulative basis under clause (i) are in-  
13 sufficient to meet the requirements of sub-  
14 paragraph (B), after taking into account  
15 the considerations set forth in paragraph  
16 (4), impose assessments on—

17 (I) eligible financial companies;  
18 and

19 (II) financial companies with  
20 total consolidated assets equal to or  
21 greater than \$50,000,000,000 that  
22 are not eligible financial companies.

23 (E) PROVISION OF FINANCING.—Payments  
24 or amounts necessary to initiate and continue  
25 operations essential to implementation of the

1           receivership or any bridge financial company  
2           described in subparagraph (D)(i) shall not in-  
3           clude the provision of financing, as defined by  
4           rule of the Corporation, to third parties.

5           (2) GRADUATED ASSESSMENT RATE.—The Cor-  
6           poration shall impose assessments on a graduated  
7           basis, with financial companies having greater assets  
8           and risk being assessed at a higher rate.

9           (3) NOTIFICATION AND PAYMENT.—The Cor-  
10          poration shall notify each financial company of that  
11          company's assessment under this subsection. Any fi-  
12          nancial company subject to assessment under this  
13          subsection shall pay such assessment in accordance  
14          with the regulations prescribed pursuant to para-  
15          graph (6).

16          (4) RISK-BASED ASSESSMENT CONSIDER-  
17          ATIONS.—In imposing assessments under paragraph  
18          (1)(D)(ii), the Corporation shall use a risk matrix.  
19          The Council shall make a recommendation to the  
20          Corporation on the risk matrix to be used in impos-  
21          ing such assessments, and the Corporation shall take  
22          into account any such recommendation in the estab-  
23          lishment of the risk matrix to be used to impose  
24          such assessments. In recommending or establishing

1 such risk matrix, the Council and the Corporation,  
2 respectively, shall take into account—

3 (A) economic conditions generally affecting  
4 financial companies so as to allow assessments  
5 to increase during more favorable economic con-  
6 ditions and to decrease during less favorable  
7 economic conditions;

8 (B) any assessments imposed on a finan-  
9 cial company or an affiliate of a financial com-  
10 pany that—

11 (i) is an insured depository institu-  
12 tion, assessed pursuant to section 7 or  
13 13(c)(4)(G) of the Federal Deposit Insur-  
14 ance Act;

15 (ii) is a member of the Securities In-  
16 vestor Protection Corporation, assessed  
17 pursuant to section 4 of the Securities In-  
18 vestor Protection Act of 1970 (15 U.S.C.  
19 78ddd);

20 (iii) is an insured credit union, as-  
21 sessed pursuant to section 202(c)(1)(A)(i)  
22 of the Federal Credit Union Act (12  
23 U.S.C. 1782(c)(1)(A)(i)); or

24 (iv) is an insurance company, assessed  
25 pursuant to applicable State law to cover



1 (or reimburse payments made to cover) the  
2 costs of the rehabilitation, liquidation, or  
3 other State insolvency proceeding with re-  
4 spect to 1 or more insurance companies;

5 (C) the risks presented by the financial  
6 company to the financial system and the extent  
7 to which the financial company has benefitted,  
8 or likely would benefit, from the orderly liquida-  
9 tion of a financial company under this title, in-  
10 cluding—

11 (i) the amount, different categories,  
12 and concentrations of assets of the finan-  
13 cial company and its affiliates, including  
14 both on-balance sheet and off-balance sheet  
15 assets;

16 (ii) the activities of the financial com-  
17 pany and its affiliates;

18 (iii) the relevant market share of the  
19 financial company and its affiliates;

20 (iv) the extent to which the financial  
21 company is leveraged;

22 (v) the potential exposure to sudden  
23 calls on liquidity precipitated by economic  
24 distress;

1                   (vi) the amount, maturity, volatility,  
2                   and stability of the company's financial ob-  
3                   ligations to, and relationship with, other fi-  
4                   nancial companies;

5                   (vii) the amount, maturity, volatility,  
6                   and stability of the liabilities of the com-  
7                   pany, including the degree of reliance on  
8                   short-term funding, taking into consider-  
9                   ation existing systems for measuring a  
10                  company's risk-based capital;

11                  (viii) the stability and variety of the  
12                  company's sources of funding;

13                  (ix) the company's importance as a  
14                  source of credit for households, businesses,  
15                  and State and local governments and as a  
16                  source of liquidity for the financial system;

17                  (x) the extent to which assets are sim-  
18                  ply managed and not owned by the finan-  
19                  cial company and the extent to which own-  
20                  ership of assets under management is dif-  
21                  fuse; and

22                  (xi) the amount, different categories,  
23                  and concentrations of liabilities, both in-  
24                  sured and uninsured, contingent and non-  
25                  contingent, including both on-balance sheet

1                   and off-balance sheet liabilities, of the fi-  
2                   nancial company and its affiliates;

3                   (D) any risks presented by the financial  
4                   company during the 10-year period immediately  
5                   prior to the appointment of the Corporation as  
6                   receiver for the covered financial company that  
7                   contributed to the failure of the covered finan-  
8                   cial company; and

9                   (E) such other risk-related factors as the  
10                  Corporation, or the Council, as applicable, may  
11                  determine to be appropriate.

12                 (5) COLLECTION OF INFORMATION.—The Cor-  
13                 poration may impose on covered financial companies  
14                 such collection of information requirements as the  
15                 Corporation deems necessary to carry out this sub-  
16                 section after the appointment of the Corporation as  
17                 receiver under this title.

18                 (6) RULEMAKING.—

19                   (A) IN GENERAL.—The Corporation shall  
20                   prescribe regulations to carry out this sub-  
21                   section. The Corporation shall consult with the  
22                   Secretary in the development and finalization of  
23                   such regulations.

24                   (B) EQUITABLE TREATMENT.—The regu-  
25                   lations prescribed under subparagraph (A) shall

1 take into account the differences in risks posed  
2 to the financial stability of the United States by  
3 financial companies, the differences in the li-  
4 ability structures of financial companies, and  
5 the different bases for other assessments that  
6 such financial companies may be required to  
7 pay, to ensure that assessed financial compa-  
8 nies are treated equitably and that assessments  
9 under this subsection reflect such differences.

10 (p) UNENFORCEABILITY OF CERTAIN AGREE-  
11 MENTS.—

12 (1) IN GENERAL.—No provision described in  
13 paragraph (2) shall be enforceable against or impose  
14 any liability on any person, as such enforcement or  
15 liability shall be contrary to public policy.

16 (2) PROHIBITED PROVISIONS.—A provision de-  
17 scribed in this paragraph is any term contained in  
18 any existing or future standstill, confidentiality, or  
19 other agreement that, directly or indirectly—

20 (A) affects, restricts, or limits the ability  
21 of any person to offer to acquire or acquire;

22 (B) prohibits any person from offering to  
23 acquire or acquiring; or

1           (C) prohibits any person from using any  
2           previously disclosed information in connection  
3           with any such offer to acquire or acquisition of,  
4           all or part of any covered financial company, includ-  
5           ing any liabilities, assets, or interest therein, in con-  
6           nection with any transaction in which the Corpora-  
7           tion exercises its authority under this title.

8           (q) OTHER EXEMPTIONS.—

9           (1) IN GENERAL.—When acting as a receiver  
10          under this title—

11           (A) the Corporation, including its fran-  
12           chise, its capital, reserves and surplus, and its  
13           income, shall be exempt from all taxation im-  
14           posed by any State, county, municipality, or  
15           local taxing authority, except that any real  
16           property of the Corporation shall be subject to  
17           State, territorial, county, municipal, or local  
18           taxation to the same extent according to its  
19           value as other real property is taxed, except  
20           that, notwithstanding the failure of any person  
21           to challenge an assessment under State law of  
22           the value of such property, such value, and the  
23           tax thereon, shall be determined as of the pe-  
24           riod for which such tax is imposed;

1 (B) no property of the Corporation shall be  
2 subject to levy, attachment, garnishment, fore-  
3 closure, or sale without the consent of the Cor-  
4 poration, nor shall any involuntary lien attach  
5 to the property of the Corporation; and

6 (C) the Corporation shall not be liable for  
7 any amounts in the nature of penalties or fines,  
8 including those arising from the failure of any  
9 person to pay any real property, personal prop-  
10 erty, probate, or recording tax or any recording  
11 or filing fees when due; and

12 (D) the Corporation shall be exempt from  
13 all prosecution by the United States or any  
14 State, county, municipality, or local authority  
15 for any criminal offense arising under Federal,  
16 State, county, municipal, or local law, which  
17 was allegedly committed by the covered finan-  
18 cial company, or persons acting on behalf of the  
19 covered financial company, prior to the appoint-  
20 ment of the Corporation as receiver.

21 (2) LIMITATION.—Paragraph (1) shall not  
22 apply with respect to any tax imposed (or other  
23 amount arising) under the Internal Revenue Code of  
24 1986.

25 (r) CERTAIN SALES OF ASSETS PROHIBITED.—

1           (1) PERSONS WHO ENGAGED IN IMPROPER CON-  
2           DUCT WITH, OR CAUSED LOSSES TO, COVERED FI-  
3           NANCIAL COMPANIES.—The Corporation shall pre-  
4           scribe regulations which, at a minimum, shall pro-  
5           hibit the sale of assets of a covered financial com-  
6           pany by the Corporation to—

7                   (A) any person who—

8                           (i) has defaulted, or was a member of  
9                           a partnership or an officer or director of a  
10                          corporation that has defaulted, on 1 or  
11                          more obligations, the aggregate amount of  
12                          which exceeds \$1,000,000, to such covered  
13                          financial company;

14                          (ii) has been found to have engaged in  
15                          fraudulent activity in connection with any  
16                          obligation referred to in clause (i); and

17                          (iii) proposes to purchase any such  
18                          asset in whole or in part through the use  
19                          of the proceeds of a loan or advance of  
20                          credit from the Corporation or from any  
21                          covered financial company;

22                   (B) any person who participated, as an of-  
23                   ficer or director of such covered financial com-  
24                   pany or of any affiliate of such company, in a  
25                   material way in any transaction that resulted in

1 a substantial loss to such covered financial com-  
2 pany; or

3 (C) any person who has demonstrated a  
4 pattern or practice of defalcation regarding ob-  
5 ligations to such covered financial company.

6 (2) CONVICTED DEBTORS.—Except as provided  
7 in paragraph (3), a person may not purchase any  
8 asset of such institution from the receiver, if that  
9 person—

10 (A) has been convicted of an offense under  
11 section 215, 656, 657, 1005, 1006, 1007, 1008,  
12 1014, 1032, 1341, 1343, or 1344 of title 18,  
13 United States Code, or of conspiring to commit  
14 such an offense, affecting any covered financial  
15 company; and

16 (B) is in default on any loan or other ex-  
17 tension of credit from such covered financial  
18 company which, if not paid, will cause substan-  
19 tial loss to the Fund or the Corporation.

20 (3) SETTLEMENT OF CLAIMS.—Paragraphs (1)  
21 and (2) shall not apply to the sale or transfer by the  
22 Corporation of any asset of any covered financial  
23 company to any person, if the sale or transfer of the  
24 asset resolves or settles, or is part of the resolution  
25 or settlement, of 1 or more claims that have been,



1 or could have been, asserted by the Corporation  
2 against the person.

3 (4) DEFINITION OF DEFAULT.—For purposes  
4 of this subsection, the term “default” means a fail-  
5 ure to comply with the terms of a loan or other obli-  
6 gation to such an extent that the property securing  
7 the obligation is foreclosed upon.

8 (s) RECOUPMENT OF COMPENSATION FROM SENIOR  
9 EXECUTIVES AND DIRECTORS.—

10 (1) IN GENERAL.—The Corporation, as receiver  
11 of a covered financial company, may recover from  
12 any current or former senior executive or director  
13 substantially responsible for the failed condition of  
14 the covered financial company any compensation re-  
15 ceived during the 2-year period preceding the date  
16 on which the Corporation was appointed as the re-  
17 ceiver of the covered financial company, except that,  
18 in the case of fraud, no time limit shall apply.

19 (2) COST CONSIDERATIONS.—In seeking to re-  
20 cover any such compensation, the Corporation shall  
21 weigh the financial and deterrent benefits of such re-  
22 covery against the cost of executing the recovery.

23 (3) RULEMAKING.—The Corporation shall pro-  
24 mulgate regulations to implement the requirements  
25 of this subsection, including defining the term “com-

1       pensation” to mean any financial remuneration, in-  
2       cluding salary, bonuses, incentives, benefits, sever-  
3       ance, deferred compensation, or golden parachute  
4       benefits, and any profits realized from the sale of  
5       the securities of the covered financial company.

6       **SEC. 211. MISCELLANEOUS PROVISIONS.**

7       (a) CLARIFICATION OF PROHIBITION REGARDING  
8       CONCEALMENT OF ASSETS FROM RECEIVER OR LIQUI-  
9       DATING AGENT.—Section 1032(1) of title 18, United  
10      States Code, is amended by inserting “the Federal Deposit  
11      Insurance Corporation acting as receiver for a covered fi-  
12      nancial company, in accordance with title II of the Dodd-  
13      Frank Wall Street Reform and Consumer Protection Act,”  
14      before “or the National Credit”.

15      (b) CONFORMING AMENDMENT.—Section 1032 of  
16      title 18, United States Code, is amended in the section  
17      heading, by striking “**of financial institution**”.

18      (c) FEDERAL DEPOSIT INSURANCE CORPORATION  
19      IMPROVEMENT ACT OF 1991.—Section 403(a) of the Fed-  
20      eral Deposit Insurance Corporation Improvement Act of  
21      1991 (12 U.S.C. 4403(a)) is amended by inserting “sec-  
22      tion 210(c) of the Dodd-Frank Wall Street Reform and  
23      Consumer Protection Act, section 1367 of the Federal  
24      Housing Enterprises Financial Safety and Soundness Act

1 of 1992 (12 U.S.C. 4617(d)),” after “section 11(e) of the  
2 Federal Deposit Insurance Act,”.

3 (d) FDIC INSPECTOR GENERAL REVIEWS.—

4 (1) SCOPE.—The Inspector General of the Cor-  
5 poration shall conduct, supervise, and coordinate au-  
6 dits and investigations of the liquidation of any cov-  
7 ered financial company by the Corporation as re-  
8 ceiver under this title, including collecting and sum-  
9 marizing—

10 (A) a description of actions taken by the  
11 Corporation as receiver;

12 (B) a description of any material sales,  
13 transfers, mergers, obligations, purchases, and  
14 other material transactions entered into by the  
15 Corporation;

16 (C) an evaluation of the adequacy of the  
17 policies and procedures of the Corporation  
18 under section 203(d) and orderly liquidation  
19 plan under section 210(n)(14);

20 (D) an evaluation of the utilization by the  
21 Corporation of the private sector in carrying  
22 out its functions, including the adequacy of any  
23 conflict-of-interest reviews; and

24 (E) an evaluation of the overall perform-  
25 ance of the Corporation in liquidating the cov-

1           ered financial company, including administra-  
2           tive costs, timeliness of liquidation process, and  
3           impact on the financial system.

4           (2) FREQUENCY.—Not later than 6 months  
5           after the date of appointment of the Corporation as  
6           receiver under this title and every 6 months there-  
7           after, the Inspector General of the Corporation shall  
8           conduct the audit and investigation described in  
9           paragraph (1).

10           (3) REPORTS AND TESTIMONY.—The Inspector  
11           General of the Corporation shall include in the semi-  
12           annual reports required by section 5(a) of the In-  
13           spector General Act of 1978 (5 U.S.C. App.), a sum-  
14           mary of the findings and evaluations under para-  
15           graph (1), and shall appear before the appropriate  
16           committees of Congress, if requested, to present  
17           each such report.

18           (4) FUNDING.—

19           (A) INITIAL FUNDING.—The expenses of  
20           the Inspector General of the Corporation in car-  
21           rying out this subsection shall be considered ad-  
22           ministrative expenses of the receivership.

23           (B) ADDITIONAL FUNDING.—If the max-  
24           imum amount available to the Corporation as  
25           receiver under this title is insufficient to enable

1           the Inspector General of the Corporation to  
2           carry out the duties under this subsection, the  
3           Corporation shall pay such additional amounts  
4           from assessments imposed under section 210.

5           (5) TERMINATION OF RESPONSIBILITIES.—The  
6           duties and responsibilities of the Inspector General  
7           of the Corporation under this subsection shall termi-  
8           nate 1 year after the date of termination of the re-  
9           ceivership under this title.

10          (e) TREASURY INSPECTOR GENERAL REVIEWS.—

11           (1) SCOPE.—The Inspector General of the De-  
12           partment of the Treasury shall conduct, supervise,  
13           and coordinate audits and investigations of actions  
14           taken by the Secretary related to the liquidation of  
15           any covered financial company under this title, in-  
16           cluding collecting and summarizing—

17                   (A) a description of actions taken by the  
18                   Secretary under this title;

19                   (B) an analysis of the approval by the Sec-  
20                   retary of the policies and procedures of the Cor-  
21                   poration under section 203 and acceptance of  
22                   the orderly liquidation plan of the Corporation  
23                   under section 210; and

24                   (C) an assessment of the terms and condi-  
25                   tions underlying the purchase by the Secretary

1           of obligations of the Corporation under section  
2           210.

3           (2) FREQUENCY.—Not later than 6 months  
4           after the date of appointment of the Corporation as  
5           receiver under this title and every 6 months there-  
6           after, the Inspector General of the Department of  
7           the Treasury shall conduct the audit and investiga-  
8           tion described in paragraph (1).

9           (3) REPORTS AND TESTIMONY.—The Inspector  
10          General of the Department of the Treasury shall in-  
11          clude in the semiannual reports required by section  
12          5(a) of the Inspector General Act of 1978 (5 U.S.C.  
13          App.), a summary of the findings and assessments  
14          under paragraph (1), and shall appear before the  
15          appropriate committees of Congress, if requested, to  
16          present each such report.

17          (4) TERMINATION OF RESPONSIBILITIES.—The  
18          duties and responsibilities of the Inspector General  
19          of the Department of the Treasury under this sub-  
20          section shall terminate 1 year after the date on  
21          which the obligations purchased by the Secretary  
22          from the Corporation under section 210 are fully re-  
23          deemed.

24          (f) PRIMARY FINANCIAL REGULATORY AGENCY IN-  
25          SPECTOR GENERAL REVIEWS.—

1           (1) SCOPE.—Upon the appointment of the Cor-  
2           poration as receiver for a covered financial company  
3           supervised by a Federal primary financial regulatory  
4           agency or the Board of Governors under section  
5           165, the Inspector General of the agency or the  
6           Board of Governors shall make a written report re-  
7           viewing the supervision by the agency or the Board  
8           of Governors of the covered financial company,  
9           which shall—

10                   (A) evaluate the effectiveness of the agency  
11                   or the Board of Governors in carrying out its  
12                   supervisory responsibilities with respect to the  
13                   covered financial company;

14                   (B) identify any acts or omissions on the  
15                   part of agency or Board of Governors officials  
16                   that contributed to the covered financial com-  
17                   pany being in default or in danger of default;

18                   (C) identify any actions that could have  
19                   been taken by the agency or the Board of Gov-  
20                   ernors that would have prevented the company  
21                   from being in default or in danger of default;  
22                   and

23                   (D) recommend appropriate administrative  
24                   or legislative action.

1           (2) REPORTS AND TESTIMONY.—Not later than  
2           1 year after the date of appointment of the Corpora-  
3           tion as receiver under this title, the Inspector Gen-  
4           eral of the Federal primary financial regulatory  
5           agency or the Board of Governors shall provide the  
6           report required by paragraph (1) to such agency or  
7           the Board of Governors, and along with such agency  
8           or the Board of Governors, as applicable, shall ap-  
9           pear before the appropriate committees of Congress,  
10          if requested, to present the report required by para-  
11          graph (1). Not later than 90 days after the date of  
12          receipt of the report required by paragraph (1), such  
13          agency or the Board of Governors, as applicable,  
14          shall provide a written report to Congress describing  
15          any actions taken in response to the recommenda-  
16          tions in the report, and if no such actions were  
17          taken, describing the reasons why no actions were  
18          taken.

19 **SEC. 212. PROHIBITION OF CIRCUMVENTION AND PREVEN-**  
20 **TION OF CONFLICTS OF INTEREST.**

21          (a) NO OTHER FUNDING.—Funds for the orderly liq-  
22          uidation of any covered financial company under this title  
23          shall only be provided as specified under this title.



1 (b) LIMIT ON GOVERNMENTAL ACTIONS.—No gov-  
2 ernmental entity may take any action to circumvent the  
3 purposes of this title.

4 (c) CONFLICT OF INTEREST.—In the event that the  
5 Corporation is appointed receiver for more than 1 covered  
6 financial company or is appointed receiver for a covered  
7 financial company and receiver for any insured depository  
8 institution that is an affiliate of such covered financial  
9 company, the Corporation shall take appropriate action,  
10 as necessary to avoid any conflicts of interest that may  
11 arise in connection with multiple receiverships.

12 **SEC. 213. BAN ON CERTAIN ACTIVITIES BY SENIOR EXECU-**  
13 **TIVES AND DIRECTORS.**

14 (a) PROHIBITION AUTHORITY.—The Board of Gov-  
15 ernors or, if the covered financial company was not super-  
16 vised by the Board of Governors, the Corporation, may  
17 exercise the authority provided by this section.

18 (b) AUTHORITY TO ISSUE ORDER.—The appropriate  
19 agency described in subsection (a) may take any action  
20 authorized by subsection (c), if the agency determines  
21 that—

22 (1) a senior executive or a director of the cov-  
23 ered financial company, prior to the appointment of  
24 the Corporation as receiver, has, directly or indi-  
25 rectly—

- 1 (A) violated—
- 2 (i) any law or regulation;
- 3 (ii) any cease-and-desist order which
- 4 has become final;
- 5 (iii) any condition imposed in writing
- 6 by a Federal agency in connection with
- 7 any action on any application, notice, or
- 8 request by such company or senior execu-
- 9 tive; or
- 10 (iv) any written agreement between
- 11 such company and such agency;
- 12 (B) engaged or participated in any unsafe
- 13 or unsound practice in connection with any fi-
- 14 nancial company; or
- 15 (C) committed or engaged in any act,
- 16 omission, or practice which constitutes a breach
- 17 of the fiduciary duty of such senior executive or
- 18 director;
- 19 (2) by reason of the violation, practice, or
- 20 breach described in any subparagraph of paragraph
- 21 (1), such senior executive or director has received fi-
- 22 nancial gain or other benefit by reason of such viola-
- 23 tion, practice, or breach and such violation, practice,
- 24 or breach contributed to the failure of the company;
- 25 and

1 (3) such violation, practice, or breach—

2 (A) involves personal dishonesty on the  
3 part of such senior executive or director; or

4 (B) demonstrates willful or continuing dis-  
5 regard by such senior executive or director for  
6 the safety or soundness of such company.

7 (c) AUTHORIZED ACTIONS.—

8 (1) IN GENERAL.—The appropriate agency for  
9 a financial company, as described in subsection (a),  
10 may serve upon a senior executive or director de-  
11 scribed in subsection (b) a written notice of the in-  
12 tention of the agency to prohibit any further partici-  
13 pation by such person, in any manner, in the con-  
14 duct of the affairs of any financial company for a  
15 period of time determined by the appropriate agency  
16 to be commensurate with such violation, practice, or  
17 breach, provided such period shall be not less than  
18 2 years.

19 (2) PROCEDURES.—The due process require-  
20 ments and other procedures under section 8(e) of  
21 the Federal Deposit Insurance Act (12 U.S.C.  
22 1818(e)) shall apply to actions under this section as  
23 if the covered financial company were an insured de-  
24 pository institution and the senior executive or direc-

1       tor were an institution-affiliated party, as those  
2       terms are defined in that Act.

3       (d) REGULATIONS.—The Corporation and the Board  
4 of Governors, in consultation with the Council, shall joint-  
5 ly prescribe rules or regulations to administer and carry  
6 out this section, including rules, regulations, or guidelines  
7 to further define the term senior executive for the pur-  
8 poses of this section.

9       **SEC. 214. PROHIBITION ON TAXPAYER FUNDING.**

10       (a) LIQUIDATION REQUIRED.—All financial compa-  
11 nies put into receivership under this title shall be liq-  
12 uidated. No taxpayer funds shall be used to prevent the  
13 liquidation of any financial company under this title.

14       (b) RECOVERY OF FUNDS.—All funds expended in  
15 the liquidation of a financial company under this title shall  
16 be recovered from the disposition of assets of such finan-  
17 cial company, or shall be the responsibility of the financial  
18 sector, through assessments.

19       (c) NO LOSSES TO TAXPAYERS.—Taxpayers shall  
20 bear no losses from the exercise of any authority under  
21 this title.

22       **SEC. 215. STUDY ON SECURED CREDITOR HAIRCUTS.**

23       (a) STUDY REQUIRED.—The Council shall conduct a  
24 study evaluating the importance of maximizing United  
25 States taxpayer protections and promoting market dis-

1 cipline with respect to the treatment of fully secured credi-  
2 tors in the utilization of the orderly liquidation authority  
3 authorized by this Act. In carrying out such study, the  
4 Council shall—

5 (1) not be prejudicial to current or past laws or  
6 regulations with respect to secured creditor treat-  
7 ment in a resolution process;

8 (2) study the similarities and differences be-  
9 tween the resolution mechanisms authorized by the  
10 Bankruptcy Code, the Federal Deposit Insurance  
11 Corporation Improvement Act of 1991, and the or-  
12 derly liquidation authority authorized by this Act;

13 (3) determine how various secured creditors are  
14 treated in such resolution mechanisms and examine  
15 how a haircut (of various degrees) on secured credi-  
16 tors could improve market discipline and protect tax-  
17 payers;

18 (4) compare the benefits and dynamics of pru-  
19 dent lending practices by depository institutions in  
20 secured loans for consumers and small businesses to  
21 the lending practices of secured creditors to large,  
22 interconnected financial firms;

23 (5) consider whether credit differs according to  
24 different types of collateral and different terms and  
25 timing of the extension of credit; and

1           (6) include an examination of stakeholders who  
2           were unsecured or under-collateralized and seek col-  
3           lateral when a firm is failing, and the impact that  
4           such behavior has on financial stability and an or-  
5           derly resolution that protects taxpayers if the firm  
6           fails.

7           (b) REPORT.—Not later than the end of the 1-year  
8           period beginning on the date of enactment of this Act, the  
9           Council shall issue a report to the Congress containing all  
10          findings and conclusions made by the Council in carrying  
11          out the study required under subsection (a).

12   **SEC. 216. STUDY ON BANKRUPTCY PROCESS FOR FINAN-**  
13                   **CIAL AND NONBANK FINANCIAL INSTITU-**  
14                   **TIONS.**

15          (a) STUDY.—

16           (1) IN GENERAL.—Upon enactment of this Act,  
17           the Board of Governors, in consultation with the Ad-  
18           ministrative Office of the United States Courts, shall  
19           conduct a study regarding the resolution of financial  
20           companies under the Bankruptcy Code, under chap-  
21           ter 7 or 11 thereof .

22           (2) ISSUES TO BE STUDIED.—Issues to be stud-  
23           ied under this section include—

24                   (A) the effectiveness of chapter 7 and  
25                   chapter 11 of the Bankruptcy Code in facili-

1 tating the orderly resolution or reorganization  
2 of systemic financial companies;

3 (B) whether a special financial resolution  
4 court or panel of special masters or judges  
5 should be established to oversee cases involving  
6 financial companies to provide for the resolution  
7 of such companies under the Bankruptcy Code,  
8 in a manner that minimizes adverse impacts on  
9 financial markets without creating moral haz-  
10 ard;

11 (C) whether amendments to the Bank-  
12 ruptcy Code should be adopted to enhance the  
13 ability of the Code to resolve financial compa-  
14 nies in a manner that minimizes adverse im-  
15 pacts on financial markets without creating  
16 moral hazard;

17 (D) whether amendments should be made  
18 to the Bankruptcy Code, the Federal Deposit  
19 Insurance Act, and other insolvency laws to ad-  
20 dress the manner in which qualified financial  
21 contracts of financial companies are treated;  
22 and

23 (E) the implications, challenges, and bene-  
24 fits to creating a new chapter or subchapter of

1 the Bankruptcy Code to deal with financial  
2 companies.

3 (b) REPORTS TO CONGRESS.—Not later than 1 year  
4 after the date of enactment of this Act, and in each succes-  
5 sive year until the fifth year after the date of enactment  
6 of this Act, the Administrative Office of the United States  
7 courts shall submit to the Committees on Banking, Hous-  
8 ing, and Urban Affairs and the Judiciary of the Senate  
9 and the Committees on Financial Services and the Judici-  
10 ary of the House of Representatives a report summarizing  
11 the results of the study conducted under subsection (a).

12 **SEC. 217. STUDY ON INTERNATIONAL COORDINATION RE-**  
13 **LATING TO BANKRUPTCY PROCESS FOR**  
14 **NONBANK FINANCIAL INSTITUTIONS.**

15 (a) STUDY.—

16 (1) IN GENERAL.—The Board of Governors, in  
17 consultation with the Administrative Office of the  
18 United States Courts, shall conduct a study regard-  
19 ing international coordination relating to the resolu-  
20 tion of systemic financial companies under the  
21 United States Bankruptcy Code and applicable for-  
22 eign law.

23 (2) ISSUES TO BE STUDIED.—With respect to  
24 the bankruptcy process for financial companies,  
25 issues to be studied under this section include—



1           (A) the extent to which international co-  
2           ordination currently exists;

3           (B) current mechanisms and structures for  
4           facilitating international cooperation;

5           (C) barriers to effective international co-  
6           ordination; and

7           (D) ways to increase and make more effec-  
8           tive international coordination of the resolution  
9           of financial companies, so as to minimize the  
10          impact on the financial system without creating  
11          moral hazard.

12          (b) REPORT TO CONGRESS.—Not later than 1 year  
13          after the date of enactment of this Act, the Administrative  
14          office of the United States Courts shall submit to the  
15          Committees on Banking, Housing, and Urban Affairs and  
16          the Judiciary of the Senate and the Committees on Finan-  
17          cial Services and the Judiciary of the House of Represent-  
18          atives a report summarizing the results of the study con-  
19          ducted under subsection (a).

1 **TITLE III—TRANSFER OF POW-**  
2 **ERS TO THE COMPTROLLER**  
3 **OF THE CURRENCY, THE COR-**  
4 **PORATION, AND THE BOARD**  
5 **OF GOVERNORS**

6 **SEC. 300. SHORT TITLE.**

7 This title may be cited as the “Enhancing Financial  
8 Institution Safety and Soundness Act of 2010”.

9 **SEC. 301. PURPOSES.**

10 The purposes of this title are—

11 (1) to provide for the safe and sound operation  
12 of the banking system of the United States;

13 (2) to preserve and protect the dual system of  
14 Federal and State-chartered depository institutions;

15 (3) to ensure the fair and appropriate super-  
16 vision of each depository institution, regardless of  
17 the size or type of charter of the depository institu-  
18 tion; and

19 (4) to streamline and rationalize the supervision  
20 of depository institutions and the holding companies  
21 of depository institutions.

22 **SEC. 302. DEFINITION.**

23 In this title, the term “transferred employee” means,  
24 as the context requires, an employee transferred to the

1 Office of the Comptroller of the Currency or the Corpora-  
2 tion under section 322.

### 3 **Subtitle A—Transfer of Powers and** 4 **Duties**

#### 5 **SEC. 311. TRANSFER DATE.**

6 (a) TRANSFER DATE.—Except as provided in sub-  
7 section (b), the term “transfer date” means the date that  
8 is 1 year after the date of enactment of this Act.

9 (b) EXTENSION PERMITTED.—

10 (1) NOTICE REQUIRED.—The Secretary, in con-  
11 sultation with the Comptroller of the Currency, the  
12 Director of the Office of Thrift Supervision, the  
13 Chairman of the Board of Governors, and the Chair-  
14 person of the Corporation, may extend the period  
15 under subsection (a) and designate a transfer date  
16 that is not later than 18 months after the date of  
17 enactment of this Act, if the Secretary transmits to  
18 the Committee on Banking, Housing, and Urban Af-  
19 fairs of the Senate and the Committee on Financial  
20 Services of the House of Representatives—

21 (A) a written determination that com-  
22 mencement of the orderly process to implement  
23 this title is not feasible by the date that is 1  
24 year after the date of enactment of this Act;

1 (B) an explanation of why an extension is  
2 necessary to commence the process of orderly  
3 implementation of this title;

4 (C) the transfer date designated under this  
5 subsection; and

6 (D) a description of the steps that will be  
7 taken to initiate the process of an orderly and  
8 timely implementation of this title within the  
9 extended time period.

10 (2) PUBLICATION OF NOTICE.—Not later than  
11 270 days after the date of enactment of this Act, the  
12 Secretary shall publish in the Federal Register no-  
13 tice of any transfer date designated under paragraph  
14 (1).

15 **SEC. 312. POWERS AND DUTIES TRANSFERRED.**

16 (a) EFFECTIVE DATE.—This section, and the amend-  
17 ments made by this section, shall take effect on the trans-  
18 fer date.

19 (b) FUNCTIONS OF THE OFFICE OF THRIFT SUPER-  
20 VISION.—

21 (1) SAVINGS AND LOAN HOLDING COMPANY  
22 FUNCTIONS TRANSFERRED.—

23 (A) TRANSFER OF FUNCTIONS.—There are  
24 transferred to the Board of Governors all func-  
25 tions of the Office of Thrift Supervision and the

1 Director of the Office of Thrift Supervision (in-  
2 cluding the authority to issue orders) relating  
3 to—

4 (i) the supervision of—

5 (I) any savings and loan holding  
6 company; and

7 (II) any subsidiary (other than a  
8 depository institution) of a savings  
9 and loan holding company; and

10 (ii) all rulemaking authority of the Of-  
11 fice of Thrift Supervision and the Director  
12 of the Office of Thrift Supervision relating  
13 to savings and loan holding companies.

14 (B) POWERS, AUTHORITIES, RIGHTS, AND  
15 DUTIES.—The Board of Governors shall suc-  
16 ceed to all powers, authorities, rights, and du-  
17 ties that were vested in the Office of Thrift Su-  
18 pervision and the Director of the Office of  
19 Thrift Supervision on the day before the trans-  
20 fer date relating to the functions and authority  
21 transferred under subparagraph (A).

22 (2) ALL OTHER FUNCTIONS TRANSFERRED.—

23 (A) BOARD OF GOVERNORS.—All rule-  
24 making authority of the Office of Thrift Super-  
25 vision and the Director of the Office of Thrift

1 Supervision under section 11 of the Home Own-  
2 ers' Loan Act (12 U.S.C. 1468) relating to  
3 transactions with affiliates and extensions of  
4 credit to executive officers, directors, and prin-  
5 cipal shareholders and under section 5(q) of  
6 such Act relating to tying arrangements is  
7 transferred to the Board of Governors.

8 (B) COMPTROLLER OF THE CURRENCY.—  
9 Except as provided in paragraph (1) and sub-  
10 paragraph (A)—

11 (i) there are transferred to the Office  
12 of the Comptroller of the Currency and the  
13 Comptroller of the Currency—

14 (I) all functions of the Office of  
15 Thrift Supervision and the Director of  
16 the Office of Thrift Supervision, re-  
17 spectively, relating to Federal savings  
18 associations; and

19 (II) all rulemaking authority of  
20 the Office of Thrift Supervision and  
21 the Director of the Office of Thrift  
22 Supervision, respectively, relating to  
23 savings associations; and

24 (ii) the Office of the Comptroller of  
25 the Currency and the Comptroller of the

1           Currency shall succeed to all powers, au-  
2           thorities, rights, and duties that were vest-  
3           ed in the Office of Thrift Supervision and  
4           the Director of the Office of Thrift Super-  
5           vision, respectively, on the day before the  
6           transfer date relating to the functions and  
7           authority transferred under clause (i).

8           (C) CORPORATION.—Except as provided in  
9           paragraph (1) and subparagraphs (A) and  
10          (B)—

11                   (i) all functions of the Office of Thrift  
12                   Supervision and the Director of the Office  
13                   of Thrift Supervision relating to State sav-  
14                   ings associations are transferred to the  
15                   Corporation; and

16                   (ii) the Corporation shall succeed to  
17                   all powers, authorities, rights, and duties  
18                   that were vested in the Office of Thrift Su-  
19                   pervision and the Director of the Office of  
20                   Thrift Supervision on the day before the  
21                   transfer date relating to the functions  
22                   transferred under clause (i).

23          (c) CONFORMING AMENDMENTS.—Section 3 of the  
24          Federal Deposit Insurance Act (12 U.S.C. 1813) is  
25          amended—

1           (1) in subsection (q), by striking paragraphs  
2           (1) through (4) and inserting the following:

3           “(1) the Office of the Comptroller of the Cur-  
4           rency, in the case of—

5                   “(A) any national banking association;

6                   “(B) any Federal branch or agency of a  
7           foreign bank; and

8                   “(C) any Federal savings association;

9           “(2) the Federal Deposit Insurance Corpora-  
10          tion, in the case of—

11                   “(A) any State nonmember insured bank;

12                   “(B) any foreign bank having an insured  
13          branch; and

14                   “(C) any State savings association;

15          “(3) the Board of Governors of the Federal Re-  
16          serve System, in the case of—

17                   “(A) any State member bank;

18                   “(B) any branch or agency of a foreign  
19          bank with respect to any provision of the Fed-  
20          eral Reserve Act which is made applicable  
21          under the International Banking Act of 1978;

22                   “(C) any foreign bank which does not op-  
23          erate an insured branch;

24                   “(D) any agency or commercial lending  
25          company other than a Federal agency;



1           “(E) supervisory or regulatory proceedings  
2           arising from the authority given to the Board  
3           of Governors under section 7(c)(1) of the Inter-  
4           national Banking Act of 1978, including such  
5           proceedings under the Financial Institutions  
6           Supervisory Act of 1966;

7           “(F) any bank holding company and any  
8           subsidiary (other than a depository institution)  
9           of a bank holding company; and

10           “(G) any savings and loan holding com-  
11           pany and any subsidiary (other than a deposi-  
12           tory institution) of a savings and loan holding  
13           company.”; and

14           (2) in paragraphs (1) and (3) of subsection (u),  
15           by striking “(other than a bank holding company”  
16           and inserting “(other than a bank holding company  
17           or savings and loan holding company”.

18           (d) CONSUMER PROTECTION.—Nothing in this sec-  
19           tion may be construed to limit or otherwise affect the  
20           transfer of powers under title X.

21           **SEC. 313. ABOLISHMENT.**

22           Effective 90 days after the transfer date, the Office  
23           of Thrift Supervision and the position of Director of the  
24           Office of Thrift Supervision are abolished.

1 **SEC. 314. AMENDMENTS TO THE REVISED STATUTES.**

2 (a) AMENDMENT TO SECTION 324.—Section 324 of  
3 the Revised Statutes of the United States (12 U.S.C. 1)  
4 is amended to read as follows:

5 **“SEC. 324. COMPTROLLER OF THE CURRENCY.**

6 “(a) OFFICE OF THE COMPTROLLER OF THE CUR-  
7 RENCY ESTABLISHED.—There is established in the De-  
8 partment of the Treasury a bureau to be known as the  
9 ‘Office of the Comptroller of the Currency’ which is  
10 charged with assuring the safety and soundness of, and  
11 compliance with laws and regulations, fair access to finan-  
12 cial services, and fair treatment of customers by, the insti-  
13 tutions and other persons subject to its jurisdiction.

14 “(b) COMPTROLLER OF THE CURRENCY.—

15 “(1) IN GENERAL.—The chief officer of the Of-  
16 fice of the Comptroller of the Currency shall be  
17 known as the Comptroller of the Currency. The  
18 Comptroller of the Currency shall perform the duties  
19 of the Comptroller of the Currency under the gen-  
20 eral direction of the Secretary of the Treasury. The  
21 Secretary of the Treasury may not delay or prevent  
22 the issuance of any rule or the promulgation of any  
23 regulation by the Comptroller of the Currency, and  
24 may not intervene in any matter or proceeding be-  
25 fore the Comptroller of the Currency (including

1 agency enforcement actions), unless otherwise spe-  
2 cifically provided by law.

3 “(2) **ADDITIONAL AUTHORITY.**—The Comp-  
4 troller of the Currency shall have the same authority  
5 with respect to functions transferred to the Comp-  
6 troller of the Currency under the Enhancing Finan-  
7 cial Institution Safety and Soundness Act of 2010  
8 as was vested in the Director of the Office of Thrift  
9 Supervision on the transfer date, as defined in sec-  
10 tion 311 of that Act.”.

11 (b) **SUPERVISION OF FEDERAL SAVINGS ASSOCIA-**  
12 **TIONS.**—Chapter 9 of title VII of the Revised Statutes of  
13 the United States (12 U.S.C. 1 et seq.) is amended by  
14 inserting after section 327A (12 U.S.C. 4a) the following:  
15 **“SEC. 327B. DEPUTY COMPTROLLER FOR THE SUPER-**  
16 **VISION AND EXAMINATION OF FEDERAL SAV-**  
17 **INGS ASSOCIATIONS.**

18 “The Comptroller of the Currency shall designate a  
19 Deputy Comptroller, who shall be responsible for the su-  
20 pervision and examination of Federal savings associa-  
21 tions.”.

22 (c) **AMENDMENT TO SECTION 329.**—Section 329 of  
23 the Revised Statutes of the United States (12 U.S.C. 11)  
24 is amended by inserting before the period at the end the  
25 following: “or any Federal savings association”.

1 (d) EFFECTIVE DATE.—This section, and the amend-  
2 ments made by this section, shall take effect on the trans-  
3 fer date.

4 **SEC. 315. FEDERAL INFORMATION POLICY.**

5 Section 3502(5) of title 44, United States Code, is  
6 amended by inserting “Office of the Comptroller of the  
7 Currency,” after “the Securities and Exchange Commis-  
8 sion,”.

9 **SEC. 316. SAVINGS PROVISIONS.**

10 (a) OFFICE OF THRIFT SUPERVISION.—

11 (1) EXISTING RIGHTS, DUTIES, AND OBLIGA-  
12 TIONS NOT AFFECTED.—Sections 312(b) and 313  
13 shall not affect the validity of any right, duty, or ob-  
14 ligation of the United States, the Director of the Of-  
15 fice of Thrift Supervision, the Office of Thrift Su-  
16 pervision, or any other person, that existed on the  
17 day before the transfer date.

18 (2) CONTINUATION OF SUITS.—This title shall  
19 not abate any action or proceeding commenced by or  
20 against the Director of the Office of Thrift Super-  
21 vision or the Office of Thrift Supervision before the  
22 transfer date, except that—

23 (A) for any action or proceeding arising  
24 out of a function of the Office of Thrift Super-  
25 vision or the Director of the Office of Thrift

1 Supervision transferred to the Board of Gov-  
2 ernors by this title, the Board of Governors  
3 shall be substituted for the Office of Thrift Su-  
4 pervision or the Director of the Office of Thrift  
5 Supervision as a party to the action or pro-  
6 ceeding on and after the transfer date;

7 (B) for any action or proceeding arising  
8 out of a function of the Office of Thrift Super-  
9 vision or the Director of the Office of Thrift  
10 Supervision transferred to the Office of the  
11 Comptroller of the Currency or the Comptroller  
12 of the Currency by this title, the Office of the  
13 Comptroller of the Currency or the Comptroller  
14 of the Currency shall be substituted for the Of-  
15 fice of Thrift Supervision or the Director of the  
16 Office of Thrift Supervision, as the case may  
17 be, as a party to the action or proceeding on  
18 and after the transfer date; and

19 (C) for any action or proceeding arising  
20 out of a function of the Office of Thrift Super-  
21 vision or the Director of the Office of Thrift  
22 Supervision transferred to the Corporation by  
23 this title, the Corporation shall be substituted  
24 for the Office of Thrift Supervision or the Di-  
25 rector of the Office of Thrift Supervision as a

1 party to the action or proceeding on and after  
2 the transfer date.

3 (b) CONTINUATION OF EXISTING OTS ORDERS, RES-  
4 OLUTIONS, DETERMINATIONS, AGREEMENTS, REGULA-  
5 TIONS, ETC.—All orders, resolutions, determinations,  
6 agreements, and regulations, interpretative rules, other in-  
7 terpretations, guidelines, procedures, and other advisory  
8 materials, that have been issued, made, prescribed, or al-  
9 lowed to become effective by the Office of Thrift Super-  
10 vision or the Director of the Office of Thrift Supervision,  
11 or by a court of competent jurisdiction, in the performance  
12 of functions that are transferred by this title and that are  
13 in effect on the day before the transfer date, shall continue  
14 in effect according to the terms of such orders, resolutions,  
15 determinations, agreements, and regulations, interpreta-  
16 tive rules, other interpretations, guidelines, procedures,  
17 and other advisory materials, and shall be enforceable by  
18 or against—

19 (1) the Board of Governors, in the case of a  
20 function of the Office of Thrift Supervision or the  
21 Director of the Office of Thrift Supervision trans-  
22 ferred to the Board of Governors, until modified,  
23 terminated, set aside, or superseded in accordance  
24 with applicable law by the Board of Governors, by

1 any court of competent jurisdiction, or by operation  
2 of law;

3 (2) the Office of the Comptroller of the Cur-  
4 rency or the Comptroller of the Currency, in the  
5 case of a function of the Office of Thrift Supervision  
6 or the Director of the Office of Thrift Supervision  
7 transferred to the Office of the Comptroller of the  
8 Currency or the Comptroller of the Currency, re-  
9 spectively, until modified, terminated, set aside, or  
10 superseded in accordance with applicable law by the  
11 Office of the Comptroller of the Currency or the  
12 Comptroller of the Currency, by any court of com-  
13 petent jurisdiction, or by operation of law; and

14 (3) the Corporation, in the case of a function  
15 of the Office of Thrift Supervision or the Director  
16 of the Office of Thrift Supervision transferred to the  
17 Corporation, until modified, terminated, set aside, or  
18 superseded in accordance with applicable law by the  
19 Corporation, by any court of competent jurisdiction,  
20 or by operation of law.

21 (c) IDENTIFICATION OF REGULATIONS CONTIN-  
22 UED.—

23 (1) BY THE BOARD OF GOVERNORS.—Not later  
24 than the transfer date, the Board of Governors  
25 shall—

1           (A) identify the regulations continued  
2 under subsection (b) that will be enforced by  
3 the Board of Governors; and

4           (B) publish a list of the regulations identi-  
5 fied under subparagraph (A) in the Federal  
6 Register.

7           (2) BY OFFICE OF THE COMPTROLLER OF THE  
8 CURRENCY.—Not later than the transfer date, the  
9 Office of the Comptroller of the Currency shall—

10           (A) after consultation with the Corpora-  
11 tion, identify the regulations continued under  
12 subsection (b) that will be enforced by the Of-  
13 fice of the Comptroller of the Currency; and

14           (B) publish a list of the regulations identi-  
15 fied under subparagraph (A) in the Federal  
16 Register.

17           (3) BY THE CORPORATION.—Not later than the  
18 transfer date, the Corporation shall—

19           (A) after consultation with the Office of  
20 the Comptroller of the Currency, identify the  
21 regulations continued under subsection (b) that  
22 will be enforced by the Corporation; and

23           (B) publish a list of the regulations identi-  
24 fied under subparagraph (A) in the Federal  
25 Register.



1 (d) STATUS OF REGULATIONS PROPOSED OR NOT  
2 YET EFFECTIVE.—

3 (1) PROPOSED REGULATIONS.—Any proposed  
4 regulation of the Office of Thrift Supervision, which  
5 the Office of Thrift Supervision in performing func-  
6 tions transferred by this title, has proposed before  
7 the transfer date but has not published as a final  
8 regulation before such date, shall be deemed to be  
9 a proposed regulation of the Office of the Comp-  
10 troller of the Currency or the Board of Governors,  
11 as appropriate, according to the terms of the pro-  
12 posed regulation.

13 (2) REGULATIONS NOT YET EFFECTIVE.—Any  
14 interim or final regulation of the Office of Thrift Su-  
15 pervision, which the Office of Thrift Supervision, in  
16 performing functions transferred by this title, has  
17 published before the transfer date but which has not  
18 become effective before that date, shall become effec-  
19 tive as a regulation of the Office of the Comptroller  
20 of the Currency or the Board of Governors, as ap-  
21 propriate, according to the terms of the interim or  
22 final regulation, unless modified, terminated, set  
23 aside, or superseded in accordance with applicable  
24 law by the Office of the Comptroller of the Currency  
25 or the Board of Governors, as appropriate, by any

1 court of competent jurisdiction, or by operation of  
2 law.

3 **SEC. 317. REFERENCES IN FEDERAL LAW TO FEDERAL**  
4 **BANKING AGENCIES.**

5 On and after the transfer date, any reference in Fed-  
6 eral law to the Director of the Office of Thrift Supervision  
7 or the Office of Thrift Supervision, in connection with any  
8 function of the Director of the Office of Thrift Supervision  
9 or the Office of Thrift Supervision transferred under sec-  
10 tion 312(b) or any other provision of this subtitle, shall  
11 be deemed to be a reference to the Comptroller of the Cur-  
12 rency, the Office of the Comptroller of the Currency, the  
13 Chairperson of the Corporation, the Corporation, the  
14 Chairman of the Board of Governors, or the Board of Gov-  
15 ernors, as appropriate and consistent with the amend-  
16 ments made in subtitle E.

17 **SEC. 318. FUNDING.**

18 (a) COMPENSATION OF EXAMINERS.—Section 5240  
19 of the Revised Statutes of the United States (12 U.S.C.  
20 481 et seq.) is amended—

21 (1) in the second undesignated paragraph (12  
22 U.S.C. 481), in the fourth sentence, by striking  
23 “without regard to the provisions of other laws ap-  
24 plicable to officers or employees of the United  
25 States” and inserting the following: “set and ad-

1       justed subject to chapter 71 of title 5, United States  
2       Code, and without regard to the provisions of other  
3       laws applicable to officers or employees of the  
4       United States”; and

5           (2) in the third undesignated paragraph (12  
6       U.S.C. 482), in the first sentence, by striking “shall  
7       fix” and inserting “shall, subject to chapter 71 of  
8       title 5, United States Code, fix”.

9       (b) FUNDING OF OFFICE OF THE COMPTROLLER OF  
10      THE CURRENCY.—Chapter 4 of title LXII of the Revised  
11      Statutes is amended by inserting after section 5240 (12  
12      U.S.C. 481, 482) the following:

13       “SEC. 5240A. The Comptroller of the Currency may  
14      collect an assessment, fee, or other charge from any entity  
15      described in section 3(q)(1) of the Federal Deposit Insur-  
16      ance Act (12 U.S.C. 1813(q)(1)), as the Comptroller de-  
17      termines is necessary or appropriate to carry out the re-  
18      sponsibilities of the Office of the Comptroller of the Cur-  
19      rency. In establishing the amount of an assessment, fee,  
20      or charge collected from an entity under this section, the  
21      Comptroller of the Currency may take into account the  
22      nature and scope of the activities of the entity, the amount  
23      and type of assets that the entity holds, the financial and  
24      managerial condition of the entity, and any other factor,  
25      as the Comptroller of the Currency determines is appro-

1 priate. Funds derived from any assessment, fee, or charge  
2 collected or payment made pursuant to this section may  
3 be deposited by the Comptroller of the Currency in accord-  
4 ance with the provisions of section 5234. Such funds shall  
5 not be construed to be Government funds or appropriated  
6 monies, and shall not be subject to apportionment for pur-  
7 poses of chapter 15 of title 31, United States Code, or  
8 any other provision of law. The authority of the Comp-  
9 troller of the Currency under this section shall be in addi-  
10 tion to the authority under section 5240.

11 “The Comptroller of the Currency shall have sole au-  
12 thority to determine the manner in which the obligations  
13 of the Office of the Comptroller of the Currency shall be  
14 incurred and its disbursements and expenses allowed and  
15 paid, in accordance with this section, except as provided  
16 in chapter 71 of title 5, United States Code (with respect  
17 to compensation).”.

18 (c) FUNDING OF BOARD OF GOVERNORS.—Section  
19 11 of the Federal Reserve Act (12 U.S.C. 248) is amended  
20 by adding at the end the following:

21 “(s) ASSESSMENTS, FEES, AND OTHER CHARGES  
22 FOR CERTAIN COMPANIES.—

23 “(1) IN GENERAL.—The Board shall collect a  
24 total amount of assessments, fees, or other charges  
25 from the companies described in paragraph (2) that

1 is equal to the total expenses the Board estimates  
2 are necessary or appropriate to carry out the super-  
3 visory and regulatory responsibilities of the Board  
4 with respect to such companies.

5 “(2) COMPANIES.—The companies described in  
6 this paragraph are—

7 “(A) all bank holding companies having  
8 total consolidated assets of \$50,000,000,000 or  
9 more;

10 “(B) all savings and loan holding compa-  
11 nies having total consolidated assets of  
12 \$50,000,000,000 or more; and

13 “(C) all nonbank financial companies su-  
14 pervised by the Board under section 113 of the  
15 Dodd-Frank Wall Street Reform and Consumer  
16 Protection Act.”.

17 (d) CORPORATION EXAMINATION FEES.—Section  
18 10(e) of the Federal Deposit Insurance Act (12 U.S.C.  
19 1820(e)) is amended by striking paragraph (1) and insert-  
20 ing the following:

21 “(1) REGULAR AND SPECIAL EXAMINATIONS OF  
22 DEPOSITORY INSTITUTIONS.—The cost of conducting  
23 any regular examination or special examination of  
24 any depository institution under subsection (b)(2),  
25 (b)(3), or (d) or of any entity described in section

1       3(q)(2) may be assessed by the Corporation against  
2       the institution or entity to meet the expenses of the  
3       Corporation in carrying out such examinations.”.

4       (e) **EFFECTIVE DATE.**—This section, and the amend-  
5       ments made by this section, shall take effect on the trans-  
6       fer date.

7       **SEC. 319. CONTRACTING AND LEASING AUTHORITY.**

8       Notwithstanding the Federal Property and Adminis-  
9       trative Services Act of 1949 (41 U.S.C. 251 et seq.) or  
10      any other provision of law (except the full and open com-  
11      petition requirements of the Competition in Contracting  
12      Act), the Office of the Comptroller of the Currency may—

13           (1) enter into and perform contracts, execute  
14           instruments, and acquire real property (or property  
15           interest) as the Comptroller deems necessary to  
16           carry out the duties and responsibilities of the Office  
17           of the Comptroller of the Currency; and

18           (2) hold, maintain, sell, lease, or otherwise dis-  
19           pose of the property (or property interest) acquired  
20           under paragraph (1).

## 1 **Subtitle B—Transitional Provisions**

### 2 **SEC. 321. INTERIM USE OF FUNDS, PERSONNEL, AND PROP-** 3 **ERTY OF THE OFFICE OF THRIFT SUPER-** 4 **VISION.**

5 (a) IN GENERAL.—Before the transfer date, the Of-  
6 fice of the Comptroller of the Currency, the Corporation,  
7 and the Board of Governors shall—

8 (1) consult and cooperate with the Office of  
9 Thrift Supervision to facilitate the orderly transfer  
10 of functions to the Office of the Comptroller of the  
11 Currency, the Corporation, and the Board of Gov-  
12 ernors in accordance with this title;

13 (2) determine jointly, from time to time—

14 (A) the amount of funds necessary to pay  
15 any expenses associated with the transfer of  
16 functions (including expenses for personnel,  
17 property, and administrative services) during  
18 the period beginning on the date of enactment  
19 of this Act and ending on the transfer date;

20 (B) which personnel are appropriate to fa-  
21 cilitate the orderly transfer of functions by this  
22 title; and

23 (C) what property and administrative serv-  
24 ices are necessary to support the Office of the  
25 Comptroller of the Currency, the Corporation,

1           and the Board of Governors during the period  
2           beginning on the date of enactment of this Act  
3           and ending on the transfer date; and

4           (3) take such actions as may be necessary to  
5           provide for the orderly implementation of this title.

6           (b) AGENCY CONSULTATION.—When requested joint-  
7           ly by the Office of the Comptroller of the Currency, the  
8           Corporation, and the Board of Governors to do so before  
9           the transfer date, the Office of Thrift Supervision shall—

10           (1) pay to the Office of the Comptroller of the  
11           Currency, the Corporation, or the Board of Gov-  
12           ernors, as applicable, from funds obtained by the Of-  
13           fice of Thrift Supervision through assessments, fees,  
14           or other charges that the Office of Thrift Super-  
15           vision is authorized by law to impose, such amounts  
16           as the Office of the Comptroller of the Currency, the  
17           Corporation, and the Board of Governors jointly de-  
18           termine to be necessary under subsection (a);

19           (2) detail to the Office of the Comptroller of the  
20           Currency, the Corporation, or the Board of Gov-  
21           ernors, as applicable, such personnel as the Office of  
22           the Comptroller of the Currency, the Corporation,  
23           and the Board of Governors jointly determine to be  
24           appropriate under subsection (a); and



1           (3) make available to the Office of the Comp-  
2           troller of the Currency, the Corporation, or the  
3           Board of Governors, as applicable, such property  
4           and provide to the Office of the Comptroller of the  
5           Currency, the Corporation, or the Board of Gov-  
6           ernors, as applicable, such administrative services as  
7           the Office of the Comptroller of the Currency, the  
8           Corporation, and the Board of Governors jointly de-  
9           termine to be necessary under subsection (a).

10          (c) NOTICE REQUIRED.—The Office of the Comp-  
11         troller of the Currency, the Corporation, and the Board  
12         of Governors shall jointly give the Office of Thrift Super-  
13         vision reasonable prior notice of any request that the Of-  
14         fice of the Comptroller of the Currency, the Corporation,  
15         and the Board of Governors jointly intend to make under  
16         subsection (b).

17         **SEC. 322. TRANSFER OF EMPLOYEES.**

18           (a) IN GENERAL.—

19                 (1) OFFICE OF THRIFT SUPERVISION EMPLOY-  
20                 EES.—

21                         (A) IN GENERAL.—Except as provided in  
22                         section 1064, all employees of the Office of  
23                         Thrift Supervision shall be transferred to the  
24                         Office of the Comptroller of the Currency or the

1 Corporation for employment in accordance with  
2 this section.

3 (B) ALLOCATING EMPLOYEES FOR TRANS-  
4 FER TO RECEIVING AGENCIES.—The Director of  
5 the Office of Thrift Supervision, the Comp-  
6 troller of the Currency, and the Chairperson of  
7 the Corporation shall—

8 (i) jointly determine the number of  
9 employees of the Office of Thrift Super-  
10 vision necessary to perform or support the  
11 functions that are transferred to the Office  
12 of the Comptroller of the Currency or the  
13 Corporation by this title; and

14 (ii) consistent with the determination  
15 under clause (i), jointly identify employees  
16 of the Office of Thrift Supervision for  
17 transfer to the Office of the Comptroller of  
18 the Currency or the Corporation.

19 (2) EMPLOYEES TRANSFERRED; SERVICE PERI-  
20 ODS CREDITED.—For purposes of this section, peri-  
21 ods of service with a Federal home loan bank, a  
22 joint office of Federal home loan banks, or a Federal  
23 reserve bank shall be credited as periods of service  
24 with a Federal agency.

1           (3) APPOINTMENT AUTHORITY FOR EXCEPTED  
2 SERVICE TRANSFERRED.—

3           (A) IN GENERAL.—Except as provided in  
4 subparagraph (B), any appointment authority  
5 of the Office of Thrift Supervision under Fed-  
6 eral law that relates to the functions trans-  
7 ferred under section 312, including the regula-  
8 tions of the Office of Personnel Management,  
9 for filling the positions of employees in the ex-  
10 cepted service shall be transferred to the Comp-  
11 troller of the Currency or the Chairperson of  
12 the Corporation, as appropriate.

13           (B) DECLINING TRANSFERS ALLOWED.—  
14 The Comptroller of the Currency or the Chair-  
15 person of the Corporation may decline to accept  
16 a transfer of authority under subparagraph (A)  
17 (and the employees appointed under that au-  
18 thority) to the extent that such authority re-  
19 lates to positions excepted from the competitive  
20 service because of their confidential, policy-mak-  
21 ing, policy-determining, or policy-advocating  
22 character.

23           (4) ADDITIONAL APPOINTMENT AUTHORITY.—  
24 Notwithstanding any other provision of law, the Of-  
25 fice of the Comptroller of the Currency and the Cor-

1       poration may appoint transferred employees to posi-  
2       tions in the Office of the Comptroller of the Cur-  
3       rency or the Corporation, respectively.

4       (b) **TIMING OF TRANSFERS AND POSITION ASSIGN-**  
5 **MENTS.**—Each employee to be transferred under sub-  
6 section (a)(1) shall—

7           (1) be transferred not later than 90 days after  
8       the transfer date; and

9           (2) receive notice of the position assignment of  
10       the employee not later than 120 days after the effec-  
11       tive date of the transfer of the employee.

12       (c) **TRANSFER OF FUNCTIONS.**—

13           (1) **IN GENERAL.**—Notwithstanding any other  
14       provision of law, the transfer of employees under  
15       this subtitle shall be deemed a transfer of functions  
16       for the purpose of section 3503 of title 5, United  
17       States Code.

18           (2) **PRIORITY.**—If any provision of this subtitle  
19       conflicts with any protection provided to a trans-  
20       ferred employee under section 3503 of title 5,  
21       United States Code, the provisions of this subtitle  
22       shall control.

23       (d) **EMPLOYEE STATUS AND ELIGIBILITY.**—The  
24       transfer of functions and employees under this subtitle,  
25       and the abolishment of the Office of Thrift Supervision

1 under section 313, shall not affect the status of the trans-  
2 ferred employees as employees of an agency of the United  
3 States under any provision of law.

4 (e) EQUAL STATUS AND TENURE POSITIONS.—

5 (1) STATUS AND TENURE.—Each transferred  
6 employee from the Office of Thrift Supervision shall  
7 be placed in a position at the Office of the Comp-  
8 troller of the Currency or the Corporation with the  
9 same status and tenure as the transferred employee  
10 held on the day before the date on which the em-  
11 ployee was transferred.

12 (2) FUNCTIONS.—To the extent practicable,  
13 each transferred employee shall be placed in a posi-  
14 tion at the Office of the Comptroller of the Currency  
15 or the Corporation, as applicable, responsible for the  
16 same functions and duties as the transferred em-  
17 ployee had on the day before the date on which the  
18 employee was transferred, in accordance with the ex-  
19 pertise and preferences of the transferred employee.

20 (f) NO ADDITIONAL CERTIFICATION REQUIRE-  
21 MENTS.—An examiner who is a transferred employee shall  
22 not be subject to any additional certification requirements  
23 before being placed in a comparable position at the Office  
24 of the Comptroller of the Currency or the Corporation,  
25 if the examiner carries out examinations of the same type

1 of institutions as an employee of the Office of the Comp-  
2 troller of the Currency or the Corporation as the employee  
3 was responsible for carrying out before the date on which  
4 the employee was transferred.

5 (g) PERSONNEL ACTIONS LIMITED.—

6 (1) PROTECTION.—

7 (A) IN GENERAL.—Except as provided in  
8 paragraph (2), each affected employee shall not,  
9 during the 30-month period beginning on the  
10 transfer date, be involuntarily separated, or in-  
11 voluntarily reassigned outside his or her locality  
12 pay area.

13 (B) AFFECTED EMPLOYEES.—For pur-  
14 poses of this paragraph, the term “affected em-  
15 ployee” means—

16 (i) an employee transferred from the  
17 Office of Thrift Supervision holding a per-  
18 manent position on the day before the  
19 transfer date; and

20 (ii) an employee of the Office of the  
21 Comptroller of the Currency or the Cor-  
22 poration holding a permanent position on  
23 the day before the transfer date.

1           (2) EXCEPTIONS.—Paragraph (1) does not  
2           limit the right of the Office of the Comptroller of the  
3           Currency or the Corporation to—

4                   (A) separate an employee for cause or for  
5                   unacceptable performance;

6                   (B) terminate an appointment to a position  
7                   excepted from the competitive service because of  
8                   its confidential policy-making, policy-deter-  
9                   mining, or policy-advocating character; or

10                   (C) reassign an employee outside such em-  
11                   ployee's locality pay area when the Office of the  
12                   Comptroller of the Currency or the Corporation  
13                   determines that the reassignment is necessary  
14                   for the efficient operation of the agency.

15           (h) PAY.—

16                   (1) 30-MONTH PROTECTION.—Except as pro-  
17                   vided in paragraph (2), during the 30-month period  
18                   beginning on the date on which the employee was  
19                   transferred under this subtitle, a transferred em-  
20                   ployee shall be paid at a rate that is not less than  
21                   the basic rate of pay, including any geographic dif-  
22                   ferential, that the transferred employee received dur-  
23                   ing the pay period immediately preceding the date  
24                   on which the employee was transferred. Notwith-  
25                   standing the preceding sentence, if the employee was

1 receiving a higher rate of basic pay on a temporary  
2 basis (because of a temporary assignment, tem-  
3 porary promotion, or other temporary action) imme-  
4 diately before the transfer, the Agency may reduce  
5 the rate of basic pay on the date the rate would have  
6 been reduced but for the transfer, and the protected  
7 rate for the remainder of the 30-month period will  
8 be the reduced rate that would have applied but for  
9 the transfer.

10 (2) EXCEPTIONS.—The Comptroller of the Cur-  
11 rency or the Corporation may reduce the rate of  
12 basic pay of a transferred employee—

13 (A) for cause, including for unacceptable  
14 performance; or

15 (B) with the consent of the transferred  
16 employee.

17 (3) PROTECTION ONLY WHILE EMPLOYED.—  
18 This subsection shall apply to a transferred em-  
19 ployee only during the period that the transferred  
20 employee remains employed by Office of the Comp-  
21 troller of the Currency or the Corporation.

22 (4) PAY INCREASES PERMITTED.—Nothing in  
23 this subsection shall limit the authority of the Comp-  
24 troller of the Currency or the Chairperson of the



1 Corporation to increase the pay of a transferred em-  
2 ployee.

3 (i) BENEFITS.—

4 (1) RETIREMENT BENEFITS FOR TRANSFERRED  
5 EMPLOYEES.—

6 (A) IN GENERAL.—

7 (i) CONTINUATION OF EXISTING RE-  
8 TIREMENT PLAN.—Each transferred em-  
9 ployee shall remain enrolled in the retire-  
10 ment plan of the transferred employee, for  
11 as long as the transferred employee is em-  
12 ployed by the Office of the Comptroller of  
13 the Currency or the Corporation.

14 (ii) EMPLOYER'S CONTRIBUTION.—  
15 The Comptroller of the Currency or the  
16 Chairperson of the Corporation, as appro-  
17 priate, shall pay any employer contribu-  
18 tions to the existing retirement plan of  
19 each transferred employee, as required  
20 under each such existing retirement plan.

21 (B) DEFINITION.—In this paragraph, the  
22 term “existing retirement plan” means, with re-  
23 spect to a transferred employee, the retirement  
24 plan (including the Financial Institutions Re-  
25 tirement Fund), and any associated thrift sav-

1           ings plan, of the agency from which the em-  
2           ployee was transferred in which the employee  
3           was enrolled on the day before the date on  
4           which the employee was transferred.

5           (2) BENEFITS OTHER THAN RETIREMENT BEN-  
6           EFITS.—

7                   (A) DURING FIRST YEAR.—

8                           (i) EXISTING PLANS CONTINUE.—

9                   During the 1-year period following the  
10                  transfer date, each transferred employee  
11                  may retain membership in any employee  
12                  benefit program (other than a retirement  
13                  benefit program) of the agency from which  
14                  the employee was transferred under this  
15                  title, including any dental, vision, long  
16                  term care, or life insurance program to  
17                  which the employee belonged on the day  
18                  before the transfer date.

19                           (ii) EMPLOYER'S CONTRIBUTION.—

20                  The Office of the Comptroller of the Cur-  
21                  rency or the Corporation, as appropriate,  
22                  shall pay any employer cost required to ex-  
23                  tend coverage in the benefit program to  
24                  the transferred employee as required under  
25                  that program or negotiated agreements.

1                   (B) DENTAL, VISION, OR LIFE INSURANCE  
2                   AFTER FIRST YEAR.—If, after the 1-year period  
3                   beginning on the transfer date, the Office of the  
4                   Comptroller of the Currency or the Corporation  
5                   determines that the Office of the Comptroller of  
6                   the Currency or the Corporation, as the case  
7                   may be, will not continue to participate in any  
8                   dental, vision, or life insurance program of an  
9                   agency from which an employee was trans-  
10                  ferred, a transferred employee who is a member  
11                  of the program may, before the decision takes  
12                  effect and without regard to any regularly  
13                  scheduled open season, elect to enroll in—

14                   (i) the enhanced dental benefits pro-  
15                   gram established under chapter 89A of  
16                   title 5, United States Code;

17                   (ii) the enhanced vision benefits estab-  
18                   lished under chapter 89B of title 5, United  
19                   States Code; and

20                   (iii) the Federal Employees' Group  
21                   Life Insurance Program established under  
22                   chapter 87 of title 5, United States Code,  
23                   without regard to any requirement of in-  
24                   surability.

1           (C) LONG TERM CARE INSURANCE AFTER  
2           1ST YEAR.—If, after the 1-year period begin-  
3           ning on the transfer date, the Office of the  
4           Comptroller of the Currency or the Corporation  
5           determines that the Office of the Comptroller of  
6           the Currency or the Corporation, as appro-  
7           priate, will not continue to participate in any  
8           long term care insurance program of an agency  
9           from which an employee transferred, a trans-  
10          ferred employee who is a member of such a pro-  
11          gram may, before the decision takes effect, elect  
12          to apply for coverage under the Federal Long  
13          Term Care Insurance Program established  
14          under chapter 90 of title 5, United States Code,  
15          under the underwriting requirements applicable  
16          to a new active workforce member, as described  
17          in part 875 of title 5, Code of Federal Regula-  
18          tions (or any successor thereto).

19           (D) CONTRIBUTION OF TRANSFERRED EM-  
20          PLOYEE.—

21           (i) IN GENERAL.—Subject to clause  
22           (ii), a transferred employee who is enrolled  
23           in a plan under the Federal Employees  
24           Health Benefits Program shall pay any

1 employee contribution required under the  
2 plan.

3 (ii) COST DIFFERENTIAL.—The Office  
4 of the Comptroller of the Currency or the  
5 Corporation, as applicable, shall pay any  
6 difference in cost between the employee  
7 contribution required under the plan pro-  
8 vided to transferred employees by the  
9 agency from which the employee trans-  
10 ferred on the date of enactment of this Act  
11 and the plan provided by the Office of the  
12 Comptroller of the Currency or the Cor-  
13 poration, as the case may be, under this  
14 section.

15 (iii) FUNDS TRANSFER.—The Office  
16 of the Comptroller of the Currency or the  
17 Corporation, as the case may be, shall  
18 transfer to the Employees Health Benefits  
19 Fund established under section 8909 of  
20 title 5, United States Code, an amount de-  
21 termined by the Director of the Office of  
22 Personnel Management, after consultation  
23 with the Comptroller of the Currency or  
24 the Chairperson of the Corporation, as the  
25 case may be, and the Office of Manage-

1                   ment and Budget, to be necessary to reim-  
2                   burse the Fund for the cost to the Fund  
3                   of providing any benefits under this sub-  
4                   paragraph that are not otherwise paid for  
5                   by a transferred employee under clause (i).

6                   (E) SPECIAL PROVISIONS TO ENSURE CON-  
7                   TINUATION OF LIFE INSURANCE BENEFITS.—

8                   (i) IN GENERAL.—An annuitant, as  
9                   defined in section 8901 of title 5, United  
10                  States Code, who is enrolled in a life insur-  
11                  ance plan administered by an agency from  
12                  which employees are transferred under this  
13                  title on the day before the transfer date  
14                  shall be eligible for coverage by a life in-  
15                  surance plan under sections 8706(b),  
16                  8714a, 8714b, or 8714c of title 5, United  
17                  States Code, or by a life insurance plan es-  
18                  tablished by the Office of the Comptroller  
19                  of the Currency or the Corporation, as ap-  
20                  plicable, without regard to any regularly  
21                  scheduled open season or any requirement  
22                  of insurability.

23                  (ii) CONTRIBUTION OF TRANSFERRED  
24                  EMPLOYEE.—

1 (I) IN GENERAL.—Subject to  
2 subclause (II), a transferred employee  
3 enrolled in a life insurance plan under  
4 this subparagraph shall pay any em-  
5 ployee contribution required by the  
6 plan.

7 (II) COST DIFFERENTIAL.—The  
8 Office of the Comptroller of the Cur-  
9 rency or the Corporation, as the case  
10 may be, shall pay any difference in  
11 cost between the benefits provided by  
12 the agency from which the employee  
13 transferred on the date of enactment  
14 of this Act and the benefits provided  
15 under this section.

16 (III) FUNDS TRANSFER.—The  
17 Office of the Comptroller of the Cur-  
18 rency or the Corporation, as the case  
19 may be, shall transfer to the Federal  
20 Employees' Group Life Insurance  
21 Fund established under section 8714  
22 of title 5, United States Code, an  
23 amount determined by the Director of  
24 the Office of Personnel Management,  
25 after consultation with the Comp-

1 troller of the Currency or the Chair-  
2 person of the Corporation, as the case  
3 may be, and the Office of Manage-  
4 ment and Budget, to be necessary to  
5 reimburse the Federal Employees'  
6 Group Life Insurance Fund for the  
7 cost to the Federal Employees' Group  
8 Life Insurance Fund of providing ben-  
9 efits under this subparagraph not oth-  
10 erwise paid for by a transferred em-  
11 ployee under subclause (I).

12 (IV) CREDIT FOR TIME EN-  
13 ROLLED IN OTHER PLANS.—For any  
14 transferred employee, enrollment in a  
15 life insurance plan administered by  
16 the agency from which the employee  
17 transferred, immediately before enroll-  
18 ment in a life insurance plan under  
19 chapter 87 of title 5, United States  
20 Code, shall be considered as enroll-  
21 ment in a life insurance plan under  
22 that chapter for purposes of section  
23 8706(b)(1)(A) of title 5, United  
24 States Code.



1 (j) INCORPORATION INTO AGENCY PAY SYSTEM.—

2 Not later than 30 months after the transfer date, the  
3 Comptroller of the Currency and the Chairperson of the  
4 Corporation shall place each transferred employee into the  
5 established pay system and structure of the appropriate  
6 employing agency.

7 (k) EQUITABLE TREATMENT.—In administering the  
8 provisions of this section, the Comptroller of the Currency  
9 and the Chairperson of the Corporation—

10 (1) may not take any action that would unfairly  
11 disadvantage a transferred employee relative to any  
12 other employee of the Office of the Comptroller of  
13 the Currency or the Corporation on the basis of  
14 prior employment by the Office of Thrift Super-  
15 vision;

16 (2) may take such action as is appropriate in  
17 an individual case to ensure that a transferred em-  
18 ployee receives equitable treatment, with respect to  
19 the status, tenure, pay, benefits (other than benefits  
20 under programs administered by the Office of Per-  
21 sonnel Management), and accrued leave or vacation  
22 time for prior periods of service with any Federal  
23 agency of the transferred employee;

24 (3) shall, jointly with the Director of the Office  
25 of Thrift Supervision, develop and adopt procedures

1 and safeguards designed to ensure that the require-  
2 ments of this subsection are met; and

3 (4) shall conduct a study detailing the position  
4 assignments of all employees transferred pursuant to  
5 subsection (a), describing the procedures and safe-  
6 guards adopted pursuant to paragraph (3), and  
7 demonstrating that the requirements of this sub-  
8 section have been met; and shall, not later than 365  
9 days after the transfer date, submit a copy of such  
10 study to Congress.

11 (l) REORGANIZATION.—

12 (1) IN GENERAL.—If the Comptroller of the  
13 Currency or the Chairperson of the Corporation de-  
14 termines, during the 2-year period beginning 1 year  
15 after the transfer date, that a reorganization of the  
16 staff of the Office of the Comptroller of the Cur-  
17 rency or the Corporation, respectively, is required,  
18 the reorganization shall be deemed a “major reorga-  
19 nization” for purposes of affording affected employ-  
20 ees retirement under section 8336(d)(2) or  
21 8414(b)(1)(B) of title 5, United States Code.

22 (2) SERVICE CREDIT.—For purposes of this  
23 subsection, periods of service with a Federal home  
24 loan bank or a joint office of Federal home loan

1 banks shall be credited as periods of service with a  
2 Federal agency.

3 **SEC. 323. PROPERTY TRANSFERRED.**

4 (a) PROPERTY DEFINED.—For purposes of this sec-  
5 tion, the term “property” includes all real property (in-  
6 cluding leaseholds) and all personal property, including  
7 computers, furniture, fixtures, equipment, books, ac-  
8 counts, records, reports, files, memoranda, paper, reports  
9 of examination, work papers, and correspondence related  
10 to such reports, and any other information or materials.

11 (b) PROPERTY OF THE OFFICE OF THRIFT SUPER-  
12 VISION.—

13 (1) IN GENERAL.—No later than 90 days after  
14 the transfer date, all property of the Office of Thrift  
15 Supervision (other than property described under  
16 paragraph (b)(2)) that the Comptroller of the Cur-  
17 rency and the Chairperson of the Corporation jointly  
18 determine is used, on the day before the transfer  
19 date, to perform or support the functions of the Of-  
20 fice of Thrift Supervision transferred to the Office  
21 of the Comptroller of the Currency or the Corpora-  
22 tion under this title, shall be transferred to the Of-  
23 fice of the Comptroller of the Currency or the Cor-  
24 poration in a manner consistent with the transfer of  
25 employees under this subtitle.

1           (2) PERSONAL PROPERTY.—All books, ac-  
2           counts, records, reports, files, memoranda, papers,  
3           documents, reports of examination, work papers, and  
4           correspondence of the Office of Thrift Supervision  
5           that the Comptroller of the Currency, the Chair-  
6           person of the Corporation, and the Chairman of the  
7           Board of Governors jointly determine is used, on the  
8           day before the transfer date, to perform or support  
9           the functions of the Office of Thrift Supervision  
10          transferred to the Board of Governors under this  
11          title shall be transferred to the Board of Governors  
12          in a manner consistent with the purposes of this  
13          title.

14          (c) CONTRACTS RELATED TO PROPERTY TRANS-  
15          FERRED.—Each contract, agreement, lease, license, per-  
16          mit, and similar arrangement relating to property trans-  
17          ferred to the Office of the Comptroller of the Currency  
18          or the Corporation by this section shall be transferred to  
19          the Office of the Comptroller of the Currency or the Cor-  
20          poration, as appropriate, together with the property to  
21          which it relates.

22          (d) PRESERVATION OF PROPERTY.—Property identi-  
23          fied for transfer under this section shall not be altered,  
24          destroyed, or deleted before transfer under this section.

1 **SEC. 324. FUNDS TRANSFERRED.**

2 The funds that, on the day before the transfer date,  
3 the Director of the Office of Thrift Supervision (in con-  
4 sultation with the Comptroller of the Currency, the Chair-  
5 person of the Corporation, and the Chairman of the Board  
6 of Governors) determines are not necessary to dispose of  
7 the affairs of the Office of Thrift Supervision under sec-  
8 tion 325 and are available to the Office of Thrift Super-  
9 vision to pay the expenses of the Office of Thrift Super-  
10 vision—

11 (1) relating to the functions of the Office of  
12 Thrift Supervision transferred under section  
13 312(b)(2)(B), shall be transferred to the Office of  
14 the Comptroller of the Currency on the transfer  
15 date;

16 (2) relating to the functions of the Office of  
17 Thrift Supervision transferred under section  
18 312(b)(2)(C), shall be transferred to the Corporation  
19 on the transfer date; and

20 (3) relating to the functions of the Office of  
21 Thrift Supervision transferred under section  
22 312(b)(1)(A), shall be transferred to the Board of  
23 Governors on the transfer date.

1 **SEC. 325. DISPOSITION OF AFFAIRS.**

2 (a) **AUTHORITY OF DIRECTOR.**—During the 90-day  
3 period beginning on the transfer date, the Director of the  
4 Office of Thrift Supervision—

5 (1) shall, solely for the purpose of winding up  
6 the affairs of the Office of Thrift Supervision relat-  
7 ing to any function transferred to the Office of the  
8 Comptroller of the Currency, the Corporation, or the  
9 Board of Governors under this title—

10 (A) manage the employees of the Office of  
11 Thrift Supervision who have not yet been trans-  
12 ferred and provide for the payment of the com-  
13 pensation and benefits of the employees that ac-  
14 crue before the date on which the employees are  
15 transferred under this title; and

16 (B) manage any property of the Office of  
17 Thrift Supervision, until the date on which the  
18 property is transferred under section 323; and

19 (2) may take any other action necessary to  
20 wind up the affairs of the Office of Thrift Super-  
21 vision.

22 (b) **STATUS OF DIRECTOR.**—

23 (1) **IN GENERAL.**—Notwithstanding the trans-  
24 fer of functions under this subtitle, during the 90-  
25 day period beginning on the transfer date, the Direc-  
26 tor of the Office of Thrift Supervision shall retain

1 and may exercise any authority vested in the Direc-  
2 tor of the Office of Thrift Supervision on the day be-  
3 fore the transfer date, only to the extent necessary—

4 (A) to wind up the Office of Thrift Super-  
5 vision; and

6 (B) to carry out the transfer under this  
7 subtitle during such 90-day period.

8 (2) OTHER PROVISIONS.—For purposes of  
9 paragraph (1), the Director of the Office of Thrift  
10 Supervision shall, during the 90-day period begin-  
11 ning on the transfer date, continue to be—

12 (A) treated as an officer of the United  
13 States; and

14 (B) entitled to receive compensation at the  
15 same annual rate of basic pay that the Director  
16 of the Office of Thrift Supervision received on  
17 the day before the transfer date.

18 **SEC. 326. CONTINUATION OF SERVICES.**

19 Any agency, department, or other instrumentality of  
20 the United States, and any successor to any such agency,  
21 department, or instrumentality, that was, before the trans-  
22 fer date, providing support services to the Office of Thrift  
23 Supervision in connection with functions transferred to  
24 the Office of the Comptroller of the Currency, the Cor-

1 poration or the Board of Governors under this title,  
2 shall—

3           (1) continue to provide such services, subject to  
4 reimbursement by the Office of the Comptroller of  
5 the Currency, the Corporation, or the Board of Gov-  
6 ernors, until the transfer of functions under this  
7 title is complete; and

8           (2) consult with the Comptroller of the Cur-  
9 rency, the Chairperson of the Corporation, or the  
10 Chairman of the Board of Governors, as appro-  
11 priate, to coordinate and facilitate a prompt and or-  
12 derly transition.

13 **SEC. 327. IMPLEMENTATION PLAN AND REPORTS.**

14       (a) **PLAN SUBMISSION.**—Within 180 days of the en-  
15 actment of the Dodd-Frank Wall Street Reform and Con-  
16 sumer Protection Act, the Board of Governors, the Cor-  
17 poration, the Office of the Comptroller of the Currency,  
18 and the Office of Thrift Supervision, shall jointly submit  
19 a plan to the Committee on Banking, Housing, and Urban  
20 Affairs of the Senate, the Committee on Financial Services  
21 of the House of Representatives, and the Inspectors Gen-  
22 eral of the Department of the Treasury, the Corporation,  
23 and the Board of Governors detailing the steps the Board  
24 of Governors, the Corporation, the Office of the Comp-  
25 troller of the Currency, and the Office of Thrift Super-



1 vision will take to implement the provisions of sections 301  
2 through 326, and the provisions of the amendments made  
3 by such sections.

4 (b) INSPECTORS GENERAL REVIEW OF THE PLAN.—  
5 Within 60 days of receiving the plan required under sub-  
6 section (a), the Inspectors General of the Department of  
7 the Treasury, the Corporation, and the Board of Gov-  
8 ernors shall jointly provide a written report to the Board  
9 of Governors, the Corporation, the Office of the Comp-  
10 troller of the Currency, and the Office of Thrift Super-  
11 vision and shall submit a copy to the Committee on Bank-  
12 ing, Housing, and Urban Affairs of the Senate and the  
13 Committee on Financial Services of the House of Rep-  
14 resentatives detailing whether the plan conforms with the  
15 provisions of sections 301 through 326, and the provisions  
16 of the amendments made by such sections, including—

17 (1) whether the plan sufficiently takes into con-  
18 sideration the orderly transfer of personnel;

19 (2) whether the plan describes procedures and  
20 safeguards to ensure that the Office of Thrift Super-  
21 vision employees are not unfairly disadvantaged rel-  
22 ative to employees of the Office of the Comptroller  
23 of the Currency and the Corporation;

1           (3) whether the plan sufficiently takes into con-  
2           sideration the orderly transfer of authority and re-  
3           sponsibilities;

4           (4) whether the plan sufficiently takes into con-  
5           sideration the effective transfer of funds;

6           (5) whether the plan sufficiently takes in con-  
7           sideration the orderly transfer of property; and

8           (6) any additional recommendations for an or-  
9           derly and effective process.

10          (c) IMPLEMENTATION REPORTS.—Not later than 6  
11 months after the date on which the Committee on Bank-  
12 ing, Housing, and Urban Affairs of the Senate and the  
13 Committee on Financial Services of the House of Rep-  
14 resentatives receives the report required under subsection  
15 (b), and every 6 months thereafter until all aspects of the  
16 plan have been implemented, the Inspectors General of the  
17 Department of the Treasury, the Corporation, and the  
18 Board of Governors shall jointly provide a written report  
19 on the status of the implementation of the plan to the  
20 Board of Governors, the Corporation, the Office of the  
21 Comptroller of the Currency, and the Office of Thrift Su-  
22 pervision and shall submit a copy to the Committee on  
23 Banking, Housing, and Urban Affairs of the Senate and  
24 the Committee on Financial Services of the House of Rep-  
25 resentatives.

1           **Subtitle C—Federal Deposit**  
2           **Insurance Corporation**

3   **SEC. 331. DEPOSIT INSURANCE REFORMS.**

4           (a) **SIZE DISTINCTIONS.**—Section 7(b)(2) of the Fed-  
5 eral Deposit Insurance Act (12 U.S.C. 1817(b)(2)) is  
6 amended—

7                 (1) by striking subparagraph (D); and

8                 (2) by redesignating subparagraph (C) as sub-  
9 paragraph (D).

10          (b) **ASSESSMENT BASE.**—The Corporation shall  
11 amend the regulations issued by the Corporation under  
12 section 7(b)(2) of the Federal Deposit Insurance Act (12  
13 U.S.C. 1817(b)(2)) to define the term “assessment base”  
14 with respect to an insured depository institution for pur-  
15 poses of that section 7(b)(2), as an amount equal to—

16                 (1) the average consolidated total assets of the  
17 insured depository institution during the assessment  
18 period; minus

19                 (2) the sum of—

20                         (A) the average tangible equity of the in-  
21 sured depository institution during the assess-  
22 ment period; and

23                         (B) in the case of an insured depository in-  
24 stitution that is a custodial bank (as defined by  
25 the Corporation, based on factors including the

1 percentage of total revenues generated by custo-  
2 dial businesses and the level of assets under  
3 custody) or a banker's bank (as that term is  
4 used in section 5136 of the Revised Statutes  
5 (12 U.S.C. 24)), an amount that the Corpora-  
6 tion determines is necessary to establish assess-  
7 ments consistent with the definition under sec-  
8 tion 7(b)(1) of the Federal Deposit Insurance  
9 Act (12 U.S.C. 1817(b)(1)) for a custodial  
10 bank or a banker's bank.

11 **SEC. 332. ELIMINATION OF PROCYCLICAL ASSESSMENTS.**

12 Section 7(e) of the Federal Deposit Insurance Act is  
13 amended—

14 (1) in paragraph (2)—

15 (A) by amending subparagraph (B) to read  
16 as follows:

17 “(B) LIMITATION.—The Board of Direc-  
18 tors may, in its sole discretion, suspend or limit  
19 the declaration of payment of dividends under  
20 subparagraph (A).”;

21 (B) by amending subparagraph (C) to read  
22 as follows:

23 “(C) NOTICE AND OPPORTUNITY FOR COM-  
24 MENT.—The Corporation shall prescribe, by  
25 regulation, after notice and opportunity for

1 comment, the method for the declaration, cal-  
2 culation, distribution, and payment of dividends  
3 under this paragraph”; and

4 (C) by striking subparagraphs (D) through  
5 (G); and

6 (2) in paragraph (4)(A) by striking “para-  
7 graphs (2)(D) and” and inserting “paragraphs (2)  
8 and”.

9 **SEC. 333. ENHANCED ACCESS TO INFORMATION FOR DE-**  
10 **POSIT INSURANCE PURPOSES.**

11 (a) Section 7(a)(2)(B) of the Federal Deposit Insur-  
12 ance Act is amended by striking “agreement” and insert-  
13 ing “consultation”.

14 (b) Section 7(b)(1)(E) of the Federal Deposit Insur-  
15 ance Act is amended—

16 (1) in clause (i), by striking “such as” and in-  
17 serting “including”; and

18 (2) in clause (iii), by striking “Corporation”  
19 and inserting “Corporation, except as provided in  
20 section 7(a)(2)(B)”.

21 **SEC. 334. TRANSITION RESERVE RATIO REQUIREMENTS TO**  
22 **REFLECT NEW ASSESSMENT BASE.**

23 (a) Section 7(b)(3)(B) of the Federal Deposit Insur-  
24 ance Act is amended to read as follows:

1                   “(B) MINIMUM RESERVE RATIO.—The re-  
2                   serve ratio designated by the Board of Direc-  
3                   tors for any year may not be less than 1.15 per-  
4                   cent of estimated insured deposits, or the com-  
5                   parable percentage of the assessment base set  
6                   forth in paragraph (2)(C).”.

7           (b) Section 3(y)(3) of the Federal Deposit Insurance  
8 Act is amended by inserting “, or such comparable per-  
9 centage of the assessment base set forth in section  
10 7(b)(2)(C)” before the period.

11           (c) For a period of not less than 5 years after the  
12 date of the enactment of this title, the Federal Deposit  
13 Insurance Corporation shall make available to the public  
14 the reserve ratio and the designated reserve ratio using  
15 both estimated insured deposits and the assessment base  
16 under section 7(b)(2)(C) of the Federal Deposit Insurance  
17 Act.

18 **SEC. 335. PERMANENT INCREASE IN DEPOSIT AND SHARE**  
19 **INSURANCE.**

20           (a) PERMANENT INCREASE IN DEPOSIT INSUR-  
21 ANCE.—Section 11(a)(1)(E) of the Federal Deposit Insur-  
22 ance Act (12 U.S.C. 1821(a)(1)(E)) is amended—

23                   (1) by striking “\$100,000” and inserting  
24                   “\$250,000”; and

1           (2) by adding at the end the following new sen-  
2           tences: “Notwithstanding any other provision of law,  
3           the increase in the standard maximum deposit insur-  
4           ance amount to \$250,000 shall apply to depositors  
5           in any institution for which the Corporation was ap-  
6           pointed as receiver or conservator on or after Janu-  
7           ary 1, 2008, and before October 3, 2008. The Cor-  
8           poration shall take such actions as are necessary to  
9           carry out the requirements of this section with re-  
10          spect to such depositors, without regard to any time  
11          limitations under this Act. In implementing this and  
12          the preceding 2 sentences, any payment on a deposit  
13          claim made by the Corporation as receiver or conser-  
14          vator to a depositor above the standard maximum  
15          deposit insurance amount in effect at the time of the  
16          appointment of the Corporation as receiver or con-  
17          servator shall be deemed to be part of the net  
18          amount due to the depositor under subparagraph  
19          (B).”

20          (b) PERMANENT INCREASE IN SHARE INSURANCE.—  
21          Section 207(k)(5) of the Federal Credit Union Act (12  
22          U.S.C. 1787(k)(5)) is amended by striking “\$100,000”  
23          and inserting “\$250,000”.

1 **SEC. 336. MANAGEMENT OF THE FEDERAL DEPOSIT INSUR-**  
2 **ANCE CORPORATION.**

3 (a) IN GENERAL.—Section 2 of the Federal Deposit  
4 Insurance Act (12 U.S.C. 1812) is amended—

5 (1) in subsection (a)(1)(B), by striking “Direc-  
6 tor of the Office of Thrift Supervision” and insert-  
7 ing “Director of the Consumer Financial Protection  
8 Bureau”;

9 (2) by amending subsection (d)(2) to read as  
10 follows:

11 “(2) ACTING OFFICIALS MAY SERVE.—In the  
12 event of a vacancy in the office of the Comptroller  
13 of the Currency or the office of Director of the Con-  
14 sumer Financial Protection Bureau and pending the  
15 appointment of a successor, or during the absence or  
16 disability of the Comptroller of the Currency or the  
17 Director of the Consumer Financial Protection Bu-  
18 reau, the acting Comptroller of the Currency or the  
19 acting Director of the Consumer Financial Protec-  
20 tion Bureau, as the case may be, shall be a member  
21 of the Board of Directors in the place of the Comp-  
22 troller or Director.”; and

23 (3) in subsection (f)(2), by striking “Office of  
24 Thrift Supervision” and inserting “Consumer Finan-  
25 cial Protection Bureau”.



1 (b) EFFECTIVE DATE.—This section, and the amend-  
2 ments made by this section, shall take effect on the trans-  
3 fer date.

## 4 **Subtitle D—Other Matters**

### 5 **SEC. 341. BRANCHING.**

6 Notwithstanding the Federal Deposit Insurance Act  
7 (12 U.S.C. 1811 et seq.), the Bank Holding Company Act  
8 of 1956 (12 U.S.C. 1841 et seq.), or any other provision  
9 of Federal or State law, a savings association that be-  
10 comes a bank may—

11 (1) continue to operate any branch or agency  
12 that the savings association operated immediately  
13 before the savings association became a bank; and

14 (2) establish, acquire, and operate additional  
15 branches and agencies at any location within any  
16 State in which the savings association operated a  
17 branch immediately before the savings association  
18 became a bank, if the law of the State in which the  
19 branch is located, or is to be located, would permit  
20 establishment of the branch if the bank were a State  
21 bank chartered by such State.

### 22 **SEC. 342. OFFICE OF MINORITY AND WOMEN INCLUSION.**

23 (a) OFFICE OF MINORITY AND WOMEN INCLU-  
24 SION.—

25 (1) ESTABLISHMENT.—

1           (A) IN GENERAL.—Except as provided in  
2           subparagraph (B), not later than 6 months  
3           after the date of enactment of this Act, each  
4           agency shall establish an Office of Minority and  
5           Women Inclusion that shall be responsible for  
6           all matters of the agency relating to diversity in  
7           management, employment, and business activi-  
8           ties.

9           (B) BUREAU.—The Bureau shall establish  
10          an Office of Minority and Women Inclusion not  
11          later than 6 months after the designated trans-  
12          fer date established under section 1062.

13          (2) TRANSFER OF RESPONSIBILITIES.—Each  
14          agency that, on the day before the date of enactment  
15          of this Act, assigned the responsibilities described in  
16          paragraph (1) (or comparable responsibilities) to an-  
17          other office of the agency shall ensure that such re-  
18          sponsibilities are transferred to the Office.

19          (3) DUTIES WITH RESPECT TO CIVIL RIGHTS  
20          LAWS.—The responsibilities described in paragraph  
21          (1) do not include enforcement of statutes, regula-  
22          tions, or executive orders pertaining to civil rights,  
23          except each Director shall coordinate with the agen-  
24          cy administrator, or the designee of the agency ad-  
25          ministrator, regarding the design and implementa-

1       tion of any remedies resulting from violations of  
2       such statutes, regulations, or executive orders.

3       (b) DIRECTOR.—

4           (1) IN GENERAL.—The Director of each Office  
5       shall be appointed by, and shall report to, the agen-  
6       cy administrator. The position of Director shall be  
7       a career reserved position in the Senior Executive  
8       Service, as that position is defined in section 3132  
9       of title 5, United States Code, or an equivalent des-  
10      ignation.

11          (2) DUTIES.—Each Director shall develop  
12      standards for—

13           (A) equal employment opportunity and the  
14      racial, ethnic, and gender diversity of the work-  
15      force and senior management of the agency;

16           (B) increased participation of minority-  
17      owned and women-owned businesses in the pro-  
18      grams and contracts of the agency, including  
19      standards for coordinating technical assistance  
20      to such businesses; and

21           (C) assessing the diversity policies and  
22      practices of entities regulated by the agency.

23          (3) OTHER DUTIES.—Each Director shall ad-  
24      vise the agency administrator on the impact of the

1 policies and regulations of the agency on minority-  
2 owned and women-owned businesses.

3 (4) RULE OF CONSTRUCTION.—Nothing in  
4 paragraph (2)(C) may be construed to mandate any  
5 requirement on or otherwise affect the lending poli-  
6 cies and practices of any regulated entity, or to re-  
7 quire any specific action based on the findings of the  
8 assessment.

9 (c) INCLUSION IN ALL LEVELS OF BUSINESS ACTIVI-  
10 TIES.—

11 (1) IN GENERAL.—The Director of each Office  
12 shall develop and implement standards and proce-  
13 dures to ensure, to the maximum extent possible, the  
14 fair inclusion and utilization of minorities, women,  
15 and minority-owned and women-owned businesses in  
16 all business and activities of the agency at all levels,  
17 including in procurement, insurance, and all types of  
18 contracts.

19 (2) CONTRACTS.—The procedures established  
20 by each agency for review and evaluation of contract  
21 proposals and for hiring service providers shall in-  
22 clude, to the extent consistent with applicable law, a  
23 component that gives consideration to the diversity  
24 of the applicant. Such procedure shall include a  
25 written statement, in a form and with such content

1 as the Director shall prescribe, that a contractor  
2 shall ensure, to the maximum extent possible, the  
3 fair inclusion of women and minorities in the work-  
4 force of the contractor and, as applicable, sub-  
5 contractors.

6 (3) TERMINATION.—

7 (A) DETERMINATION.—The standards and  
8 procedures developed and implemented under  
9 this subsection shall include a procedure for the  
10 Director to make a determination whether an  
11 agency contractor, and, as applicable, a subcon-  
12 tractor has failed to make a good faith effort to  
13 include minorities and women in their work-  
14 force.

15 (B) EFFECT OF DETERMINATION.—

16 (i) RECOMMENDATION TO AGENCY AD-  
17 MINISTRATOR.—Upon a determination de-  
18 scribed in subparagraph (A), the Director  
19 shall make a recommendation to the agen-  
20 cy administrator that the contract be ter-  
21 minated.

22 (ii) ACTION BY AGENCY ADMINIS-  
23 TRATOR.—Upon receipt of a recommenda-  
24 tion under clause (i), the agency adminis-  
25 trator may—

- 1 (I) terminate the contract;
- 2 (II) make a referral to the Office
- 3 of Federal Contract Compliance Pro-
- 4 grams of the Department of Labor; or
- 5 (III) take other appropriate ac-
- 6 tion.

7 (d) APPLICABILITY.—This section shall apply to all

8 contracts of an agency for services of any kind, including

9 the services of financial institutions, investment banking

10 firms, mortgage banking firms, asset management firms,

11 brokers, dealers, financial services entities, underwriters,

12 accountants, investment consultants, and providers of

13 legal services. The contracts referred to in this subsection

14 include all contracts for all business and activities of an

15 agency, at all levels, including contracts for the issuance

16 or guarantee of any debt, equity, or security, the sale of

17 assets, the management of the assets of the agency, the

18 making of equity investments by the agency, and the im-

19 plementation by the agency of programs to address eco-

20 nomic recovery.

21 (e) REPORTS.—Each Office shall submit to Congress

22 an annual report regarding the actions taken by the agen-

23 cy and the Office pursuant to this section, which shall in-

24 clude—

1           (1) a statement of the total amounts paid by  
2           the agency to contractors since the previous report;

3           (2) the percentage of the amounts described in  
4           paragraph (1) that were paid to contractors de-  
5           scribed in subsection (c)(1);

6           (3) the successes achieved and challenges faced  
7           by the agency in operating minority and women out-  
8           reach programs;

9           (4) the challenges the agency may face in hiring  
10          qualified minority and women employees and con-  
11          tracting with qualified minority-owned and women-  
12          owned businesses; and

13          (5) any other information, findings, conclusions,  
14          and recommendations for legislative or agency ac-  
15          tion, as the Director determines appropriate.

16          (f) DIVERSITY IN AGENCY WORKFORCE.—Each  
17          agency shall take affirmative steps to seek diversity in the  
18          workforce of the agency at all levels of the agency in a  
19          manner consistent with applicable law. Such steps shall  
20          include—

21                 (1) recruiting at historically black colleges and  
22                 universities, Hispanic-serving institutions, women’s  
23                 colleges, and colleges that typically serve majority  
24                 minority populations;

1           (2) sponsoring and recruiting at job fairs in  
2 urban communities;

3           (3) placing employment advertisements in news-  
4 papers and magazines oriented toward minorities  
5 and women;

6           (4) partnering with organizations that are fo-  
7 cused on developing opportunities for minorities and  
8 women to place talented young minorities and  
9 women in industry internships, summer employment,  
10 and full-time positions;

11          (5) where feasible, partnering with inner-city  
12 high schools, girls' high schools, and high schools  
13 with majority minority populations to establish or  
14 enhance financial literacy programs and provide  
15 mentoring; and

16          (6) any other mass media communications that  
17 the Office determines necessary.

18          (g) DEFINITIONS.—For purposes of this section, the  
19 following definitions shall apply:

20           (1) AGENCY.—The term “agency” means—

21               (A) the Departmental Offices of the De-  
22 partment of the Treasury;

23               (B) the Corporation;

24               (C) the Federal Housing Finance Agency;

25               (D) each of the Federal reserve banks;



1 (E) the Board;

2 (F) the National Credit Union Administra-  
3 tion;

4 (G) the Office of the Comptroller of the  
5 Currency;

6 (H) the Commission; and

7 (I) the Bureau.

8 (2) AGENCY ADMINISTRATOR.—The term  
9 “agency administrator” means the head of an agen-  
10 cy.

11 (3) MINORITY.—The term “minority” has the  
12 same meaning as in section 1204(c) of the Financial  
13 Institutions Reform, Recovery, and Enforcement Act  
14 of 1989 (12 U.S.C. 1811 note).

15 (4) MINORITY-OWNED BUSINESS.—The term  
16 “minority-owned business” has the same meaning as  
17 in section 21A(r)(4)(A) of the Federal Home Loan  
18 Bank Act (12 U.S.C. 1441a(r)(4)(A)), as in effect  
19 on the day before the transfer date.

20 (5) OFFICE.—The term “Office” means the Of-  
21 fice of Minority and Women Inclusion established by  
22 an agency under subsection (a).

23 (6) WOMEN-OWNED BUSINESS.—The term  
24 “women-owned business” has the meaning given the  
25 term “women’s business” in section 21A(r)(4)(B) of

1 the Federal Home Loan Bank Act (12 U.S.C.  
2 1441a(r)(4)(B)), as in effect on the day before the  
3 transfer date.

4 **SEC. 343. INSURANCE OF TRANSACTION ACCOUNTS.**

5 (a) BANKS AND SAVINGS ASSOCIATIONS.—

6 (1) AMENDMENTS.—Section 11(a)(1) of the  
7 Federal Deposit Insurance Act (12 U.S.C.  
8 1821(a)(1)) is amended—

9 (A) in subparagraph (B)—

10 (i) by striking “The net amount” and  
11 inserting the following:

12 “(i) IN GENERAL.—Subject to clause  
13 (ii), the net amount”; and

14 (ii) by adding at the end the following  
15 new clauses:

16 “(ii) INSURANCE FOR NONINTEREST-  
17 BEARING TRANSACTION ACCOUNTS.—Not-  
18 withstanding clause (i), the Corporation  
19 shall fully insure the net amount that any  
20 depositor at an insured depository institu-  
21 tion maintains in a noninterest-bearing  
22 transaction account. Such amount shall  
23 not be taken into account when computing  
24 the net amount due to such depositor  
25 under clause (i).

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1                   “(iii) NONINTEREST-BEARING TRANS-  
2                   ACTION ACCOUNT DEFINED.—For purposes  
3                   of this subparagraph, the term ‘non-  
4                   interest-bearing transaction account’  
5                   means a deposit or account maintained at  
6                   an insured depository institution—

7                   “(I) with respect to which inter-  
8                   est is neither accrued nor paid;

9                   “(II) on which the depositor or  
10                  account holder is permitted to make  
11                  withdrawals by negotiable or transfer-  
12                  able instrument, payment orders of  
13                  withdrawal, telephone or other elec-  
14                  tronic media transfers, or other simi-  
15                  lar items for the purpose of making  
16                  payments or transfers to third parties  
17                  or others; and

18                  “(III) on which the insured de-  
19                  pository institution does not reserve  
20                  the right to require advance notice of  
21                  an intended withdrawal.”; and

22                  (B) in subparagraph (C), by striking “sub-  
23                  paragraph (B)” and inserting “subparagraph  
24                  (B)(i)”.

1           (2) EFFECTIVE DATE.—The amendments made  
2           by paragraph (1) shall take effect on December 31,  
3           2010.

4           (3) PROSPECTIVE REPEAL.—Effective January  
5           1, 2013, section 11(a)(1) of the Federal Deposit In-  
6           surance Act (12 U.S.C. 1821(a)(1)), as amended by  
7           paragraph (1), is amended—

8                   (A) in subparagraph (B)—

9                           (i) by striking “DEPOSIT.—” and all  
10                           that follows through “clause (ii), the net  
11                           amount” and insert “DEPOSIT.—The net  
12                           amount”; and

13                           (ii) by striking clauses (ii) and (iii);  
14                           and

15                   (B) in subparagraph (C), by striking “sub-  
16                   paragraph (B)(i)” and inserting “subparagraph  
17                   (B)”.

18           (b) CREDIT UNIONS.—

19                   (1) AMENDMENTS.—Section 207(k)(1) of the  
20                   Federal Credit Union Act (12 U.S.C. 1787(k)(1)) is  
21                   amended—

22                   (A) in subparagraph (A)—

23                           (i) by striking “Subject to the provi-  
24                           sions of paragraph (2), the net amount”  
25                           and inserting the following:

1                   “(i) NET AMOUNT OF INSURANCE  
2 PAYABLE.—Subject to clause (ii) and the  
3 provisions of paragraph (2), the net  
4 amount”; and

5                   (ii) by adding at the end the following  
6 new clauses: “(ii) .-- “(iii) .--”.

7                   “(ii) INSURANCE FOR NONINTEREST-  
8 BEARING TRANSACTION ACCOUNTS.—Not-  
9 withstanding clause (i), the Board shall  
10 fully insure the net amount that any mem-  
11 ber or depositor at an insured credit union  
12 maintains in a noninterest-bearing trans-  
13 action account. Such amount shall not be  
14 taken into account when computing the net  
15 amount due to such member or depositor  
16 under clause (i).

17                   “(iii) NONINTEREST-BEARING TRANS-  
18 ACTION ACCOUNT DEFINED.—For purposes  
19 of this subparagraph, the term ‘non-  
20 interest-bearing transaction account’  
21 means an account or deposit maintained at  
22 an insured credit union—

23                   “(I) with respect to which inter-  
24 est is neither accrued nor paid;

1                   “(II) on which the account holder  
2                   or depositor is permitted to make  
3                   withdrawals by negotiable or transfer-  
4                   able instrument, payment orders of  
5                   withdrawal, telephone or other elec-  
6                   tronic media transfers, or other simi-  
7                   lar items for the purpose of making  
8                   payments or transfers to third parties  
9                   or others; and

10                   “(III) on which the insured cred-  
11                   it union does not reserve the right to  
12                   require advance notice of an intended  
13                   withdrawal.”; and

14                   (B) in subparagraph (B), by striking “sub-  
15                   paragraph (A)” and inserting “subparagraph  
16                   (A)(i)”.

17                   (2) EFFECTIVE DATE.—The amendments made  
18                   by paragraph (1) shall take effect upon the date of  
19                   the enactment of this Act

20                   (3) PROSPECTIVE REPEAL.—Effective January  
21                   1, 2013, section 207(k)(1) of the Federal Credit  
22                   Union Act (12 U.S.C. 1787(k)(1)), as amended by  
23                   paragraph (1), is amended—

24                   (A) in subparagraph (A)—

1 (i) by striking “(i) NET AMOUNT OF  
2 INSURANCE PAYABLE.—” and all that fol-  
3 lows through “paragraph (2), the net  
4 amount” and inserting “Subject to the  
5 provisions of paragraph (2), the net  
6 amount”; and

7 (ii) by striking clauses (ii) and (iii);  
8 and

9 (B) in subparagraph (B), by striking “sub-  
10 paragraph (A)(i)” and inserting “subparagraph  
11 (A)”.

## 12 **Subtitle E—Technical and** 13 **Conforming Amendments**

### 14 **SEC. 351. EFFECTIVE DATE.**

15 Except as provided in section 364(a), the amend-  
16 ments made by this subtitle shall take effect on the trans-  
17 fer date.

### 18 **SEC. 352. BALANCED BUDGET AND EMERGENCY DEFICIT**

#### 19 **CONTROL ACT OF 1985.**

20 Section 256(h) of the Balanced Budget and Emer-  
21 gency Deficit Control Act of 1985 (2 U.S.C. 906(h)) is  
22 amended—

23 (1) in paragraph (4), by striking subparagraphs  
24 (C) and (G); and

1           (2) by redesignating subparagraphs (D), (E),  
2           (F), and (H) as subparagraphs (C), (D), (E), and  
3           (F), respectively.

4 **SEC. 353. BANK ENTERPRISE ACT OF 1991.**

5           Section 232(a) of the Bank Enterprise Act of 1991  
6 (12 U.S.C. 1834(a)) is amended—

7           (1) in the subsection heading, by striking “BY  
8           FEDERAL RESERVE BOARD”;

9           (2) in paragraph (1)—

10           (A) by striking “The Board of Governors  
11           of the Federal Reserve System,” and inserting  
12           “the Comptroller of the Currency”; and

13           (B) by striking “section 7(b)(2)(H)” and  
14           inserting “section 7(b)(2)(E)”;

15           (3) in paragraph (2)(A), by striking “Board”  
16           and inserting “Comptroller”; and

17           (4) in paragraph (3)—

18           (A) by redesignating subparagraphs (A)  
19           through (C) as subparagraphs (B) through (D),  
20           respectively; and

21           (B) by inserting before subparagraph (B)  
22           the following:

23           “(A) COMPTROLLER.—The term ‘Comptroller’ means the Comptroller of the Cur-  
24           rently.’”  
25           rency.”.



1 **SEC. 354. BANK HOLDING COMPANY ACT OF 1956.**

2 The Bank Holding Company Act of 1956 (12 U.S.C.  
3 1841 et seq.) is amended—

4 (1) in section 2(j)(3) (12 U.S.C. 1841(j)(3)),  
5 strike “Director of the Office of Thrift Supervision”  
6 and inserting “appropriate Federal banking agen-  
7 cy”;

8 (2) in section 4 (12 U.S.C. 1843)—

9 (A) in subsection (i)—

10 (i) in paragraph (4)—

11 (I) in subparagraph (A)—

12 (aa) in the subparagraph  
13 heading, by striking “TO DIREC-  
14 TOR”; and

15 (bb) by striking “Board”  
16 and all that follows through the  
17 end of the subparagraph and in-  
18 serting “Board shall solicit com-  
19 ments and recommendations  
20 from—

21 “(i) the Comptroller of the Currency,  
22 with respect to the acquisition of a Federal  
23 savings association; and

24 “(ii) the Federal Deposit Insurance  
25 Corporation, with respect to the acquisition  
26 of a State savings association.”.

1 (II) in subparagraph (B), by  
2 striking “Director” each place that  
3 term appears and inserting “Comp-  
4 troller of the Currency or the Federal  
5 Deposit Insurance Corporation, as ap-  
6 plicable,”;

7 (ii) in paragraph (5)—

8 (I) in subparagraph (B), by  
9 striking “Director with” and inserting  
10 “Comptroller of the Currency or the  
11 Federal Deposit Insurance Corpora-  
12 tion, as applicable, with”; and

13 (II) by striking “Director” each  
14 place that term appears and inserting  
15 “Comptroller of the Currency or the  
16 Federal Deposit Insurance Corpora-  
17 tion”;

18 (iii) in paragraph (6), by striking “Di-  
19 rector” and inserting “Comptroller of the  
20 Currency or the Federal Deposit Insurance  
21 Corporation, as applicable,”; and

22 (iv) by striking paragraph (7); and

23 (3) in section 5(f) (12 U.S.C. 1844(f))—

24 (A) by striking “subpena” each place that  
25 term appears and inserting “subpoena”;

1 (B) by striking “subpenas” each place that  
2 term appears and inserting “subpoenas”; and  
3 (C) by striking “subpenaed” and inserting  
4 “subpoenaed”.

5 **SEC. 355. BANK HOLDING COMPANY ACT AMENDMENTS OF**  
6 **1970.**

7 Section 106(b)(1) of the Bank Holding Company Act  
8 Amendments of 1970 (12 U.S.C. 1972(1)) is amended in  
9 the undesignated matter following subparagraph (E) by  
10 inserting “issue such regulations as are necessary to carry  
11 out this section, and, in consultation with the Comptroller  
12 of the Currency and the Federal Deposit Insurance Com-  
13 pany, may” after “The Board may”.

14 **SEC. 356. BANK PROTECTION ACT OF 1968.**

15 The Bank Protection Act of 1968 (12 U.S.C. 1881  
16 et seq.) is amended—

17 (1) in section 2 (12 U.S.C. 1881), by striking  
18 “the term” and all that follows through the end of  
19 the section and inserting “the term ‘Federal super-  
20 visory agency’ means the appropriate Federal bank-  
21 ing agency, as defined in section 3(q) of the Federal  
22 Deposit Insurance Act (12 U.S.C. 1813(q)).”;

23 (2) in section 3 (12 U.S.C. 1882), by striking  
24 “and loan” each place that term appears; and

1           (3) in section 5 (12 U.S.C. 1884), by striking  
2           “and loan”.

3 **SEC. 357. BANK SERVICE COMPANY ACT.**

4           The Bank Service Company Act (12 U.S.C. 1861 et  
5 seq.) is amended—

6           (1) in section 1(b)(4) (12 U.S.C. 1861(b)(4))—

7                 (A) by inserting after “an insured bank,”  
8                 the following: “a savings association,”;

9                 (B) by striking “Director of the Office of  
10                 Thrift Supervision” and inserting “appropriate  
11                 Federal banking agency”; and

12                 (C) by striking “, the Federal Savings and  
13                 Loan Insurance Corporation,”;

14           (2) in section 1(b)(5), by striking “term ‘in-  
15           sured depository institution’ has the same meaning  
16           as in section 3(c)” and inserting “terms ‘depository  
17           institution’ and ‘savings association’ have the same  
18           meanings as in section 3”; and

19           (3) in section 7(c)(2) (12 U.S.C. 1867(c)(2)),  
20           by inserting “each” after “notify”.

21 **SEC. 358. COMMUNITY REINVESTMENT ACT OF 1977.**

22           The Community Reinvestment Act of 1977 (12  
23 U.S.C. 2901 et seq.) is amended—

24           (1) in section 803 (12 U.S.C. 2902)—

25                 (A) in paragraph (1)—

1 (i) in subparagraph (A), by inserting  
2 “and Federal savings associations (the de-  
3 posits of which are insured by the Federal  
4 Deposit Insurance Corporation)” after  
5 “banks”;

6 (ii) in subparagraph (B), by striking  
7 “and bank holding companies” and insert-  
8 ing “, bank holding companies, and sav-  
9 ings and loan holding companies”; and

10 (iii) in subparagraph (C), by striking  
11 “; and” and inserting “, and State savings  
12 associations (the deposits of which are in-  
13 sured by the Federal Deposit Insurance  
14 Corporation).”; and

15 (B) by striking paragraph (2) (relating to  
16 the Office of Thrift Supervision), as added by  
17 section 744(q) of the Financial Institutions Re-  
18 form, Recovery, and Enforcement Act of 1989  
19 (Public Law 101–73; 103 Stat. 440); and

20 (2) in section 806 (12 U.S.C. 2905), by insert-  
21 ing “, except that the Comptroller of the Currency  
22 shall prescribe regulations applicable to savings asso-  
23 ciations and the Board of Governors shall prescribe  
24 regulations applicable to insured State member

1 banks, bank holding companies and savings and loan  
2 holding companies,” after “supervisory agency”.

3 **SEC. 359. CRIME CONTROL ACT OF 1990.**

4 The Crime Control Act of 1990 is amended—

5 (1) in section 2539(c)(2) (28 U.S.C. 509  
6 note)—

7 (A) by striking subparagraphs (C) and  
8 (D); and

9 (B) by redesignating subparagraphs (E)  
10 through (H) as subparagraphs (C) through (G),  
11 respectively; and

12 (2) in section 2554(b)(2) (Public Law 101–647;  
13 104 Stat. 4890)—

14 (A) in subparagraph (A), by striking “, the  
15 Director of the Office of Thrift Supervision,”  
16 and inserting “the Comptroller of the Cur-  
17 rency”; and

18 (B) in subparagraph (B), by striking “,  
19 the Director” and all that follows through  
20 “Trust Corporation” and inserting “or the Fed-  
21 eral Deposit Insurance Corporation”.

22 **SEC. 360. DEPOSITORY INSTITUTION MANAGEMENT INTER-**  
23 **LOCKS ACT.**

24 The Depository Institution Management Interlocks  
25 Act (12 U.S.C. 3201 et seq.) is amended—

1 (1) in section 207 (12 U.S.C. 3206)—

2 (A) in paragraph (1), by inserting before  
3 the comma at the end the following: “and Fed-  
4 eral savings associations (the deposits of which  
5 are insured by the Federal Deposit Insurance  
6 Corporation)”;

7 (B) in paragraph (2), by striking “, and  
8 bank holding companies” and inserting “, bank  
9 holding companies, and savings and loan hold-  
10 ing companies”;

11 (C) in paragraph (3), by striking “Cor-  
12 poration,” and inserting “Corporation and  
13 State savings associations (the deposits of  
14 which are insured by the Federal Deposit In-  
15 surance Corporation),”;

16 (D) by striking paragraph (4);

17 (E) by redesignating paragraphs (5) and  
18 (6) as paragraphs (4) and (5), respectively; and

19 (F) in paragraph (5), as so redesignated,  
20 by striking “through (5)” and inserting  
21 “through (4)”;

22 (2) in section 209 (12 U.S.C. 3207)—

23 (A) in paragraph (1), by inserting before  
24 the comma at the end the following: “and Fed-  
25 eral savings associations (the deposits of which

1 are insured by the Federal Deposit Insurance  
2 Corporation)”;

3 (B) in paragraph (2), by striking “, and  
4 bank holding companies” and inserting “, bank  
5 holding companies, and savings and loan hold-  
6 ing companies”;

7 (C) in paragraph (3), by striking “Cor-  
8 poration,” and inserting “Corporation and  
9 State savings associations (the deposits of  
10 which are insured by the Federal Deposit In-  
11 surance Corporation),”;

12 (D) by striking paragraph (4); and

13 (E) by redesignating paragraph (5) as  
14 paragraph (4); and

15 (3) in section 210(a) (12 U.S.C. 3208(a))—

16 (A) by striking “his” and inserting “the”;

17 and

18 (B) by inserting “of the Attorney General”

19 after “enforcement functions”.

20 **SEC. 361. EMERGENCY HOMEOWNERS’ RELIEF ACT.**

21 Section 110 of the Emergency Homeowners’ Relief  
22 Act (12 U.S.C. 2709) is amended in the second sentence,  
23 by striking “Home Loan Bank Board, the Federal Savings  
24 and Loan Insurance Corporation” and inserting “Housing  
25 Finance Agency”.



1 **SEC. 362. FEDERAL CREDIT UNION ACT.**

2 The Federal Credit Union Act (12 U.S.C. 1751 et  
3 seq.) is amended—

4 (1) in section 107(8) (12 U.S.C. 1757(8)), by  
5 striking “or the Federal Savings and Loan Insur-  
6 ance Corporation”;

7 (2) in section 205 (12 U.S.C. 1785)—

8 (A) in subsection (b)(2)(G)(i), by striking  
9 “the Office of Thrift Supervision and”; and

10 (B) in subsection (i)(1), by striking “or the  
11 Federal Savings and Loan Insurance Corpora-  
12 tion”; and

13 (3) in section 206(g)(7) (12 U.S.C.  
14 1786(g)(7))—

15 (A) in subparagraph (A)—

16 (i) in clause (ii), by striking “(b)(8)”  
17 and inserting “(b)(9)”;

18 (ii) in clause (v)—

19 (I) by striking “depository” and  
20 inserting “financial”; and

21 (II) by adding “and” at the end;

22 (iii) in clause (vi)—

23 (I) by striking “Board” and in-  
24 serting “Agency”; and

25 (II) by striking “; and” and in-  
26 serting a period; and

- 1 (iv) by striking clause (vii); and  
2 (B) in subparagraph (D)—  
3 (i) in clause (iii), by adding “and” at  
4 the end;  
5 (ii) in clause (iv)—  
6 (I) by striking “Board” and in-  
7 serting “Agency”; and  
8 (II) by striking “and” at the end;  
9 and  
10 (iii) by striking clause (v).

11 **SEC. 363. FEDERAL DEPOSIT INSURANCE ACT.**

12 The Federal Deposit Insurance Act (12 U.S.C. 1811  
13 et seq.) is amended—

- 14 (1) in section 3 (12 U.S.C. 1813)—  
15 (A) in subsection (b)(1)(C), by striking  
16 “Director of the Office of Thrift Supervision”  
17 and inserting “Comptroller of the Currency”;  
18 (B) in subsection (l)(5), in the matter pre-  
19 ceding subparagraph (A), by striking “Director  
20 of the Office of Thrift Supervision,”; and  
21 (C) in subsection (z), by striking “the Di-  
22 rector of the Office of Thrift Supervision,”;  
23 (2) in section 7 (12 U.S.C. 1817)—  
24 (A) in subsection (a)—  
25 (i) in paragraph (2)—

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1 (I) in subparagraph (A)—

2 (aa) in the first sentence, by  
3 striking “the Director of the Of-  
4 fice of Thrift Supervision,”;

5 (bb) in the second sen-  
6 tence—

7 (AA) by striking “the  
8 Director of the Office of  
9 Thrift Supervision,” and in-  
10 sserting “to”; and

11 (BB) by inserting “to”  
12 before “any Federal home”;  
13 and

14 (cc) by striking “Finance  
15 Board” each place that term ap-  
16 pears and inserting “Finance  
17 Agency”; and

18 (II) in subparagraph (B), by  
19 striking “the Comptroller of the Cur-  
20 rency, the Board of Governors of the  
21 Federal Reserve System, and the Di-  
22 rector of the Office of Thrift Super-  
23 vision,” and inserting “the Comp-  
24 troller of the Currency and the Board

1 of Governors of the Federal Reserve  
2 System,”;

3 (ii) in paragraph (3), in the first sen-  
4 tence, by striking “Comptroller of the Cur-  
5 rency, the Chairman of the Board of Gov-  
6 ernors of the Federal Reserve System, and  
7 the Director of the Office of Thrift Super-  
8 vision.” and inserting “Comptroller of the  
9 Currency, and the Chairman of the Board  
10 of Governors of the Federal Reserve Sys-  
11 tem.”;

12 (iii) in paragraph (6), by striking  
13 “section 232(a)(3)(C)” and inserting “sec-  
14 tion 232(a)(3)(D)”;

15 (iv) in paragraph (7), by striking “,  
16 the Director of the Office of Thrift Super-  
17 vision,”; and

18 (B) in subsection (n)—

19 (i) in the heading, by striking “DI-  
20 RECTOR OF THE OFFICE OF THRIFT SU-  
21 PERVISION” and inserting “COMPTROLLER  
22 OF THE CURRENCY”;

23 (ii) in the first sentence—

24 (I) by striking “the Director of  
25 the Office of Thrift Supervision” and

1 inserting “the Comptroller of the Cur-  
2 rency”; and

3 (II) by inserting “Federal” be-  
4 fore “savings associations”;

5 (iii) in the third sentence, by striking  
6 “, the Financing Corporation, and the Res-  
7 olution Funding Corporation”; and

8 (iv) by striking “the Director” each  
9 place that term appears and inserting “the  
10 Comptroller”;

11 (3) in section 8 (12 U.S.C. 1818)—

12 (A) in subsection (a)(8)(B)(ii), in the last  
13 sentence, by striking “Director of the Office of  
14 Thrift Supervision” each place that term ap-  
15 pears and inserting “Comptroller of the Cur-  
16 rency”;

17 (B) in subsection (b)(3)—

18 (i) by inserting “any savings and loan  
19 holding company and any subsidiary (other  
20 than a depository institution) of a savings  
21 and loan holding company (as such terms  
22 are defined in section 10 of Home Owners’  
23 Loan Act)), any noninsured State member  
24 bank” after “Bank Holding Company Act  
25 of 1956,”; and

1 (ii) by inserting “or against a savings  
2 and loan holding company or any sub-  
3 sidiary thereof (other than a depository in-  
4 stitution or a subsidiary of such depository  
5 institution)” before the period at the end;

6 (C) by striking paragraph (9) of subsection  
7 (b) and inserting the following new paragraph:  
8 “(9) [Repealed]”.

9 (D) in subsection (e)(7)—

10 (i) in subparagraph (A)—

11 (I) in clause (v), by inserting  
12 “and” after the semicolon;

13 (II) in clause (vi)—

14 (aa) by striking “Board”  
15 and inserting “Agency”; and

16 (bb) by striking “; and” and  
17 inserting a period; and

18 (III) by striking clause (vii); and

19 (ii) in subparagraph (D)—

20 (I) in clause (iii), by inserting  
21 “and” after the semicolon;

22 (II) in clause (iv)—

23 (aa) by striking “Board”  
24 and inserting “Agency”; and

- 1 (bb) by striking “; and” and  
2 inserting a period; and
- 3 (III) by striking clause (v);
- 4 (E) in subsection (j)—
- 5 (i) in paragraph (2), by striking “, or  
6 as a savings association under subsection  
7 (b)(9) of this section”;
- 8 (ii) in paragraph (3), by inserting  
9 “or” after the semicolon;
- 10 (iii) in paragraph (4), by striking “;  
11 or” and inserting a comma; and
- 12 (iv) by striking paragraph (5);
- 13 (F) in subsection (o), by striking “Director  
14 of the Office of Thrift Supervision” and insert-  
15 ing “Comptroller of the Currency”; and
- 16 (G) in subsection (w)(3)(A), by striking  
17 “and the Office of Thrift Supervision”;
- 18 (4) in section 10 (12 U.S.C. 1820)—
- 19 (A) in subsection (d)(5), by striking “or  
20 the Resolution Trust Corporation” each place  
21 that term appears; and
- 22 (B) in subsection (k)(5)(B)—
- 23 (i) in clause (ii), by inserting “and”  
24 after the semicolon;

1 (ii) in clause (iii), by striking “; and”

2 and inserting a period; and

3 (iii) by striking clause (iv);

4 (5) in section 11 (12 U.S.C. 1821)—

5 (A) in subsection (c)—

6 (i) in paragraph (2)(A)(ii), by striking

7 “(other than section 21A of the Federal

8 Home Loan Bank Act)”;

9 (ii) in paragraph (4), by striking “Ex-

10 cept as otherwise provided in section 21A

11 of the Federal Home Loan Bank Act and

12 notwithstanding” and inserting “Notwith-

13 standing”;

14 (iii) in paragraph (6)—

15 (I) in the heading, by striking

16 “DIRECTOR OF THE OFFICE OF

17 THRIFT SUPERVISION” and inserting

18 “COMPTROLLER OF THE CURRENCY”;

19 (II) in subparagraph (A)—

20 (aa) by striking “or the Res-

21 olution Trust Corporation”; and

22 (bb) by striking “Director of

23 the Office of Thrift Supervision”

24 and inserting “Comptroller of the

25 Currency”; and



1 (III) by amending subparagraph  
2 (B) to read as follows:

3 “(B) RECEIVER.—The Corporation may,  
4 at the discretion of the Comptroller of the Cur-  
5 rency, be appointed receiver and the Corpora-  
6 tion may accept any such appointment.”;

7 (iv) in paragraph (12)(A), by striking  
8 “or the Resolution Trust Corporation”;  
9 (B) in subsection (d)—

10 (i) in paragraph (17)(A), by striking  
11 “or the Director of the Office of Thrift Su-  
12 pervision”; and

13 (ii) in paragraph (18)(B), by striking  
14 “or the Director of the Office of Thrift Su-  
15 pervision”;

16 (C) in subsection (m)—

17 (i) in paragraph (9), by striking “or  
18 the Director of the Office of Thrift Super-  
19 vision, as appropriate”;

20 (ii) in paragraph (16), by striking “or  
21 the Director of the Office of Thrift Super-  
22 vision, as appropriate” each place that  
23 term appears; and

24 (iii) in paragraph (18), by striking  
25 “or the Director of the Office of Thrift Su-

1 pervision, as appropriate” each place that  
2 term appears;

3 (D) in subsection (n)—

4 (i) in paragraph (1)(A)—

5 (I) by striking “, or the Director  
6 of the Office of Thrift Supervision,  
7 with respect to” and inserting “or”;  
8 and

9 (II) by striking “applicable,,”  
10 and inserting “applicable,”;

11 (ii) in paragraph (2)(A), by striking  
12 “or the Director of the Office of Thrift Su-  
13 pervision”;

14 (iii) in paragraph (4)(D), by striking  
15 “and the Director of the Office of Thrift  
16 Supervision, as appropriate,”;

17 (iv) in paragraph (4)(G), by striking  
18 “and the Director of the Office of Thrift  
19 Supervision, as appropriate,”; and

20 (v) in paragraph (12)(B)—

21 (I) by inserting “as” after “shall  
22 appoint the Corporation”;

23 (II) by striking “or the Director  
24 of the Office of Thrift Supervision, as

1                   appropriate,” each place such term  
2                   appears;

3                   (E) in subsection (p)—

4                   (i) in paragraph (2)(B), by striking  
5                   “the Corporation, the FSLIC Resolution  
6                   Fund, or the Resolution Trust Corpora-  
7                   tion,” and inserting “or the Corporation,”;  
8                   and

9                   (ii) in paragraph (3)(B), by striking  
10                  “, the FSLIC Resolution Fund, the Reso-  
11                  lution Trust Corporation,”; and

12                  (F) in subsection (r), by striking “and the  
13                  Resolution Trust Corporation”;

14                  (6) in section 13(k)(1)(A)(iv) (12 U.S.C.  
15                  1823(k)(1)(A)(iv)), by striking “Director of the Of-  
16                  fice of Thrift Supervision” and inserting “Comp-  
17                  troller of the Currency”;

18                  (7) in section 18 (12 U.S.C. 1828)—

19                  (A) in subsection (c)(2)—

20                  (i) in subparagraph (A), by inserting  
21                  “or a Federal savings association” before  
22                  the semicolon;

23                  (ii) in subparagraph (B), by adding  
24                  “and” at the end;

1 (iii) in subparagraph (C), by striking  
2 “(except” and all that follows through “;  
3 and” and inserting “or a State savings as-  
4 sociation.”; and

5 (iv) by striking subparagraph (D);

6 (B) in subsection (g)(1), by striking “the  
7 Director of the Office of Thrift Supervision” and  
8 inserting “the Comptroller of the Currency”;

9 (C) in subsection (i)(2)(C), by striking  
10 “Director of the Office of Thrift Supervision”  
11 and inserting “Corporation”; and

12 (D) in subsection (m)—

13 (i) in paragraph (1)—

14 (I) in subparagraph (A), by strik-  
15 ing “and the Director of the Office of  
16 Thrift Supervision” and inserting “or  
17 the Comptroller of the Currency, as  
18 appropriate,”; and

19 (II) in subparagraph (B), by  
20 striking “and orders of the Director  
21 of the Office of Thrift Supervision”  
22 and inserting “of the Comptroller of  
23 the Currency and orders of the Cor-  
24 poration and the Comptroller of the  
25 Currency”;

1 (ii) in paragraph (2)—

2 (I) in subparagraph (A), by strik-  
3 ing “Director of the Office of Thrift  
4 Supervision” and inserting “Comp-  
5 troller of the Currency, as appro-  
6 priate,”; and

7 (II) in subparagraph (B)—

8 (aa) in the matter before  
9 clause (i), by striking “Director  
10 of the Office of Thrift Super-  
11 vision” and inserting “Corpora-  
12 tion or the Comptroller of the  
13 Currency, as appropriate,”; and

14 (bb) in the matter following  
15 clause (ii)—

16 (AA) in the first sen-  
17 tence, by striking “Director  
18 of the Office of Thrift Su-  
19 pervision” and inserting  
20 “Office of the Comptroller of  
21 the Currency, as appro-  
22 priate,”; and

23 (BB) by striking the  
24 second sentence and insert-  
25 ing the following: “The Cor-

1                   poration or the Comptroller  
2                   of the Currency, as appro-  
3                   priate, may take any other  
4                   corrective measures with re-  
5                   spect to the subsidiary, in-  
6                   cluding the authority to re-  
7                   quire the subsidiary to ter-  
8                   minate the activities or oper-  
9                   ations posing such risks, as  
10                  the Corporation or the  
11                  Comptroller of the Currency,  
12                  respectively, may deem ap-  
13                  propriate.”; and

14                  (iii) in paragraph (3)—

15                         (I) in subparagraph (A), in the  
16                         second sentence—

17                                 (aa) by inserting “, in the  
18                                 case of a Federal savings associa-  
19                                 tion,” before “consult with”; and

20                                 (bb) by striking “Director of  
21                                 the Office of Thrift Supervision”  
22                                 and inserting “Comptroller of the  
23                                 Currency”; and

24                         (II) in subparagraph (B)—

1 (aa) in the subparagraph  
2 heading, by striking “DIRECTOR”  
3 and inserting “COMPTROLLER OF  
4 THE CURRENCY”;

5 (bb) by striking “Office of  
6 Thrift Supervision” and inserting  
7 “Comptroller of the Currency”;

8 (cc) by inserting a comma  
9 after “soundness”; and

10 (dd) by inserting “as to  
11 Federal savings associations”  
12 after “compliance”;

13 (8) in section 19(e) (12 U.S.C. 1829(e))—

14 (A) in paragraph (1), by striking “Director  
15 of the Office of Thrift Supervision” and insert-  
16 ing “Board of Governors of the Federal Reserve  
17 System”; and

18 (B) in paragraph (2), by striking “Director  
19 of the Office of Thrift Supervision” and insert-  
20 ing “Board of Governors of the Federal Reserve  
21 System”;

22 (9) in section 28 (12 U.S.C. 1831e)—

23 (A) in subsection (e)—

24 (i) in paragraph (2)—

1 (I) in subparagraph (A)(ii), by  
2 striking “Director of the Office of  
3 Thrift Supervision” and inserting  
4 “Comptroller of the Currency or the  
5 Corporation, as appropriate”;

6 (II) in subparagraph (C), by  
7 striking “Director of the Office of  
8 Thrift Supervision” and inserting  
9 “Comptroller of the Currency or the  
10 Corporation, as appropriate,”; and

11 (III) in subparagraph (F), by  
12 striking “Director of the Office of  
13 Thrift Supervision” and inserting  
14 “Comptroller of the Currency or the  
15 Corporation, as appropriate”; and

16 (ii) in paragraph (3)—

17 (I) in subparagraph (A), by strik-  
18 ing “Director of the Office of Thrift  
19 Supervision” and inserting “Comp-  
20 troller of the Currency or the Cor-  
21 poration, as appropriate”; and

22 (II) in subparagraph (B), by  
23 striking “Director of the Office of  
24 Thrift Supervision” and inserting



1 “Comptroller of the Currency or the  
2 Corporation, as appropriate,”; and

3 (B) in subsection (h)(2), by striking “Di-  
4 rector of the Office of Thrift Supervision” and  
5 inserting “Comptroller of the Currency, of the  
6 Corporation,”; and

7 (10) in section 33(e) (12 U.S.C. 1831j(e)), by  
8 striking “Federal Housing Finance Board, the  
9 Comptroller of the Currency, and the Director of the  
10 Office of Thrift Supervision” and inserting “Federal  
11 Housing Finance Agency and the Comptroller of the  
12 Currency”.

13 **SEC. 364. FEDERAL HOME LOAN BANK ACT.**

14 (a) REPEAL OF SECTION 18(c).—Effective 90 days  
15 after the transfer date, section 18(c) of the Federal Home  
16 Loan Bank Act (12 U.S.C. 1438(c)) is repealed.

17 (b) REPEAL OF SECTION 21A.—Section 21A of the  
18 Federal Home Loan Bank Act (12 U.S.C. 1441a) is re-  
19 pealed.

20 **SEC. 365. FEDERAL HOUSING ENTERPRISES FINANCIAL**  
21 **SAFETY AND SOUNDNESS ACT OF 1992.**

22 The Federal Housing Enterprises Financial Safety  
23 and Soundness Act of 1992 (12 U.S.C. 4501 et seq.) is  
24 amended—

1           (1) in section 1315(b) (12 U.S.C. 4515(b)), by  
2           striking “the Federal Deposit Insurance Corpora-  
3           tion, and the Office of Thrift Supervision.” and in-  
4           serting “and the Federal Deposit Insurance Cor-  
5           poration.”; and

6           (2) in section 1317(c) (12 U.S.C. 4517(c)), by  
7           striking “the Federal Deposit Insurance Corpora-  
8           tion, or the Director of the Office of Thrift Super-  
9           vision” and inserting “or the Federal Deposit Insur-  
10          ance Corporation”.

11 **SEC. 366. FEDERAL RESERVE ACT.**

12          The Federal Reserve Act (12 U.S.C. 221 et seq.) is  
13 amended—

14           (1) in section 11(a)(2) (12 U.S.C. 248(a)(2))—

15               (A) by inserting “State savings associa-  
16               tions that are insured depository institutions  
17               (as defined in section 3 of the Federal Deposit  
18               Insurance Act),” after “case of insured”;

19               (B) by striking “Director of the Office of  
20               Thrift Supervision” and inserting “Comptroller  
21               of the Currency”;

22               (C) by inserting “Federal” before “savings  
23               association which”; and

24               (D) by striking “savings and loan associa-  
25               tion” and inserting “savings association”; and

1 (2) in section 19(b) (12 U.S.C. 461(b))—

2 (A) in paragraph (1)(F), by striking “Di-  
3 rector of the Office of Thrift Supervision” and  
4 inserting “Comptroller of the Currency”; and

5 (B) in paragraph (4)(B), by striking “Di-  
6 rector of the Office of Thrift Supervision” and  
7 inserting “Comptroller of the Currency”.

8 **SEC. 367. FINANCIAL INSTITUTIONS REFORM, RECOVERY,**  
9 **AND ENFORCEMENT ACT OF 1989.**

10 The Financial Institutions Reform, Recovery, and  
11 Enforcement Act of 1989 is amended—

12 (1) in section 203 (12 U.S.C. 1812 note), by  
13 striking subsection (b);

14 (2) in section 302(1) (12 U.S.C. 1467a note),  
15 by striking “Director of the Office of Thrift Super-  
16 vision” and inserting “Comptroller of the Currency”;

17 (3) in section 305(12 U.S.C. 1464 note), by  
18 striking subsection (b);

19 (4) in section 308 (12 U.S.C. 1463 note)—

20 (A) in subsection (a), by striking “Director  
21 of the Office of Thrift Supervision” and insert-  
22 ing “Chairman of the Board of Governors of  
23 the Federal Reserve System, the Comptroller of  
24 the Currency, the Chairman of the National  
25 Credit Union Administration,”; and

1 (B) by adding at the end the following new  
2 subsection:

3 “(c) REPORTS.—The Secretary of the Treasury, the  
4 Chairman of the Board of Governors of the Federal Re-  
5 serve System, the Comptroller of the Currency, the Chair-  
6 man of the National Credit Union Administration, and the  
7 Chairperson of Board of Directors of the Federal Deposit  
8 Insurance Corporation shall each submit an annual report  
9 to the Congress containing a description of actions taken  
10 to carry out this section.”;

11 (5) in section 402 (12 U.S.C. 1437 note)—

12 (A) in subsection (a), by striking “Director  
13 of the Office of Thrift Supervision” and insert-  
14 ing “Comptroller of the Currency”;

15 (B) by striking subsection (b);

16 (C) in subsection (e)—

17 (i) in paragraph (1), by striking “Of-  
18 fice of Thrift Supervision” and inserting  
19 “Comptroller of the Currency”; and

20 (ii) in each of paragraphs (2), (3),  
21 and (4), by striking “Director of the Office  
22 of Thrift Supervision” each place that  
23 term appears and inserting “Comptroller  
24 of the Currency”; and

1 (D) by striking “Federal Housing Finance  
2 Board” each place that term appears and in-  
3 serting “Federal Housing Finance Agency”;

4 (6) in section 1103(a) (12 U.S.C. 3332(a)), by  
5 striking “and the Resolution Trust Corporation”;

6 (7) in section 1205(b) (12 U.S.C. 1818 note)—

7 (A) in paragraph (1)—

8 (i) by striking subparagraph (B); and

9 (ii) by redesignating subparagraphs  
10 (C) through (F) as subparagraphs (B)  
11 through (E), respectively; and

12 (B) in paragraph (2), by striking “para-  
13 graph (1)(F)” and inserting “paragraph  
14 (1)(E)”;

15 (8) in section 1206 (12 U.S.C. 1833b)—

16 (A) by striking “Board, the Oversight  
17 Board of the Resolution Trust Corporation”  
18 and inserting “Agency, and”; and

19 (B) by striking “, and the Office of Thrift  
20 Supervision”;

21 (9) in section 1216 (12 U.S.C. 1833e)—

22 (A) in subsection (a)—

23 (i) in paragraph (3), by adding “and”  
24 at the end;

1 (ii) in paragraph (4), by striking the  
2 semicolon at the end and inserting a pe-  
3 riod;

4 (iii) by striking paragraphs (2), (5),  
5 and (6); and

6 (iv) by redesignating paragraphs (3)  
7 and (4), as paragraphs (2) and (3), respec-  
8 tively;

9 (B) in subsection (c)—

10 (i) by striking “the Director of the  
11 Office of Thrift Supervision,” and insert-  
12 ing “and”; and

13 (ii) by striking “the Thrift Depositor  
14 Protection Oversight Board of the Resolu-  
15 tion Trust Corporation, and the Resolution  
16 Trust Corporation”; and

17 (C) in subsection (d)—

18 (i) by striking paragraphs (3), (5),  
19 and (6); and

20 (ii) by redesignating paragraphs (4),  
21 (7), and (8) as paragraphs (3), (4), and  
22 (5), respectively.

1 **SEC. 368. FLOOD DISASTER PROTECTION ACT OF 1973.**

2 Section 3(a)(5) of the Flood Disaster Protection Act  
3 of 1973 (42 U.S.C. 4003(a)(5)) is amended by striking  
4 “, the Office of Thrift Supervision”.

5 **SEC. 369. HOME OWNERS’ LOAN ACT.**

6 The Home Owners’ Loan Act (12 U.S.C. 1461 et  
7 seq.) is amended—

8 (1) in section 1 (12 U.S.C. 1461), by striking  
9 the table of contents;

10 (2) in section 2 (12 U.S.C. 1462), as amended  
11 by this Act—

12 (A) by striking paragraphs (1) and (3);

13 (B) by redesignating paragraph (2) as  
14 paragraph (1);

15 (C) by redesignating paragraphs (4)  
16 through (9) as paragraphs (2) through (7), re-  
17 spectively; and

18 (D) by adding at the end the following:

19 “(8) BOARD.—The term ‘Board’, other than in  
20 the context of the Board of Directors of the Cor-  
21 poration, means the Board of Governors of the Fed-  
22 eral Reserve System.

23 “(9) COMPTROLLER.—The term ‘Comptroller’  
24 means the Comptroller of the Currency.”;

25 (3) in section 3 (12 U.S.C. 1462a)—

1 (A) by striking the section heading and in-  
2 serting the following:

3 **“SEC. 3. ADMINISTRATIVE PROVISIONS.”;**

4 (B) by striking subsections (a), (b), (c),  
5 (d), (g), (h), (i), and (j);

6 (C) by redesignating subsections (e) and  
7 (f) as subsections (a) and (b), respectively;

8 (D) in subsection (a), as so redesignated—

9 (i) in the heading by striking “OF  
10 THE DIRECTOR”; and

11 (ii) in the matter preceding paragraph  
12 (1), by striking “The Director” and insert-  
13 ing “In accordance with subtitle A of title  
14 III of the Dodd-Frank Wall Street Reform  
15 and Consumer Protection Act, the appro-  
16 priate Federal banking agency”; and

17 (E) in subsection (b), as so redesignated,  
18 by striking “Director” and inserting “appro-  
19 priate Federal banking agency”;

20 (4) in section 4 (12 U.S.C. 1463)—

21 (A) in subsection (a)—

22 (i) in the subsection heading, by strik-  
23 ing “FEDERAL”;

24 (ii) by striking paragraphs (1) and (2)  
25 and inserting the following:



1           “(1) EXAMINATION AND SAFE AND SOUND OP-  
2           ERATION.—

3           “(A) FEDERAL SAVINGS ASSOCIATIONS.—  
4           The Comptroller shall provide for the examina-  
5           tion and safe and sound operation of Federal  
6           savings associations.

7           “(B) STATE SAVINGS ASSOCIATIONS.—The  
8           Corporation shall provide for the examination  
9           and safe and sound operation of State savings  
10          associations.

11          “(2) REGULATIONS FOR SAVINGS ASSOCIA-  
12          TIONS.—The Comptroller may prescribe regulations  
13          with respect to savings associations, as the Comp-  
14          troller determines to be appropriate to carry out the  
15          purposes of this Act.”; and

16                 (iii) in paragraph (3), by striking “Di-  
17                 rector” each place that term appears and  
18                 inserting “Comptroller and the Corpora-  
19                 tion”;

20                 (B) in subsection (b)—

21                         (i) in paragraph (2)—

22                                 (I) in subparagraph (A), by add-  
23                                 ing “and” at the end;

1 (II) in subparagraph (B), by  
2 striking “; and” and inserting a pe-  
3 riod; and

4 (III) by striking subparagraph  
5 (C); and

6 (ii) by striking “Director” each place  
7 that term appears and inserting “Comp-  
8 troller”;

9 (C) in subsection (c)—

10 (i) by striking “All regulations and  
11 policies of the Director” and inserting  
12 “The regulations of the Comptroller and  
13 the policies of the Comptroller and the  
14 Corporation”; and

15 (ii) by striking “of the Currency”;

16 (D) in subsection (e)(5), by striking “Di-  
17 rector” and inserting “Comptroller”;

18 (E) in subsection (f), by striking “Direc-  
19 tor” each place that term appears and inserting  
20 “appropriate Federal banking agency”; and

21 (F) in subsection (h), by striking “Direc-  
22 tor” each place that term appears and inserting  
23 “appropriate Federal banking agency”;

24 (5) in section 5 (12 U.S.C. 1464)—

1 (A) in subsection (a), by striking “Direc-  
2 tor”, each place such term appears and insert-  
3 ing “Comptroller of the Currency”;

4 (B) in subsection (b), by striking “Direc-  
5 tor”, each place such term appears and insert-  
6 ing “Comptroller of the Currency”;

7 (C) in subsection (c)—

8 (i) in paragraph (5)—

9 (I) in subparagraph (A), by strik-  
10 ing “Director” and inserting “appro-  
11 priate Federal banking agency”; and

12 (II) in subparagraph (B)—

13 (aa) by striking “The Direc-  
14 tor” and inserting “The appro-  
15 priate Federal banking agency”;  
16 and

17 (bb) by striking “the Direc-  
18 tor” and inserting “the appro-  
19 priate Federal banking agency”;

20 (D) in subsection (d)—

21 (i) in paragraph (1)—

22 (I) in subparagraph (A)—

23 (aa) in the first sentence, by  
24 striking “Director” and inserting

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1 “appropriate Federal banking  
2 agency”;

3 (bb) in the second sen-  
4 tence—

5 (AA) by striking “Di-  
6 rector’s own name and  
7 through the Director’s own  
8 attorneys” and inserting  
9 “name of the appropriate  
10 Federal banking agency and  
11 through the attorneys of the  
12 appropriate Federal banking  
13 agency”; and

14 (BB) by striking “Di-  
15 rector” each place that term  
16 appears and inserting “ap-  
17 propriate Federal banking  
18 agency”; and

19 (cc) in the third sentence, by  
20 striking “Director” each place  
21 that term appears and inserting  
22 “Comptroller”;

23 (II) in subparagraph (B)—

24 (aa) in clauses (i) through  
25 (iv), by striking “Director” each

1 place that term appears and in-  
2 serting “appropriate Federal  
3 banking agency”;

4 (III) in clause (v)—

5 (aa) in the matter preceding  
6 subclause (I), by striking “Direc-  
7 tor” and inserting “appropriate  
8 Federal banking agency”;

9 (bb) in subclause (II), by  
10 striking “subpenas” and insert-  
11 ing “subpoenas”; and

12 (cc) in the matter following  
13 subclause (II), by striking “sub-  
14 pena” and inserting “subpoena”;  
15 (IV) in clause (vi)—

16 (aa) in the first sentence, by  
17 striking “Director” and inserting  
18 “appropriate Federal banking  
19 agency”; and

20 (bb) in the second sentence,  
21 by striking “Director” and in-  
22 serting “Comptroller”;

23 (V) in clause (vii)—

1 (aa) in the first sentence, by  
2 striking “subpena” and inserting  
3 “subpoena”;

4 (bb) in the second sentence,  
5 by striking “subpenaed” and in-  
6 serting “subpoenaed”; and

7 (cc) in the third sentence, by  
8 striking “Director” and inserting  
9 “appropriate Federal banking  
10 agency”;

11 (ii) in paragraph (2)—

12 (I) in subparagraph (A)—

13 (aa) by striking “Director of  
14 the Office of Thrift Supervision”  
15 and inserting “appropriate Fed-  
16 eral banking agency”;

17 (bb) by striking “any in-  
18 sured savings association” and  
19 inserting “an insured savings as-  
20 sociation”; and

21 (cc) by striking “Director  
22 determines, in the Director’s dis-  
23 cretion” and inserting “appro-  
24 priate Federal banking agency  
25 determines, in the discretion of

1 the appropriate Federal banking  
2 agency”;

3 (II) in subparagraph (B), by  
4 striking “Director” each place that  
5 term appears and inserting “appro-  
6 priate Federal banking agency”;

7 (III) in subparagraphs (C) and  
8 (D), by striking “Director” and in-  
9 serting “appropriate Federal banking  
10 agency”;

11 (IV) in subparagraph (E)—

12 (aa) in clause (ii)—

13 (AA) in the clause  
14 heading, by striking “OR  
15 RTC”; and

16 (BB) by striking “or  
17 the Resolution Trust Cor-  
18 poration, as appropriate,”  
19 each place that term ap-  
20 pears; and

21 (bb) by striking “Director”  
22 each place that term appears and  
23 inserting “appropriate Federal  
24 banking agency”; and

25 (iii) in paragraph (3)—

1 (I) in subparagraph (A), by strik-  
2 ing “Director” each place that term  
3 appears and inserting “Comptroller”;  
4 and

5 (II) in subparagraph (B)—

6 (aa) in the subparagraph  
7 heading, by striking “OR RTC”;

8 (bb) by striking “Corpora-  
9 tion or the Resolution Trust”;  
10 and

11 (cc) by striking “Director”  
12 and inserting “Comptroller”;

13 (iv) in paragraph (4), by striking “Di-  
14 rector” and inserting “appropriate Federal  
15 banking agency”;

16 (v) in paragraph (6)—

17 (I) in subparagraph (A), by strik-  
18 ing “Director” and inserting “Comp-  
19 troller”; and

20 (II) in subparagraphs (B) and  
21 (C), by striking “Director” each place  
22 that term appears and inserting “ap-  
23 propriate Federal banking agency”;

24 (vi) in paragraph (7)—



1 (I) in subparagraphs (A), (B),  
2 and (D), by striking “Director” each  
3 place that term appears and inserting  
4 “appropriate Federal banking agen-  
5 cy”;

6 (II) in subparagraph (C), by  
7 striking “Director” and inserting  
8 “Federal Deposit Insurance Corpora-  
9 tion or the Comptroller, as appro-  
10 priate,”; and

11 (III) by striking subparagraph  
12 (E) and inserting the following:

13 “(E) ADMINISTRATION BY THE COMP-  
14 TROLLER AND THE CORPORATION.—The Comp-  
15 troller may issue such regulations, and the ap-  
16 propriate Federal banking agency may issue  
17 such orders, including those issued pursuant to  
18 section 8 of the Federal Deposit Insurance Act,  
19 as may be necessary to administer and carry  
20 out this paragraph and to prevent evasion of  
21 this paragraph.”;

22 (E) in subsection (e)(2), strike “Director”  
23 and insert “Comptroller”;

24 (F) in subsection (i)—

1 (i) by striking “Director”, each place  
2 such term appears, and inserting “Comp-  
3 troller”;

4 (ii) in paragraph (2), in the heading,  
5 by striking “DIRECTOR” and inserting  
6 “COMPTROLLER”;

7 (iii) in paragraph (5)(A), by striking  
8 “of the Currency”; and

9 (iv) except as provided in clauses (i)  
10 through (iii), by striking “Director” each  
11 place such term appears and inserting  
12 “Comptroller”;

13 (G) in subsection (o)—

14 (i) in paragraph (1), by striking “Di-  
15 rector” and inserting “Comptroller”; and

16 (ii) in paragraph (2)(B), by striking  
17 “Director’s determination” and inserting  
18 “determination of the Comptroller”;

19 (H) in subsections (m), (n), (o), and (p),  
20 by striking “Director”, each place such term  
21 appears, and inserting “Comptroller”;

22 (I) in subsection (q)—

23 (i) in paragraph (6), by striking “of  
24 Governors of the Federal Reserve System”;

1 (ii) by striking “Director” each place  
2 that term appears and inserting “Board”;  
3 and

4 (iii) by inserting “in consultation with  
5 the Comptroller and the Corporation,” be-  
6 fore “considers”;

7 (J) in subsection (r)(3), by striking “Di-  
8 rector” and inserting “Comptroller of the Cur-  
9 rency”;

10 (K) in subsection (s)—

11 (i) in paragraph (1), strike “Director”  
12 and insert “Comptroller of the Currency”;

13 (ii) in paragraph (2), strike “Direc-  
14 tor” and insert “Comptroller of the Cur-  
15 rency”;

16 (iii) in paragraph (3), by striking “Di-  
17 rector’s discretion, the Director” and in-  
18 serting “discretion of the appropriate Fed-  
19 eral banking agency, the appropriate Fed-  
20 eral banking agency,”;

21 (iv) in paragraph (4), by striking “Di-  
22 rector” each place that term appears and  
23 inserting “appropriate Federal banking  
24 agency”; and

25 (v) in paragraph (5)—

500

1 (I) by striking “Director”, each  
2 place such term appears, and insert-  
3 ing “appropriate Federal banking  
4 agency”; and

5 (II) by striking “Director’s ap-  
6 proval” and inserting “approval of the  
7 appropriate Federal banking agency”;

8 (L) in subsection (t)—

9 (i) in paragraph (1), by striking sub-  
10 paragraph (D);

11 (ii) by striking paragraph (3) and in-  
12 serting the following:

13 “(3) [Repealed].”;

14 (iii) in paragraph (5)—

15 (I) in subparagraph (B), by  
16 striking “Corporation, in its sole dis-  
17 cretion” and inserting “appropriate  
18 Federal banking agency, in the sole  
19 discretion of the appropriate Federal  
20 banking agency”; and

21 (II) by striking subparagraph  
22 (D);

23 (iv) in paragraph (6)—

24 (I) by striking subparagraph (A)  
25 and inserting the following:

1                   “(A) [Reserved].”;

2                               (II) in subparagraph (B), by  
3                   striking “Director” each place that  
4                   term appears and inserting “appro-  
5                   priate Federal banking agency”;

6                               (III) in subparagraph (C)—

7                                       (aa) in clause (i), by striking  
8                   “Director’s prior approval” and  
9                   inserting “prior approval of the  
10                  appropriate Federal banking  
11                  agency”;

12                                      (bb) in clause (ii), by strik-  
13                  ing “Director’s discretion” and  
14                  inserting “discretion of the ap-  
15                  propriate Federal banking agen-  
16                  cy”; and

17                                      (cc) by striking “Director”  
18                  each place that term appears and  
19                  inserting “appropriate Federal  
20                  banking agency”;

21                               (IV) in subparagraph (E), by  
22                  striking “Director shall” and inserting  
23                  “appropriate Federal banking agency  
24                  may”; and

1 (V) in subparagraph (F), by  
2 striking “Director” and all that fol-  
3 lows through the end of the subpara-  
4 graph and inserting “appropriate Fed-  
5 eral banking agency under this Act or  
6 any other provision of law.”;

7 (v) in paragraph (7), by striking “Di-  
8 rector” each place that term appears and  
9 inserting “appropriate Federal banking  
10 agency”;

11 (vi) by striking paragraph (8) and in-  
12 serting the following:

13 “(8) [Repealed].”;

14 (vii) in paragraph (9)—

15 (I) in subparagraph (A), by strik-  
16 ing “Director” and inserting “Comp-  
17 troller”;

18 (II) in subparagraph (C), by  
19 striking “of the Currency”; and

20 (III) by striking subparagraph  
21 (B) and redesignating subparagraphs  
22 (C) and (D) as subparagraphs (B)  
23 and (C), respectively; and

24 (viii) except as provided in clauses (i)  
25 through (vii), by striking “Director” each

1 place that term appears and inserting “ap-  
2 appropriate Federal banking agency”;

3 (M) in subsection (u), by striking “Direc-  
4 tor” each place that term appears and inserting  
5 “appropriate Federal banking agency”;

6 (N) in subsection (v)—

7 (i) in paragraph (2), by striking “Di-  
8 rector’s determinations” and inserting “de-  
9 terminations of the appropriate Federal  
10 banking agency”; and

11 (ii) by striking “Director” each place  
12 that term appears and inserting “appro-  
13 priate Federal banking agency”;

14 (O) in subsection (w)(1)—

15 (i) in subparagraph (A)(II), by strik-  
16 ing “Director’s intention” and inserting  
17 “intention of the Comptroller”; and

18 (ii) in subparagraph (B), by striking  
19 “Director’s intention” and inserting “in-  
20 tention of the Comptroller”; and

21 (P) except as provided in subparagraphs  
22 (A) through (J), by striking “Director” each  
23 place that term appears and inserting “Comp-  
24 troller”;

1           (6) in section 8 (12 U.S.C. 1466a), by striking  
2           “Director” each place that term appears and insert-  
3           ing “Comptroller”;

4           (7) in section 9 (12 U.S.C. 1467)—

5                 (A) in subsection (a), by striking “assessed  
6                 by the Director” and all that follows through  
7                 the end of the subsection and inserting the fol-  
8                 lowing: “assessed by—

9                 “(1) the Comptroller, against each such Federal  
10                 savings association, as the Comptroller deems nec-  
11                 essary or appropriate; and

12                 “(2) the Corporation, against each such State  
13                 savings association, as the Corporation deems nec-  
14                 essary or appropriate.”;

15                 (B) in subsection (b), by striking “Direc-  
16                 tor”, each place such term appears, and insert-  
17                 ing “Comptroller or Corporation, as appro-  
18                 priate”;

19                 (C) in subsection (e)—

20                         (i) by striking “Only the Director”  
21                         and inserting “The Comptroller”; and

22                         (ii) by striking “Director’s designee”  
23                         and inserting “designee of the Comp-  
24                         troller”;



1 (D) by striking subsection (f) and inserting  
2 the following:

3 “(f) [Reserved].”;

4 (E) in subsection (g)—

5 (i) in paragraph (1), by striking “Di-  
6 rector” and inserting “appropriate Federal  
7 banking agency”; and

8 (ii) in paragraph (2), by striking “Di-  
9 rector, or the Corporation, as the case may  
10 be,” and inserting “appropriate Federal  
11 banking agency for the savings associa-  
12 tion”;

13 (F) in subsection (i), by striking “Direc-  
14 tor” each place that term appears and inserting  
15 “appropriate Federal banking agency”;

16 (G) in subsection (j), by striking “Direc-  
17 tor’s sole discretion” and inserting “sole discre-  
18 tion of the appropriate Federal banking agen-  
19 cy”;

20 (H) in subsection (k), by striking “Direc-  
21 tor may assess against institutions for which  
22 the Director is the appropriate Federal banking  
23 agency, as defined in section 3 of the Federal  
24 Deposit Insurance Act,” and inserting “appro-

1           appropriate Federal banking agency may assess  
2           against an institution”; and

3           (I) except as provided in subparagraphs  
4           (A) through (G), by striking “Director” each  
5           place that term appears and inserting “appro-  
6           priate Federal banking agency”;

7           (8) in section 10 (12 U.S.C. 1467a)—

8           (A) in subsection (a)(1), by striking “Di-  
9           rector” each place that term appears and in-  
10          serting “appropriate Federal banking agency”;

11          (B) in subsection (b)—

12           (i) in paragraph (2), by striking “and  
13           the regional office of the Director of the  
14           district in which its principal office is lo-  
15           cated,”; and

16           (ii) in paragraph (6), by striking “Di-  
17           rector’s own motion or application” and in-  
18           serting “motion or application of the  
19           Board”;

20          (C) in subsection (c)—

21           (i) in paragraph (2)(F), by striking  
22           “of Governors of the Federal Reserve Sys-  
23           tem”;

1 (ii) in paragraph (4)(B), in the sub-  
2 paragraph heading, by striking “BY DIREC-  
3 TOR”;

4 (iii) in paragraph (6)(D), in the sub-  
5 paragraph heading, by striking “BY DIREC-  
6 TOR”; and

7 (iv) in paragraph (9)(E), by inserting  
8 “(in consultation with the appropriate Fed-  
9 eral banking agency)” after “including a  
10 determination”;

11 (D) in subsection (g)(5)(B), by striking  
12 “the Director’s discretion” and inserting “the  
13 discretion of the Board”;

14 (E) in subsection (l), by striking “Direc-  
15 tor” each place that term appears and inserting  
16 “appropriate Federal banking agency”;

17 (F) in subsection (m), by striking “Direc-  
18 tor” and inserting “appropriate Federal bank-  
19 ing agency”;

20 (G) in subsection (p)—

21 (i) in paragraph (1)—

22 (I) by striking “Director deter-  
23 mines” the 1st place such term ap-  
24 pears and inserting “Board or the ap-

1 appropriate Federal banking agency for  
2 the savings association determines”;

3 (II) by striking “Director may”  
4 and inserting “Board may”; and

5 (III) by striking “Director deter-  
6 mines” the 2nd place such term ap-  
7 pears and inserting “Board, in con-  
8 sultation with the appropriate Federal  
9 banking agency for the savings asso-  
10 ciation determines”; and

11 (ii) in paragraph (2), by striking “Di-  
12 rector”, each place such term appears, and  
13 inserting “Board”;

14 (H) in subsection (q), by striking “Direc-  
15 tor”, each place such term appears, and insert-  
16 ing “Board”;

17 (I) in subsection (r), by striking “Direc-  
18 tor”, each place such term appears, and insert-  
19 ing “Board or appropriate Federal banking  
20 agency”;

21 (J) in subsection (s)—

22 (i) in paragraph (2)—

23 (I) in subparagraph (B)(ii), by  
24 striking “Director’s judgment” and  
25 inserting “judgment of the appro-

1                   priate Federal banking agency for the  
2                   savings association”; and

3                   (II) by striking “Director” each  
4                   place that term appears and inserting  
5                   “appropriate Federal banking agency  
6                   for the savings association”; and

7                   (ii) in paragraph (4), by striking “Di-  
8                   rector” and inserting “Comptroller”; and

9                   (K) except as provided in subparagraphs  
10                  (A) through (J), by striking “Director” each  
11                  place that term appears and inserting “Board”;  
12                  (9) in section 11 (12 U.S.C. 1468), by striking  
13                  “Director” each place that term appears and insert-  
14                  ing “appropriate Federal banking agency”;

15                  (10) in section 12 (12 U.S.C. 1468a), by strik-  
16                  ing “the Director” and inserting “a Federal banking  
17                  agency”; and

18                  (11) in section 13 (12 U.S.C. 1468a) is amend-  
19                  ed by striking “Director” and inserting “a Federal  
20                  banking agency”.

21 **SEC. 370. HOUSING ACT OF 1948.**

22                  Section 502(c) of the Housing Act of 1948 (12  
23                  U.S.C. 1701c(c)) is amended—

24                  (1) in the matter preceding paragraph (1), by  
25                  striking “and the Director of the Office of Thrift

1 Supervision” and inserting “, the Comptroller of the  
2 Currency, and the Federal Deposit Insurance Cor-  
3 poration”; and

4 (2) in paragraph (3), by striking “Board” and  
5 inserting “Agency”.

6 **SEC. 371. HOUSING AND COMMUNITY DEVELOPMENT ACT**  
7 **OF 1992.**

8 Section 543 of the Housing and Community Develop-  
9 ment Act of 1992 (Public Law 102–550; 106 Stat. 3798)  
10 is amended—

11 (1) in subsection (c)(1)—

12 (A) by striking subparagraphs (D) through  
13 (F); and

14 (B) by redesignating subparagraphs (G)  
15 and (H) as subparagraphs (D) and (E), respec-  
16 tively; and

17 (2) in subsection (f)—

18 (A) in paragraph (2), by striking “the Of-  
19 fice of Thrift Supervision,” each place that  
20 term appears; and

21 (B) in paragraph (3)—

22 (i) in the matter preceding subpara-  
23 graph (A), by striking “the Office of Thrift  
24 Supervision,”; and

1 (ii) in subparagraph (D), by striking  
2 “Office of Thrift Supervision,”.

3 **SEC. 372. HOUSING AND URBAN-RURAL RECOVERY ACT OF**  
4 **1983.**

5 Section 469 of the Housing and Urban-Rural Recov-  
6 ery Act of 1983 (12 U.S.C. 1701p–1) is amended in the  
7 first sentence, by striking “Federal Home Loan Bank  
8 Board” and inserting “Federal Housing Finance Agency”.

9 **SEC. 373. NATIONAL HOUSING ACT.**

10 Section 202(f) of the National Housing Act (12  
11 U.S.C. 1708(f)) is amended—

12 (1) by striking paragraph (5) and inserting the  
13 following:

14 “(5) if the mortgagee is a national bank, a sub-  
15 sidiary or affiliate of such bank, a Federal savings  
16 association or a subsidiary or affiliate of a savings  
17 association, the Comptroller of the Currency;”;

18 (2) in paragraph (6), by adding “and” at the  
19 end;

20 (3) in paragraph (7)—

21 (A) by inserting “or State savings associa-  
22 tion” after “State bank”; and

23 (B) by striking “; and” and inserting a pe-  
24 riod; and

25 (4) by striking paragraph (8).

1 **SEC. 374. NEIGHBORHOOD REINVESTMENT CORPORATION**  
2 **ACT.**

3 Section 606(c)(3) of the Neighborhood Reinvestment  
4 Corporation Act (42 U.S.C. 8105(c)(3)) is amended by  
5 striking “Federal Home Loan Bank Board” and inserting  
6 “Federal Housing Finance Agency”.

7 **SEC. 375. PUBLIC LAW 93-100.**

8 Section 5(d) of Public Law 93-100 (12 U.S.C.  
9 1470(a)) is amended—

10 (1) in paragraph (1), by striking “Federal Sav-  
11 ings and Loan Insurance Corporation with respect  
12 to insured institutions, the Board of Governors of  
13 the Federal Reserve System with respect to State  
14 member insured banks, and the Federal Deposit In-  
15 surance Corporation with respect to State non-  
16 member insured banks” and inserting “appropriate  
17 Federal banking agency, with respect to the institu-  
18 tions subject to the jurisdiction of each such agen-  
19 cy,”; and

20 (2) in paragraph (2), by striking “supervisory”  
21 and inserting “banking”.

22 **SEC. 376. SECURITIES EXCHANGE ACT OF 1934.**

23 The Securities Exchange Act of 1934 (15 U.S.C. 78a  
24 et seq.) is amended—

25 (1) in section 3(a)(34) (15 U.S.C.  
26 78c(a)(34))—



1 (A) in subparagraph (A)—

2 (i) in clause (i), by striking “or a sub-  
3 subsidiary or a department or division of any  
4 such bank” and inserting “a subsidiary or  
5 a department or division of any such bank,  
6 a Federal savings association (as defined  
7 in section 3(b)(2) of the Federal Deposit  
8 Insurance Act (12 U.S.C. 1813(b)(2))),  
9 the deposits of which are insured by the  
10 Federal Deposit Insurance Corporation, or  
11 a subsidiary or department or division of  
12 any such Federal savings association”;

13 (ii) in clause (ii), by striking “or a  
14 subsidiary or a department or division of  
15 such subsidiary” and inserting “a sub-  
16 subsidiary or a department or division of such  
17 subsidiary, or a savings and loan holding  
18 company”;

19 (iii) in clause (iii), by striking “or a  
20 subsidiary or department or division there-  
21 of;” and inserting “a subsidiary or depart-  
22 ment or division of any such bank, a State  
23 savings association (as defined in section  
24 3(b)(3) of the Federal Deposit Insurance  
25 Act (12 U.S.C. 1813(b)(3))), the deposits

1 of which are insured by the Federal De-  
2 posit Insurance Corporation, or a sub-  
3 subsidiary or a department or division of any  
4 such State savings association; and”;

5 (iv) by striking clause (iv); and

6 (v) by redesignating clause (v) as  
7 clause (iv);

8 (B) in subparagraph (B)—

9 (i) in clause (i), by striking “or a sub-  
10 subsidiary of any such bank” and inserting “a  
11 subsidiary of any such bank, a Federal  
12 savings association (as defined in section  
13 3(b)(2) of the Federal Deposit Insurance  
14 Act (12 U.S.C. 1813(b)(2))), the deposits  
15 of which are insured by the Federal De-  
16 posit Insurance Corporation, or a sub-  
17 subsidiary of any such Federal savings asso-  
18 ciation”;

19 (ii) in clause (ii), by striking “or a  
20 subsidiary of a bank holding company  
21 which is a bank other than a bank speci-  
22 fied in clause (i), (iii), or (iv) of this sub-  
23 paragraph” and inserting “a subsidiary of  
24 a bank holding company that is a bank  
25 other than a bank specified in clause (i) or

1 (iii) of this subparagraph, or a savings and  
2 loan holding company”;

3 (iii) in clause (iii), by striking “or a  
4 subsidiary thereof;” and inserting “a sub-  
5 sidiary of any such bank, a State savings  
6 association (as defined in section 3(b)(3) of  
7 the Federal Deposit Insurance Act (12  
8 U.S.C. 1813(b)(3))), the deposits of which  
9 are insured by the Federal Deposit Insur-  
10 ance Corporation, or a subsidiary of any  
11 such State savings association; and”;

12 (iv) by striking clause (iv); and

13 (v) by redesignating clause (v) as  
14 clause (iv);

15 (C) in subparagraph (C)—

16 (i) in clause (i), by striking “bank”  
17 and inserting “bank or a Federal savings  
18 association (as defined in section 3(b)(2) of  
19 the Federal Deposit Insurance Act (12  
20 U.S.C. 1813(b)(2))), the deposits of which  
21 are insured by the Federal Deposit Insur-  
22 ance Corporation”;

23 (ii) in clause (ii), by striking “or a  
24 subsidiary of a bank holding company  
25 which is a bank other than a bank speci-

1           fied in clause (i), (iii), or (iv) of this sub-  
2           paragraph” and inserting “a subsidiary of  
3           a bank holding company that is a bank  
4           other than a bank specified in clause (i) or  
5           (iii) of this subparagraph, or a savings and  
6           loan holding company”;

7           (iii) in clause (iii), by striking “Sys-  
8           tem)” and inserting, “System) or a State  
9           savings association (as defined in section  
10          3(b)(3) of the Federal Deposit Insurance  
11          Act (12 U.S.C. 1813(b)(3))), the deposits  
12          of which are insured by the Federal De-  
13          posit Insurance Corporation; and”;

14          (iv) by striking clause (iv); and

15          (v) by redesignating clause (v) as  
16          clause (iv);

17          (D) in subparagraph (D)—

18          (i) in clause (i), by inserting after  
19          “bank” the following: “or a Federal sav-  
20          ings association (as defined in section  
21          3(b)(2) of the Federal Deposit Insurance  
22          Act (12 U.S.C. 1813(b)(2))), the deposits  
23          of which are insured by the Federal De-  
24          posit Insurance Corporation”;

1 (ii) in clause (ii), by adding “and” at  
2 the end;

3 (iii) by striking clause (iii);

4 (iv) by redesignating clause (iv) as  
5 clause (iii); and

6 (v) in clause (iii), as so redesignated,  
7 by inserting after “bank” the following:  
8 “or a State savings association (as defined  
9 in section 3(b)(3) of the Federal Deposit  
10 Insurance Act (12 U.S.C. 1813(b)(3))),  
11 the deposits of which are insured by the  
12 Federal Deposit Insurance Corporation”;

13 (E) in subparagraph (F)—

14 (i) in clause (i), by inserting after  
15 “bank” the following: “or a Federal sav-  
16 ings association (as defined in section  
17 3(b)(2) of the Federal Deposit Insurance  
18 Act (12 U.S.C. 1813(b)(2))), the deposits  
19 of which are insured by the Federal De-  
20 posit Insurance Corporation”;

21 (ii) by striking clause (ii);

22 (iii) by redesignating clauses (iii), (iv),  
23 and (v) as clauses (ii), (iii), and (iv), re-  
24 spectively; and

1 (iv) in clause (iii), as so redesignated,  
2 by inserting before the semicolon the fol-  
3 lowing: “or a State savings association (as  
4 defined in section 3(b)(3) of the Federal  
5 Deposit Insurance Act (12 U.S.C.  
6 1813(b)(3))), the deposits of which are in-  
7 sured by the Federal Deposit Insurance  
8 Corporation”;

9 (F) in subparagraph (G)—

10 (i) in clause (i), by inserting after  
11 “national bank” the following: “, a Federal  
12 savings association (as defined in section  
13 3(b)(2) of the Federal Deposit Insurance  
14 Act), the deposits of which are insured by  
15 the Federal Deposit Insurance Corpora-  
16 tion,”;

17 (ii) in clause (iii)—

18 (I) by inserting after “bank)” the  
19 following: “, a State savings associa-  
20 tion (as defined in section 3(b)(3) of  
21 the Federal Deposit Insurance Act),  
22 the deposits of which are insured by  
23 the Federal Deposit Insurance Cor-  
24 poration,”; and

25 (II) by adding “and” at the end;

1 (iii) by striking clause (iv); and

2 (iv) by redesignating clause (v) as  
3 clause (iv); and

4 (G) in the undesignated matter following  
5 subparagraph (H), by striking “, and the term  
6 ‘District of Columbia savings and loan associa-  
7 tion’ means any association subject to examina-  
8 tion and supervision by the Office of Thrift Su-  
9 pervision under section 8 of the Home Owners’  
10 Loan Act of 1933”;

11 (2) in section 12(i) (15 U.S.C. 781(i))—

12 (A) in paragraph (1), by inserting after  
13 “national banks” the following: “and Federal  
14 savings associations, the accounts of which are  
15 insured by the Federal Deposit Insurance Cor-  
16 poration”;

17 (B) by striking “(3)” and all that follows  
18 through “vested in the Office of Thrift Super-  
19 vision” and inserting “and (3) with respect to  
20 all other insured banks and State savings asso-  
21 ciations, the accounts of which are insured by  
22 the Federal Deposit Insurance Corporation, are  
23 vested in the Federal Deposit Insurance Cor-  
24 poration”; and

1 (C) in the second sentence, by striking  
2 “the Federal Deposit Insurance Corporation,  
3 and the Office of Thrift Supervision” and in-  
4 serting “and the Federal Deposit Insurance  
5 Corporation”;

6 (3) in section 15C(g)(1) (15 U.S.C. 78o-  
7 5(g)(1)), by striking “the Director of the Office of  
8 Thrift Supervision, the Federal Savings and Loan  
9 Insurance Corporation,”; and

10 (4) in section 23(b)(1) (15 U.S.C. 78w(b)(1)),  
11 by striking “, other than the Office of Thrift Super-  
12 vision,”.

13 **SEC. 377. TITLE 18, UNITED STATES CODE.**

14 Title 18, United States Code, is amended—

15 (1) in section 212(c)(2)—

16 (A) by striking subparagraph (C); and

17 (B) by redesignating subparagraphs (D)  
18 through (H) as subparagraphs (C) through (G),  
19 respectively;

20 (2) in section 657, by striking “Office of Thrift  
21 Supervision, the Resolution Trust Corporation,”;

22 (3) in section 981(a)(1)(D)—

23 (A) by striking “Resolution Trust Corpora-  
24 tion,”; and



1 (B) by striking “or the Office of Thrift Su-  
2 pervision”;

3 (4) in section 982(a)(3)—

4 (A) by striking “Resolution Trust Corpora-  
5 tion,”; and

6 (B) by striking “or the Office of Thrift Su-  
7 pervision”;

8 (5) in section 1006—

9 (A) by striking “Office of Thrift Super-  
10 vision,”; and

11 (B) by striking “the Resolution Trust Cor-  
12 poration,”;

13 (6) in section 1014—

14 (A) by striking “the Office of Thrift Su-  
15 pervision”; and

16 (B) by striking “the Resolution Trust Cor-  
17 poration,”; and

18 (7) in section 1032(1)—

19 (A) by striking “the Resolution Trust Cor-  
20 poration,”; and

21 (B) by striking “or the Director of the Of-  
22 fice of Thrift Supervision”.

23 **SEC. 378. TITLE 31, UNITED STATES CODE.**

24 Title 31, United States Code, is amended—

25 (1) in section 321—

1 (A) in subsection (c)—  
2 (i) in paragraph (1), by adding “and”  
3 at the end;  
4 (ii) in paragraph (2), by striking “;  
5 and” and inserting a period; and  
6 (iii) by striking paragraph (3); and  
7 (B) by striking subsection (e); and  
8 (2) in section 714(a), by striking “the Office of  
9 the Comptroller of the Currency, and the Office of  
10 Thrift Supervision.” and inserting “and the Office of  
11 the Comptroller of the Currency.”.

12 **TITLE IV—REGULATION OF AD-**  
13 **VISERS TO HEDGE FUNDS**  
14 **AND OTHERS**

15 **SEC. 401. SHORT TITLE.**

16 This title may be cited as the “Private Fund Invest-  
17 ment Advisers Registration Act of 2010”.

18 **SEC. 402. DEFINITIONS.**

19 (a) INVESTMENT ADVISERS ACT OF 1940 DEFINI-  
20 TIONS.—Section 202(a) of the Investment Advisers Act of  
21 1940 (15 U.S.C. 80b–2(a)) is amended by adding at the  
22 end the following:

1           “(29) The term ‘private fund’ means an issuer  
2           that would be an investment company, as defined in  
3           section 3 of the Investment Company Act of 1940  
4           (15 U.S.C. 80a–3), but for section 3(c)(1) or 3(e)(7)  
5           of that Act.

6           “(30) The term ‘foreign private adviser’ means  
7           any investment adviser who—

8                   “(A) has no place of business in the  
9                   United States;

10                   “(B) has, in total, fewer than 15 clients  
11                   and investors in the United States in private  
12                   funds advised by the investment adviser;

13                   “(C) has aggregate assets under manage-  
14                   ment attributable to clients in the United  
15                   States and investors in the United States in  
16                   private funds advised by the investment adviser  
17                   of less than \$25,000,000, or such higher  
18                   amount as the Commission may, by rule, deem  
19                   appropriate in accordance with the purposes of  
20                   this title; and

21                   “(D) neither—

22                           “(i) holds itself out generally to the  
23                           public in the United States as an invest-  
24                           ment adviser; nor

25                           “(ii) acts as—

1                   “(I) an investment adviser to any  
2                   investment company registered under  
3                   the Investment Company Act of 1940;  
4                   or

5                   “(II) a company that has elected  
6                   to be a business development company  
7                   pursuant to section 54 of the Invest-  
8                   ment Company Act of 1940 (15  
9                   U.S.C. 80a-53), and has not with-  
10                  drawn its election.”.

11           (b) OTHER DEFINITIONS.—As used in this title, the  
12 terms “investment adviser” and “private fund” have the  
13 same meanings as in section 202 of the Investment Advis-  
14 ers Act of 1940, as amended by this title.

15 **SEC. 403. ELIMINATION OF PRIVATE ADVISER EXEMPTION;**  
16                   **LIMITED EXEMPTION FOR FOREIGN PRIVATE**  
17                   **ADVISERS; LIMITED INTRASTATE EXEMP-**  
18                   **TION.**

19           Section 203(b) of the Investment Advisers Act of  
20 1940 (15 U.S.C. 80b-3(b)) is amended—

21                   (1) in paragraph (1), by inserting “, other than  
22                   an investment adviser who acts as an investment ad-  
23                   viser to any private fund,” before “all of whose”;

24                   (2) by striking paragraph (3) and inserting the  
25                   following:

1           “(3) any investment adviser that is a foreign  
2 private adviser;” and

3           (3) in paragraph (5), by striking “or” at the  
4 end;

5           (4) in paragraph (6)—

6                 (A) by striking “any investment adviser”  
7 and inserting “(A) any investment adviser”;

8                 (B) by redesignating subparagraphs (A)  
9 and (B) as clauses (i) and (ii), respectively; and

10                (C) in clause (ii) (as so redesignated), by  
11 striking the period at the end and inserting “;  
12 or”; and

13                (D) by adding at the end the following:

14           “(B) any investment adviser that is registered with  
15 the Commodity Futures Trading Commission as a com-  
16 modity trading advisor and advises a private fund, pro-  
17 vided that, if after the date of enactment of the Private  
18 Fund Investment Advisers Registration Act of 2010, the  
19 business of the advisor should become predominately the  
20 provision of securities-related advice, then such adviser  
21 shall register with the Commission.”.

22           (5) by adding at the end the following:

23                “(7) any investment adviser, other than any en-  
24 tity that has elected to be regulated or is regulated  
25 as a business development company pursuant to sec-

1           tion 54 of the Investment Company Act of 1940 (15  
2           U.S.C. 80a–54), who solely advises—

3                   “(A) small business investment companies  
4                   that are licensees under the Small Business In-  
5                   vestment Act of 1958;

6                   “(B) entities that have received from the  
7                   Small Business Administration notice to pro-  
8                   ceed to qualify for a license as a small business  
9                   investment company under the Small Business  
10                  Investment Act of 1958, which notice or license  
11                  has not been revoked; or

12                  “(C) applicants that are affiliated with 1  
13                  or more licensed small business investment  
14                  companies described in subparagraph (A) and  
15                  that have applied for another license under the  
16                  Small Business Investment Act of 1958, which  
17                  application remains pending.”.

18 **SEC. 404. COLLECTION OF SYSTEMIC RISK DATA; REPORTS;**

19 **EXAMINATIONS; DISCLOSURES.**

20           Section 204 of the Investment Advisers Act of 1940  
21 (15 U.S.C. 80b–4) is amended—

22                   (1) by redesignating subsections (b) and (c) as  
23                   subsections (c) and (d), respectively; and

24                   (2) by inserting after subsection (a) the fol-  
25                   lowing:

1 “(b) RECORDS AND REPORTS OF PRIVATE FUNDS.—

2 “(1) IN GENERAL.—The Commission may re-  
3 quire any investment adviser registered under this  
4 title—

5 “(A) to maintain such records of, and file  
6 with the Commission such reports regarding,  
7 private funds advised by the investment adviser,  
8 as necessary and appropriate in the public in-  
9 terest and for the protection of investors, or for  
10 the assessment of systemic risk by the Finan-  
11 cial Stability Oversight Council (in this sub-  
12 section referred to as the ‘Council’); and

13 “(B) to provide or make available to the  
14 Council those reports or records or the informa-  
15 tion contained therein.

16 “(2) TREATMENT OF RECORDS.—The records  
17 and reports of any private fund to which an invest-  
18 ment adviser registered under this title provides in-  
19 vestment advice shall be deemed to be the records  
20 and reports of the investment adviser.

21 “(3) REQUIRED INFORMATION.—The records  
22 and reports required to be maintained by an invest-  
23 ment adviser and subject to inspection by the Com-  
24 mission under this subsection shall include, for each

1 private fund advised by the investment adviser, a de-  
2 scription of—

3 “(A) the amount of assets under manage-  
4 ment and use of leverage, including off-balance-  
5 sheet leverage;

6 “(B) counterparty credit risk exposure;

7 “(C) trading and investment positions;

8 “(D) valuation policies and practices of the  
9 fund;

10 “(E) types of assets held;

11 “(F) side arrangements or side letters,  
12 whereby certain investors in a fund obtain more  
13 favorable rights or entitlements than other in-  
14 vestors;

15 “(G) trading practices; and

16 “(H) such other information as the Com-  
17 mission, in consultation with the Council, deter-  
18 mines is necessary and appropriate in the pub-  
19 lic interest and for the protection of investors  
20 or for the assessment of systemic risk, which  
21 may include the establishment of different re-  
22 porting requirements for different classes of  
23 fund advisers, based on the type or size of pri-  
24 vate fund being advised.



1           “(4) MAINTENANCE OF RECORDS.—An invest-  
2           ment adviser registered under this title shall main-  
3           tain such records of private funds advised by the in-  
4           vestment adviser for such period or periods as the  
5           Commission, by rule, may prescribe as necessary and  
6           appropriate in the public interest and for the protec-  
7           tion of investors, or for the assessment of systemic  
8           risk.

9           “(5) FILING OF RECORDS.—The Commission  
10          shall issue rules requiring each investment adviser to  
11          a private fund to file reports containing such infor-  
12          mation as the Commission deems necessary and ap-  
13          propriate in the public interest and for the protec-  
14          tion of investors or for the assessment of systemic  
15          risk.

16          “(6) EXAMINATION OF RECORDS.—

17                 “(A) PERIODIC AND SPECIAL EXAMINA-  
18                 TIONS.—The Commission—

19                         “(i) shall conduct periodic inspections  
20                         of the records of private funds maintained  
21                         by an investment adviser registered under  
22                         this title in accordance with a schedule es-  
23                         tablished by the Commission; and

24                         “(ii) may conduct at any time and  
25                         from time to time such additional, special,

1           and other examinations as the Commission  
2           may prescribe as necessary and appro-  
3           priate in the public interest and for the  
4           protection of investors, or for the assess-  
5           ment of systemic risk.

6           “(B) AVAILABILITY OF RECORDS.—An in-  
7           vestment adviser registered under this title shall  
8           make available to the Commission any copies or  
9           extracts from such records as may be prepared  
10          without undue effort, expense, or delay, as the  
11          Commission or its representatives may reason-  
12          ably request.

13          “(7) INFORMATION SHARING.—

14                 “(A) IN GENERAL.—The Commission shall  
15                 make available to the Council copies of all re-  
16                 ports, documents, records, and information filed  
17                 with or provided to the Commission by an in-  
18                 vestment adviser under this subsection as the  
19                 Council may consider necessary for the purpose  
20                 of assessing the systemic risk posed by a pri-  
21                 vate fund.

22                 “(B) CONFIDENTIALITY.—The Council  
23                 shall maintain the confidentiality of information  
24                 received under this paragraph in all such re-  
25                 ports, documents, records, and information, in

1 a manner consistent with the level of confiden-  
2 tiality established for the Commission pursuant  
3 to paragraph (8). The Council shall be exempt  
4 from section 552 of title 5, United States Code,  
5 with respect to any information in any report,  
6 document, record, or information made avail-  
7 able, to the Council under this subsection.”.

8 “(8) COMMISSION CONFIDENTIALITY OF RE-  
9 PORTS.—Notwithstanding any other provision of  
10 law, the Commission may not be compelled to dis-  
11 close any report or information contained therein re-  
12 quired to be filed with the Commission under this  
13 subsection, except that nothing in this subsection  
14 authorizes the Commission—

15 “(A) to withhold information from Con-  
16 gress, upon an agreement of confidentiality; or

17 “(B) prevent the Commission from com-  
18 plying with—

19 “(i) a request for information from  
20 any other Federal department or agency or  
21 any self-regulatory organization requesting  
22 the report or information for purposes  
23 within the scope of its jurisdiction; or

1                   “(ii) an order of a court of the United  
2                   States in an action brought by the United  
3                   States or the Commission.

4                   “(9) OTHER RECIPIENTS CONFIDENTIALITY.—  
5                   Any department, agency, or self-regulatory organiza-  
6                   tion that receives reports or information from the  
7                   Commission under this subsection shall maintain the  
8                   confidentiality of such reports, documents, records,  
9                   and information in a manner consistent with the  
10                  level of confidentiality established for the Commis-  
11                  sion under paragraph (8).

12                  “(10) PUBLIC INFORMATION EXCEPTION.—  
13                  “(A) IN GENERAL.—The Commission, the  
14                  Council, and any other department, agency, or  
15                  self-regulatory organization that receives infor-  
16                  mation, reports, documents, records, or infor-  
17                  mation from the Commission under this sub-  
18                  section, shall be exempt from the provisions of  
19                  section 552 of title 5, United States Code, with  
20                  respect to any such report, document, record, or  
21                  information. Any proprietary information of an  
22                  investment adviser ascertained by the Commis-  
23                  sion from any report required to be filed with  
24                  the Commission pursuant to this subsection  
25                  shall be subject to the same limitations on pub-

1           lic disclosure as any facts ascertained during an  
2           examination, as provided by section 210(b) of  
3           this title.

4           “(B) PROPRIETARY INFORMATION.—For  
5           purposes of this paragraph, proprietary infor-  
6           mation includes sensitive, non-public informa-  
7           tion regarding—

8                   “(i) the investment or trading strate-  
9                   gies of the investment adviser;

10                   “(ii) analytical or research methodolo-  
11                   gies;

12                   “(iii) trading data;

13                   “(iv) computer hardware or software  
14                   containing intellectual property; and

15                   “(v) any additional information that  
16                   the Commission determines to be propri-  
17                   etary.

18           “(11) ANNUAL REPORT TO CONGRESS.—The  
19           Commission shall report annually to Congress on  
20           how the Commission has used the data collected  
21           pursuant to this subsection to monitor the markets  
22           for the protection of investors and the integrity of  
23           the markets.”.

1 **SEC. 405. DISCLOSURE PROVISION AMENDMENT.**

2 Section 210(c) of the Investment Advisers Act of  
3 1940 (15 U.S.C. 80b–10(c)) is amended by inserting be-  
4 fore the period at the end the following: “or for purposes  
5 of assessment of potential systemic risk”.

6 **SEC. 406. CLARIFICATION OF RULEMAKING AUTHORITY.**

7 Section 211 of the Investment Advisers Act of 1940  
8 (15 U.S.C. 80b–11) is amended—

9 (1) in subsection (a), by inserting before the pe-  
10 riod at the end of the first sentence the following:  
11 “, including rules and regulations defining technical,  
12 trade, and other terms used in this title, except that  
13 the Commission may not define the term ‘client’ for  
14 purposes of paragraphs (1) and (2) of section 206  
15 to include an investor in a private fund managed by  
16 an investment adviser, if such private fund has en-  
17 tered into an advisory contract with such adviser”;  
18 and

19 (2) by adding at the end the following:

20 “(e) DISCLOSURE RULES ON PRIVATE FUNDS.—The  
21 Commission and the Commodity Futures Trading Com-  
22 mission shall, after consultation with the Council but not  
23 later than 12 months after the date of enactment of the  
24 Private Fund Investment Advisers Registration Act of  
25 2010, jointly promulgate rules to establish the form and  
26 content of the reports required to be filed with the Com-

1 mission under subsection 204(b) and with the Commodity  
2 Futures Trading Commission by investment advisers that  
3 are registered both under this title and the Commodity  
4 Exchange Act (7 U.S.C. 1a et seq.).”.

5 **SEC. 407. EXEMPTION OF AND REPORTING BY VENTURE**  
6 **CAPITAL FUND ADVISERS.**

7 Section 203 of the Investment Advisers Act of 1940  
8 (15 U.S.C. 80b–3) is amended by adding at the end the  
9 following:

10 “(1) EXEMPTION OF VENTURE CAPITAL FUND AD-  
11 VISERS.—No investment adviser that acts as an invest-  
12 ment adviser solely to 1 or more venture capital funds  
13 shall be subject to the registration requirements of this  
14 title with respect to the provision of investment advice re-  
15 lating to a venture capital fund. Not later than 1 year  
16 after the date of enactment of this subsection, the Com-  
17 mission shall issue final rules to define the term ‘venture  
18 capital fund’ for purposes of this subsection. The Commis-  
19 sion shall require such advisers to maintain such records  
20 and provide to the Commission such annual or other re-  
21 ports as the Commission determines necessary or appro-  
22 priate in the public interest or for the protection of inves-  
23 tors.”.

1 **SEC. 408. EXEMPTION OF AND REPORTING BY CERTAIN**  
2 **PRIVATE FUND ADVISERS.**

3 Section 203 of the Investment Advisers Act of 1940  
4 (15 U.S.C. 80b-3) is amended by adding at the end the  
5 following:

6 “(m) EXEMPTION OF AND REPORTING BY CERTAIN  
7 PRIVATE FUND ADVISERS.—

8 “(1) IN GENERAL.—The Commission shall pro-  
9 vide an exemption from the registration require-  
10 ments under this section to any investment adviser  
11 of private funds, if each of such investment adviser  
12 acts solely as an adviser to private funds and has as-  
13 sets under management in the United States of less  
14 than \$150,000,000.

15 “(2) REPORTING.—The Commission shall re-  
16 quire investment advisers exempted by reason of this  
17 subsection to maintain such records and provide to  
18 the Commission such annual or other reports as the  
19 Commission determines necessary or appropriate in  
20 the public interest or for the protection of investors.

21 “(n) REGISTRATION AND EXAMINATION OF MID-  
22 SIZED PRIVATE FUND ADVISERS.—In prescribing regula-  
23 tions to carry out the requirements of this section with  
24 respect to investment advisers acting as investment advis-  
25 ers to mid-sized private funds, the Commission shall take  
26 into account the size, governance, and investment strategy



1 of such funds to determine whether they pose systemic  
2 risk, and shall provide for registration and examination  
3 procedures with respect to the investment advisers of such  
4 funds which reflect the level of systemic risk posed by such  
5 funds.”.

6 **SEC. 409. FAMILY OFFICES.**

7 (a) IN GENERAL.—Section 202(a)(11) of the Invest-  
8 ment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(11)) is  
9 amended by striking “or (G)” and inserting the following:  
10 “; (G) any family office, as defined by rule, regulation,  
11 or order of the Commission, in accordance with the pur-  
12 poses of this title; or (H)”.

13 (b) RULEMAKING.—The rules, regulations, or orders  
14 issued by the Commission pursuant to section  
15 202(a)(11)(G) of the Investment Advisers Act of 1940, as  
16 added by this section, regarding the definition of the term  
17 “family office” shall provide for an exemption that—

18 (1) is consistent with the previous exemptive  
19 policy of the Commission, as reflected in exemptive  
20 orders for family offices in effect on the date of en-  
21 actment of this Act, and the grandfathering provi-  
22 sions in paragraph (3);

23 (2) recognizes the range of organizational, man-  
24 agement, and employment structures and arrange-  
25 ments employed by family offices; and

1           (3) does not exclude any person who was not  
2 registered or required to be registered under the In-  
3 vestment Advisers Act of 1940 on January 1, 2010  
4 from the definition of the term “family office”, sole-  
5 ly because such person provides investment advice  
6 to, and was engaged before January 1, 2010 in pro-  
7 viding investment advice to—

8           (A) natural persons who, at the time of  
9 their applicable investment, are officers, direc-  
10 tors, or employees of the family office who—

11           (i) have invested with the family office  
12 before January 1, 2010; and

13           (ii) are accredited investors, as de-  
14 fined in Regulation D of the Commission  
15 (or any successor thereto) under the Secu-  
16 rities Act of 1933, or, as the Commission  
17 may prescribe by rule, the successors-in-in-  
18 terest thereto;

19           (B) any company owned exclusively and  
20 controlled by members of the family of the fam-  
21 ily office, or as the Commission may prescribe  
22 by rule;

23           (C) any investment adviser registered  
24 under the Investment Adviser Act of 1940 that  
25 provides investment advice to the family office

1           and who identifies investment opportunities to  
2           the family office, and invests in such trans-  
3           actions on substantially the same terms as the  
4           family office invests, but does not invest in  
5           other funds advised by the family office, and  
6           whose assets as to which the family office di-  
7           rectly or indirectly provides investment advice  
8           represent, in the aggregate, not more than 5  
9           percent of the value of the total assets as to  
10          which the family office provides investment ad-  
11          vice.

12          (c) **ANTIFRAUD AUTHORITY.**—A family office that  
13 would not be a family office, but for subsection (b)(3),  
14 shall be deemed to be an investment adviser for the pur-  
15 poses of paragraphs (1), (2) and (4) of section 206 of the  
16 Investment Advisers Act of 1940.

17 **SEC. 410. STATE AND FEDERAL RESPONSIBILITIES; ASSET**  
18 **THRESHOLD FOR FEDERAL REGISTRATION**  
19 **OF INVESTMENT ADVISERS.**

20          Section 203A(a) of the of the Investment Advisers  
21 Act of 1940 (15 U.S.C. 80b–3a(a)) is amended—

22           (1) by redesignating paragraph (2) as para-  
23           graph (3); and

24           (2) by inserting after paragraph (1) the fol-  
25           lowing:

1           “(2) TREATMENT OF MID-SIZED INVESTMENT  
2           ADVISERS.—

3           “(A) IN GENERAL.—No investment adviser  
4           described in subparagraph (B) shall register  
5           under section 203, unless the investment ad-  
6           viser is an adviser to an investment company  
7           registered under the Investment Company Act  
8           of 1940, or a company which has elected to be  
9           a business development company pursuant to  
10          section 54 of the Investment Company Act of  
11          1940, and has not withdrawn the election, ex-  
12          cept that, if by effect of this paragraph an in-  
13          vestment adviser would be required to register  
14          with 15 or more States, then the adviser may  
15          register under section 203.

16          “(B) COVERED PERSONS.—An investment  
17          adviser described in this subparagraph is an in-  
18          vestment adviser that—

19                 “(i) is required to be registered as an  
20                 investment adviser with the securities com-  
21                 missioner (or any agency or office per-  
22                 forming like functions) of the State in  
23                 which it maintains its principal office and  
24                 place of business and, if registered, would  
25                 be subject to examination as an investment

1           adviser by any such commissioner, agency,  
2           or office; and

3           “(ii) has assets under management  
4           between—

5                       “(I) the amount specified under  
6                       subparagraph (A) of paragraph (1),  
7                       as such amount may have been ad-  
8                       justed by the Commission pursuant to  
9                       that subparagraph; and

10                      “(II) \$100,000,000, or such  
11                      higher amount as the Commission  
12                      may, by rule, deem appropriate in ac-  
13                      cordance with the purposes of this  
14                      title.”.

15 **SEC. 411. CUSTODY OF CLIENT ASSETS.**

16           The Investment Advisers Act of 1940 (15 U.S.C.  
17 80b–1 et seq.) is amended by adding at the end the fol-  
18 lowing new section:

19 **“SEC. 223. CUSTODY OF CLIENT ACCOUNTS.**

20           “An investment adviser registered under this title  
21 shall take such steps to safeguard client assets over which  
22 such adviser has custody, including, without limitation,  
23 verification of such assets by an independent public ac-  
24 countant, as the Commission may, by rule, prescribe.”.

1 **SEC. 412. COMPTROLLER GENERAL STUDY ON CUSTODY**  
2 **RULE COSTS.**

3 The Comptroller General of the United States shall—

4 (1) conduct a study of—

5 (A) the compliance costs associated with  
6 the current Securities and Exchange Commis-  
7 sion rules 204–2 (17 C.F.R. Parts 275.204–2)  
8 and rule 206(4)–2 (17 C.F.R. 275.206(4)–2)  
9 under the Investment Advisers Act of 1940 re-  
10 garding custody of funds or securities of clients  
11 by investment advisers; and

12 (B) the additional costs if subsection  
13 (b)(6) of rule 206(4)–2 (17 C.F.R. 275.206(4)–  
14 2(b)(6)) relating to operational independence  
15 were eliminated; and

16 (2) submit a report to the Committee on Bank-  
17 ing, Housing, and Urban Affairs of the Senate and  
18 the Committee on Financial Services of the House of  
19 Representatives on the results of such study, not  
20 later than 3 years after the date of enactment of  
21 this Act.

22 **SEC. 413. ADJUSTING THE ACCREDITED INVESTOR STAND-**  
23 **ARD.**

24 (a) IN GENERAL.—The Commission shall adjust any  
25 net worth standard for an accredited investor, as set forth  
26 in the rules of the Commission under the Securities Act

1 of 1933, so that the individual net worth of any natural  
2 person, or joint net worth with the spouse of that person,  
3 at the time of purchase, is more than \$1,000,000 (as such  
4 amount is adjusted periodically by rule of the Commis-  
5 sion), excluding the value of the primary residence of such  
6 natural person, except that during the 4-year period that  
7 begins on the date of enactment of this Act, any net worth  
8 standard shall be \$1,000,000, excluding the value of the  
9 primary residence of such natural person.

10 (b) REVIEW AND ADJUSTMENT.—

11 (1) INITIAL REVIEW AND ADJUSTMENT.—

12 (A) INITIAL REVIEW.—The Commission  
13 may undertake a review of the definition of the  
14 term “accredited investor”, as such term ap-  
15 plies to natural persons, to determine whether  
16 the requirements of the definition, excluding the  
17 requirement relating to the net worth standard  
18 described in subsection (a), should be adjusted  
19 or modified for the protection of investors, in  
20 the public interest, and in light of the economy.

21 (B) ADJUSTMENT OR MODIFICATION.—

22 Upon completion of a review under subpara-  
23 graph (A), the Commission may, by notice and  
24 comment rulemaking, make such adjustments  
25 to the definition of the term “accredited inves-

1           tor”, excluding adjusting or modifying the re-  
2           quirement relating to the net worth standard  
3           described in subsection (a), as such term ap-  
4           plies to natural persons, as the Commission  
5           may deem appropriate for the protection of in-  
6           vestors, in the public interest, and in light of  
7           the economy.

8           (2) SUBSEQUENT REVIEWS AND ADJUST-  
9           MENT.—

10           (A) SUBSEQUENT REVIEWS.—Not earlier  
11           than 4 years after the date of enactment of this  
12           Act, and not less frequently than once every 4  
13           years thereafter, the Commission shall under-  
14           take a review of the definition, in its entirety,  
15           of the term “accredited investor”, as defined in  
16           section 230.215 of title 17, Code of Federal  
17           Regulations, or any successor thereto, as such  
18           term applies to natural persons, to determine  
19           whether the requirements of the definition  
20           should be adjusted or modified for the protec-  
21           tion of investors, in the public interest, and in  
22           light of the economy.

23           (B) ADJUSTMENT OR MODIFICATION.—  
24           Upon completion of a review under subpara-  
25           graph (A), the Commission may, by notice and



1 comment rulemaking, make such adjustments  
2 to the definition of the term “accredited inves-  
3 tor”, as defined in section 230.215 of title 17,  
4 Code of Federal Regulations, or any successor  
5 thereto, as such term applies to natural per-  
6 sons, as the Commission may deem appropriate  
7 for the protection of investors, in the public in-  
8 terest, and in light of the economy.

9 **SEC. 414. RULE OF CONSTRUCTION RELATING TO THE**  
10 **COMMODITIES EXCHANGE ACT.**

11 The Investment Advisers Act of 1940 (15 U.S.C.  
12 80b–1 et seq.) is further amended by adding at the end  
13 the following new section:

14 **“SEC. 224. RULE OF CONSTRUCTION RELATING TO THE**  
15 **COMMODITIES EXCHANGE ACT.**

16 “Nothing in this title shall relieve any person of any  
17 obligation or duty, or affect the availability of any right  
18 or remedy available to the Commodity Futures Trading  
19 Commission or any private party, arising under the Com-  
20 modity Exchange Act (7 U.S.C. 1 et seq.) governing com-  
21 modity pools, commodity pool operators, or commodity  
22 trading advisors.”.

1 **SEC. 415. GAO STUDY AND REPORT ON ACCREDITED INVES-**  
2 **TORS.**

3 The Comptroller General of the United States shall  
4 conduct a study on the appropriate criteria for deter-  
5 mining the financial thresholds or other criteria needed  
6 to qualify for accredited investor status and eligibility to  
7 invest in private funds, and shall submit a report to the  
8 Committee on Banking, Housing, and Urban Affairs of  
9 the Senate and the Committee on Financial Services of  
10 the House of Representatives on the results of such study  
11 not later than 3 years after the date of enactment of this  
12 Act.

13 **SEC. 416. GAO STUDY ON SELF-REGULATORY ORGANIZA-**  
14 **TION FOR PRIVATE FUNDS.**

15 The Comptroller General of the United States shall—

16 (1) conduct a study of the feasibility of forming  
17 a self-regulatory organization to oversee private  
18 funds; and

19 (2) submit a report to the Committee on Bank-  
20 ing, Housing, and Urban Affairs of the Senate and  
21 the Committee on Financial Services of the House of  
22 Representatives on the results of such study, not  
23 later than 1 year after the date of enactment of this  
24 Act.

1 **SEC. 417. COMMISSION STUDY AND REPORT ON SHORT**  
2 **SELLING.**

3 (a) STUDIES.—The Division of Risk, Strategy, and  
4 Financial Innovation of the Commission shall conduct—

5 (1) a study, taking into account current schol-  
6 arship, on the state of short selling on national secu-  
7 rities exchanges and in the over-the-counter markets,  
8 with particular attention to the impact of recent rule  
9 changes and the incidence of—

10 (A) the failure to deliver shares sold short;

11 or

12 (B) delivery of shares on the fourth day  
13 following the short sale transaction; and

14 (2) a study of—

15 (A) the feasibility, benefits, and costs of  
16 requiring reporting publicly, in real time short  
17 sale positions of publicly listed securities, or, in  
18 the alternative, reporting such short positions  
19 in real time only to the Commission and the Fi-  
20 nancial Industry Regulatory Authority; and

21 (B) the feasibility, benefits, and costs of  
22 conducting a voluntary pilot program in which  
23 public companies will agree to have all trades of  
24 their shares marked “short”, “market maker  
25 short”, “buy”, “buy-to-cover”, or “long”, and

1 reported in real time through the Consolidated  
2 Tape.

3 (b) REPORTS.—The Commission shall submit a re-  
4 port to the Committee on Banking, Housing, and Urban  
5 Affairs of the Senate and the Committee on Financial  
6 Services of the House of Representatives—

7 (1) on the results of the study required under  
8 subsection (a)(1), including recommendations for  
9 market improvements, not later than 2 years after  
10 the date of enactment of this Act; and

11 (2) on the results of the study required under  
12 subsection (a)(2), not later than 1 year after the  
13 date of enactment of this Act.

14 **SEC. 418. QUALIFIED CLIENT STANDARD.**

15 Section 205(e) of the Investment Advisers Act of  
16 1940 (15 U.S.C. 80b–5(e)) is amended by adding at the  
17 end the following: “With respect to any factor used in any  
18 rule or regulation by the Commission in making a deter-  
19 mination under this subsection, if the Commission uses  
20 a dollar amount test in connection with such factor, such  
21 as a net asset threshold, the Commission shall, by order,  
22 not later than 1 year after the date of enactment of the  
23 Private Fund Investment Advisers Registration Act of  
24 2010, and every 5 years thereafter, adjust for the effects  
25 of inflation on such test. Any such adjustment that is not

1 a multiple of \$100,000 shall be rounded to the nearest  
2 multiple of \$100,000.”.

3 **SEC. 419. TRANSITION PERIOD.**

4 Except as otherwise provided in this title, this title  
5 and the amendments made by this title shall become effec-  
6 tive 1 year after the date of enactment of this Act, except  
7 that any investment adviser may, at the discretion of the  
8 investment adviser, register with the Commission under  
9 the Investment Advisers Act of 1940 during that 1-year  
10 period, subject to the rules of the Commission.

11 **TITLE V—INSURANCE**

12 **Subtitle A—Federal Insurance**

13 **Office**

14 **SEC. 501. SHORT TITLE.**

15 This subtitle may be cited as the “Federal Insurance  
16 Office Act of 2010”.

17 **SEC. 502. FEDERAL INSURANCE OFFICE.**

18 (a) ESTABLISHMENT OF OFFICE.—Subchapter I of  
19 chapter 3 of subtitle I of title 31, United States Code,  
20 is amended—

21 (1) by redesignating section 312 as section 315;

22 (2) by redesignating section 313 as section 312;

23 and

24 (3) by inserting after section 312 (as so redес-  
25 igned) the following new sections:

1 **“SEC. 313. FEDERAL INSURANCE OFFICE.**

2 “(a) ESTABLISHMENT.—There is established within  
3 the Department of the Treasury the Federal Insurance  
4 Office.

5 “(b) LEADERSHIP.—The Office shall be headed by a  
6 Director, who shall be appointed by the Secretary of the  
7 Treasury. The position of Director shall be a career re-  
8 served position in the Senior Executive Service, as that  
9 position is defined under section 3132 of title 5, United  
10 States Code.

11 “(c) FUNCTIONS.—

12 “(1) AUTHORITY PURSUANT TO DIRECTION OF  
13 SECRETARY.—The Office, pursuant to the direction  
14 of the Secretary, shall have the authority—

15 “(A) to monitor all aspects of the insur-  
16 ance industry, including identifying issues or  
17 gaps in the regulation of insurers that could  
18 contribute to a systemic crisis in the insurance  
19 industry or the United States financial system;

20 “(B) to monitor the extent to which tradi-  
21 tionally underserved communities and con-  
22 sumers, minorities (as such term is defined in  
23 section 1204(c) of the Financial Institutions  
24 Reform, Recovery, and Enforcement Act of  
25 1989 (12 U.S.C. 1811 note)), and low- and  
26 moderate-income persons have access to afford-

1           able insurance products regarding all lines of  
2           insurance, except health insurance;

3           “(C) to recommend to the Financial Sta-  
4           bility Oversight Council that it designate an in-  
5           surer, including the affiliates of such insurer, as  
6           an entity subject to regulation as a nonbank fi-  
7           nancial company supervised by the Board of  
8           Governors pursuant to title I of the Dodd-  
9           Frank Wall Street Reform and Consumer Pro-  
10          tection Act;

11          “(D) to assist the Secretary in admin-  
12          istering the Terrorism Insurance Program es-  
13          tablished in the Department of the Treasury  
14          under the Terrorism Risk Insurance Act of  
15          2002 (15 U.S.C. 6701 note);

16          “(E) to coordinate Federal efforts and de-  
17          velop Federal policy on prudential aspects of  
18          international insurance matters, including rep-  
19          resenting the United States, as appropriate, in  
20          the International Association of Insurance Su-  
21          pervisors (or a successor entity) and assisting  
22          the Secretary in negotiating covered agreements  
23          (as such term is defined in subsection (r));

1           “(F) to determine, in accordance with sub-  
2           section (f), whether State insurance measures  
3           are preempted by covered agreements;

4           “(G) to consult with the States (including  
5           State insurance regulators) regarding insurance  
6           matters of national importance and prudential  
7           insurance matters of international importance;  
8           and

9           “(H) to perform such other related duties  
10          and authorities as may be assigned to the Of-  
11          fice by the Secretary.

12          “(2) ADVISORY FUNCTIONS.—The Office shall  
13          advise the Secretary on major domestic and pruden-  
14          tial international insurance policy issues.

15          “(3) ADVISORY CAPACITY ON COUNCIL.—The  
16          Director shall serve in an advisory capacity on the  
17          Financial Stability Oversight Council established  
18          under the Financial Stability Act of 2010.

19          “(d) SCOPE.—The authority of the Office shall ex-  
20          tend to all lines of insurance except—

21                 “(1) health insurance, as determined by the  
22                 Secretary in coordination with the Secretary of  
23                 Health and Human Services based on section 2791  
24                 of the Public Health Service Act (42 U.S.C. 300gg-  
25                 91);



1           “(2) long-term care insurance, except long-term  
2           care insurance that is included with life or annuity  
3           insurance components, as determined by the Sec-  
4           retary in coordination with the Secretary of Health  
5           and Human Services, and in the case of long-term  
6           care insurance that is included with such compo-  
7           nents, the Secretary shall coordinate with the Sec-  
8           retary of Health and Human Services in performing  
9           the functions of the Office; and

10           “(3) crop insurance, as established by the Fed-  
11           eral Crop Insurance Act (7 U.S.C. 1501 et seq.).

12           “(e) GATHERING OF INFORMATION.—

13           “(1) IN GENERAL.—In carrying out the func-  
14           tions required under subsection (c), the Office  
15           may—

16           “(A) receive and collect data and informa-  
17           tion on and from the insurance industry and in-  
18           surers;

19           “(B) enter into information-sharing agree-  
20           ments;

21           “(C) analyze and disseminate data and in-  
22           formation; and

23           “(D) issue reports regarding all lines of in-  
24           surance except health insurance.

1           “(2) COLLECTION OF INFORMATION FROM IN-  
2           SURERS AND AFFILIATES.—

3           “(A) IN GENERAL.—Except as provided in  
4           paragraph (3), the Office may require an in-  
5           surer, or any affiliate of an insurer, to submit  
6           such data or information as the Office may rea-  
7           sonably require in carrying out the functions  
8           described under subsection (c).

9           “(B) RULE OF CONSTRUCTION.—Notwith-  
10          standing any other provision of this section, for  
11          purposes of subparagraph (A), the term ‘in-  
12          surer’ means any entity that writes insurance  
13          or reinsures risks and issues contracts or poli-  
14          cies in 1 or more States.

15          “(3) EXCEPTION FOR SMALL INSURERS.—Para-  
16          graph (2) shall not apply with respect to any insurer  
17          or affiliate thereof that meets a minimum size  
18          threshold that the Office may establish, whether by  
19          order or rule.

20          “(4) ADVANCE COORDINATION.—Before col-  
21          lecting any data or information under paragraph (2)  
22          from an insurer, or affiliate of an insurer, the Office  
23          shall coordinate with each relevant Federal agency  
24          and State insurance regulator (or other relevant  
25          Federal or State regulatory agency, if any, in the

1 case of an affiliate of an insurer) and any publicly  
2 available sources to determine if the information to  
3 be collected is available from, and may be obtained  
4 in a timely manner by, such Federal agency or State  
5 insurance regulator, individually or collectively, other  
6 regulatory agency, or publicly available sources. If  
7 the Director determines that such data or informa-  
8 tion is available, and may be obtained in a timely  
9 manner, from such an agency, regulator, regulatory  
10 agency, or source, the Director shall obtain the data  
11 or information from such agency, regulator, regu-  
12 latory agency, or source. If the Director determines  
13 that such data or information is not so available, the  
14 Director may collect such data or information from  
15 an insurer (or affiliate) only if the Director complies  
16 with the requirements of subchapter I of chapter 35  
17 of title 44, United States Code (relating to Federal  
18 information policy; commonly known as the Paper-  
19 work Reduction Act), in collecting such data or in-  
20 formation. Notwithstanding any other provision of  
21 law, each such relevant Federal agency and State in-  
22 surance regulator or other Federal or State regu-  
23 latory agency is authorized to provide to the Office  
24 such data or information.

25 “(5) CONFIDENTIALITY.—

1           “(A) RETENTION OF PRIVILEGE.—The  
2 submission of any nonpublicly available data  
3 and information to the Office under this sub-  
4 section shall not constitute a waiver of, or oth-  
5 erwise affect, any privilege arising under Fed-  
6 eral or State law (including the rules of any  
7 Federal or State court) to which the data or in-  
8 formation is otherwise subject.

9           “(B) CONTINUED APPLICATION OF PRIOR  
10 CONFIDENTIALITY AGREEMENTS.—Any require-  
11 ment under Federal or State law to the extent  
12 otherwise applicable, or any requirement pursu-  
13 ant to a written agreement in effect between  
14 the original source of any nonpublicly available  
15 data or information and the source of such data  
16 or information to the Office, regarding the pri-  
17 vacy or confidentiality of any data or informa-  
18 tion in the possession of the source to the Of-  
19 fice, shall continue to apply to such data or in-  
20 formation after the data or information has  
21 been provided pursuant to this subsection to the  
22 Office.

23           “(C) INFORMATION-SHARING AGREE-  
24 MENT.—Any data or information obtained by  
25 the Office may be made available to State in-

1           surance regulators, individually or collectively,  
2           through an information-sharing agreement  
3           that—

4                   “(i) shall comply with applicable Fed-  
5                   eral law; and

6                   “(ii) shall not constitute a waiver of,  
7                   or otherwise affect, any privilege under  
8                   Federal or State law (including the rules  
9                   of any Federal or State court) to which the  
10                  data or information is otherwise subject.

11                  “(D) AGENCY DISCLOSURE REQUIRE-  
12                  MENTS.—Section 552 of title 5, United States  
13                  Code, shall apply to any data or information  
14                  submitted to the Office by an insurer or an af-  
15                  filiate of an insurer.

16                  “(6) SUBPOENAS AND ENFORCEMENT.—The  
17                  Director shall have the power to require by subpoena  
18                  the production of the data or information requested  
19                  under paragraph (2), but only upon a written find-  
20                  ing by the Director that such data or information is  
21                  required to carry out the functions described under  
22                  subsection (c) and that the Office has coordinated  
23                  with such regulator or agency as required under  
24                  paragraph (4). Subpoenas shall bear the signature of  
25                  the Director and shall be served by any person or

1 class of persons designated by the Director for that  
2 purpose. In the case of contumacy or failure to obey  
3 a subpoena, the subpoena shall be enforceable by  
4 order of any appropriate district court of the United  
5 States. Any failure to obey the order of the court  
6 may be punished by the court as a contempt of  
7 court.

8 “(f) PREEMPTION OF STATE INSURANCE MEAS-  
9 URES.—

10 “(1) STANDARD.—A State insurance measure  
11 shall be preempted pursuant to this section or sec-  
12 tion 314 if, and only to the extent that the Director  
13 determines, in accordance with this subsection, that  
14 the measure—

15 “(A) results in less favorable treatment of  
16 a non-United States insurer domiciled in a for-  
17 eign jurisdiction that is subject to a covered  
18 agreement than a United States insurer domi-  
19 ciled, licensed, or otherwise admitted in that  
20 State; and

21 “(B) is inconsistent with a covered agree-  
22 ment.

23 “(2) DETERMINATION.—

1           “(A) NOTICE OF POTENTIAL INCONSIST-  
2           ENCY.—Before making any determination  
3           under paragraph (1), the Director shall—

4                   “(i) notify and consult with the appro-  
5                   priate State regarding any potential incon-  
6                   sistency or preemption;

7                   “(ii) notify and consult with the  
8                   United States Trade Representative re-  
9                   garding any potential inconsistency or pre-  
10                  emption;

11                  “(iii) cause to be published in the  
12                  Federal Register notice of the issue re-  
13                  garding the potential inconsistency or pre-  
14                  emption, including a description of each  
15                  State insurance measure at issue and any  
16                  applicable covered agreement;

17                  “(iv) provide interested parties a rea-  
18                  sonable opportunity to submit written com-  
19                  ments to the Office; and

20                  “(v) consider any comments received.

21           “(B) SCOPE OF REVIEW.—For purposes of  
22           this subsection, any determination of the Direc-  
23           tor regarding State insurance measures, and  
24           any preemption under paragraph (1) as a result  
25           of such determination, shall be limited to the

1 subject matter contained within the covered  
2 agreement involved and shall achieve a level of  
3 protection for insurance or reinsurance con-  
4 sumers that is substantially equivalent to the  
5 level of protection achieved under State insur-  
6 ance or reinsurance regulation.

7 “(C) NOTICE OF DETERMINATION OF IN-  
8 CONSISTENCY.—Upon making any determina-  
9 tion under paragraph (1), the Director shall—

10 “(i) notify the appropriate State of  
11 the determination and the extent of the in-  
12 consistency;

13 “(ii) establish a reasonable period of  
14 time, which shall not be less than 30 days,  
15 before the determination shall become ef-  
16 fective; and

17 “(iii) notify the Committees on Finan-  
18 cial Services and Ways and Means of the  
19 House of Representatives and the Commit-  
20 tees on Banking, Housing, and Urban Af-  
21 fairs and Finance of the Senate.

22 “(3) NOTICE OF EFFECTIVENESS.—Upon the  
23 conclusion of the period referred to in paragraph  
24 (2)(C)(ii), if the basis for such determination still



1 exists, the determination shall become effective and  
2 the Director shall—

3 “(A) cause to be published a notice in the  
4 Federal Register that the preemption has be-  
5 come effective, as well as the effective date; and

6 “(B) notify the appropriate State.

7 “(4) LIMITATION.—No State may enforce a  
8 State insurance measure to the extent that such  
9 measure has been preempted under this subsection.

10 “(g) APPLICABILITY OF ADMINISTRATIVE PROCE-  
11 DURES ACT.—Determinations of inconsistency made pur-  
12 suant to subsection (f)(2) shall be subject to the applicable  
13 provisions of subchapter II of chapter 5 of title 5, United  
14 States Code (relating to administrative procedure), and  
15 chapter 7 of such title (relating to judicial review), except  
16 that in any action for judicial review of a determination  
17 of inconsistency, the court shall determine the matter de  
18 novo.

19 “(h) REGULATIONS, POLICIES, AND PROCEDURES.—  
20 The Secretary may issue orders, regulations, policies, and  
21 procedures to implement this section.

22 “(i) CONSULTATION.—The Director shall consult  
23 with State insurance regulators, individually or collec-  
24 tively, to the extent the Director determines appropriate,  
25 in carrying out the functions of the Office.

1       “(j) SAVINGS PROVISIONS.—Nothing in this section  
2 shall—

3           “(1) preempt—

4               “(A) any State insurance measure that  
5 governs any insurer’s rates, premiums, under-  
6 writing, or sales practices;

7               “(B) any State coverage requirements for  
8 insurance;

9               “(C) the application of the antitrust laws  
10 of any State to the business of insurance; or

11               “(D) any State insurance measure gov-  
12 erning the capital or solvency of an insurer, ex-  
13 cept to the extent that such State insurance  
14 measure results in less favorable treatment of a  
15 non-United State insurer than a United States  
16 insurer;

17           “(2) be construed to alter, amend, or limit any  
18 provision of the Consumer Financial Protection  
19 Agency Act of 2010; or

20           “(3) affect the preemption of any State insur-  
21 ance measure otherwise inconsistent with and pre-  
22 empted by Federal law.

23       “(k) RETENTION OF EXISTING STATE REGULATORY  
24 AUTHORITY.—Nothing in this section or section 314 shall  
25 be construed to establish or provide the Office or the De-

1 partment of the Treasury with general supervisory or reg-  
2 ulatory authority over the business of insurance.

3 “(l) RETENTION OF AUTHORITY OF FEDERAL FI-  
4 NANCIAL REGULATORY AGENCIES.—Nothing in this sec-  
5 tion or section 314 shall be construed to limit the author-  
6 ity of any Federal financial regulatory agency, including  
7 the authority to develop and coordinate policy, negotiate,  
8 and enter into agreements with foreign governments, au-  
9 thorities, regulators, and multinational regulatory commit-  
10 tees and to preempt State measures to affect uniformity  
11 with international regulatory agreements.

12 “(m) RETENTION OF AUTHORITY OF UNITED  
13 STATES TRADE REPRESENTATIVE.—Nothing in this sec-  
14 tion or section 314 shall be construed to affect the author-  
15 ity of the Office of the United States Trade Representative  
16 pursuant to section 141 of the Trade Act of 1974 (19  
17 U.S.C. 2171) or any other provision of law, including au-  
18 thority over the development and coordination of United  
19 States international trade policy and the administration  
20 of the United States trade agreements program.

21 “(n) ANNUAL REPORTS TO CONGRESS.—

22 “(1) SECTION 313(f) REPORTS.—Beginning  
23 September 30, 2011, the Director shall submit a re-  
24 port on or before September 30 of each calendar  
25 year to the President and to the Committees on Fi-

1       nancial Services and Ways and Means of the House  
2       of Representatives and the Committees on Banking,  
3       Housing, and Urban Affairs and Finance of the  
4       Senate on any actions taken by the Office pursuant  
5       to subsection (f) (regarding preemption of incon-  
6       sistent State insurance measures).

7               “(2) INSURANCE INDUSTRY.—Beginning Sep-  
8       tember 30, 2011, the Director shall submit a report  
9       on or before September 30 of each calendar year to  
10       the President and to the Committee on Financial  
11       Services of the House of Representatives and the  
12       Committee on Banking, Housing, and Urban Affairs  
13       of the Senate on the insurance industry and any  
14       other information as deemed relevant by the Direc-  
15       tor or requested by such Committees.

16              “(o) REPORTS ON U.S. AND GLOBAL REINSURANCE  
17       MARKET.—The Director shall submit to the Committee  
18       on Financial Services of the House of Representatives and  
19       the Committee on Banking, Housing, and Urban Affairs  
20       of the Senate—

21              “(1) a report received not later than September  
22       30, 2012, describing the breadth and scope of the  
23       global reinsurance market and the critical role such  
24       market plays in supporting insurance in the United  
25       States; and

1           “(2) a report received not later than January 1,  
2           2013, and updated not later than January 1, 2015,  
3           describing the impact of part II of the Nonadmitted  
4           and Reinsurance Reform Act of 2010 on the ability  
5           of State regulators to access reinsurance information  
6           for regulated companies in their jurisdictions.

7           “(p) STUDY AND REPORT ON REGULATION OF IN-  
8           SURANCE.—

9           “(1) IN GENERAL.—Not later than 18 months  
10          after the date of enactment of this section, the Di-  
11          rector shall conduct a study and submit a report to  
12          Congress on how to modernize and improve the sys-  
13          tem of insurance regulation in the United States.

14          “(2) CONSIDERATIONS.—The study and report  
15          required under paragraph (1) shall be based on and  
16          guided by the following considerations:

17                 “(A) Systemic risk regulation with respect  
18                 to insurance.

19                 “(B) Capital standards and the relation-  
20                 ship between capital allocation and liabilities,  
21                 including standards relating to liquidity and du-  
22                 ration risk.

23                 “(C) Consumer protection for insurance  
24                 products and practices, including gaps in State  
25                 regulation.

1           “(D) The degree of national uniformity of  
2           State insurance regulation.

3           “(E) The regulation of insurance compa-  
4           nies and affiliates on a consolidated basis.

5           “(F) International coordination of insur-  
6           ance regulation.

7           “(3) ADDITIONAL FACTORS.—The study and  
8           report required under paragraph (1) shall also exam-  
9           ine the following factors:

10           “(A) The costs and benefits of potential  
11           Federal regulation of insurance across various  
12           lines of insurance (except health insurance).

13           “(B) The feasibility of regulating only cer-  
14           tain lines of insurance at the Federal level,  
15           while leaving other lines of insurance to be reg-  
16           ulated at the State level.

17           “(C) The ability of any potential Federal  
18           regulation or Federal regulators to eliminate or  
19           minimize regulatory arbitrage.

20           “(D) The impact that developments in the  
21           regulation of insurance in foreign jurisdictions  
22           might have on the potential Federal regulation  
23           of insurance.

1           “(E) The ability of any potential Federal  
2 regulation or Federal regulator to provide ro-  
3 bust consumer protection for policyholders.

4           “(F) The potential consequences of sub-  
5 jecting insurance companies to a Federal reso-  
6 lution authority, including the effects of any  
7 Federal resolution authority—

8           “(i) on the operation of State insur-  
9 ance guaranty fund systems, including the  
10 loss of guaranty fund coverage if an insur-  
11 ance company is subject to a Federal reso-  
12 lution authority;

13           “(ii) on policyholder protection, in-  
14 cluding the loss of the priority status of  
15 policyholder claims over other unsecured  
16 general creditor claims;

17           “(iii) in the case of life insurance  
18 companies, on the loss of the special status  
19 of separate account assets and separate ac-  
20 count liabilities; and

21           “(iv) on the international competitive-  
22 ness of insurance companies.

23           “(G) Such other factors as the Director  
24 determines necessary or appropriate, consistent  
25 with the principles set forth in paragraph (2).

1           “(4) REQUIRED RECOMMENDATIONS.—The  
2 study and report required under paragraph (1) shall  
3 also contain any legislative, administrative, or regu-  
4 latory recommendations, as the Director determines  
5 appropriate, to carry out or effectuate the findings  
6 set forth in such report.

7           “(5) CONSULTATION.—With respect to the  
8 study and report required under paragraph (1), the  
9 Director shall consult with the State insurance regu-  
10 lators, consumer organizations, representatives of  
11 the insurance industry and policyholders, and other  
12 organizations and experts, as appropriate.

13          “(q) USE OF EXISTING RESOURCES.—To carry out  
14 this section, the Office may employ personnel, facilities,  
15 and any other resource of the Department of the Treasury  
16 available to the Secretary and the Secretary shall dedicate  
17 specific personnel to the Office.

18          “(r) DEFINITIONS.—In this section and section 314,  
19 the following definitions shall apply:

20           “(1) AFFILIATE.—The term ‘affiliate’ means,  
21 with respect to an insurer, any person who controls,  
22 is controlled by, or is under common control with the  
23 insurer.

24           “(2) COVERED AGREEMENT.—The term ‘cov-  
25 ered agreement’ means a written bilateral or multi-



1 lateral agreement regarding prudential measures  
2 with respect to the business of insurance or reinsur-  
3 ance that—

4 “(A) is entered into between the United  
5 States and one or more foreign governments,  
6 authorities, or regulatory entities; and

7 “(B) relates to the recognition of pruden-  
8 tial measures with respect to the business of in-  
9 surance or reinsurance that achieves a level of  
10 protection for insurance or reinsurance con-  
11 sumers that is substantially equivalent to the  
12 level of protection achieved under State insur-  
13 ance or reinsurance regulation.

14 “(3) INSURER.—The term ‘insurer’ means any  
15 person engaged in the business of insurance, includ-  
16 ing reinsurance.

17 “(4) FEDERAL FINANCIAL REGULATORY AGEN-  
18 CY.—The term ‘Federal financial regulatory agency’  
19 means the Department of the Treasury, the Board  
20 of Governors of the Federal Reserve System, the Of-  
21 fice of the Comptroller of the Currency, the Office  
22 of Thrift Supervision, the Securities and Exchange  
23 Commission, the Commodity Futures Trading Com-  
24 mission, the Federal Deposit Insurance Corporation,

1 the Federal Housing Finance Agency, or the Na-  
2 tional Credit Union Administration.

3 “(5) NON-UNITED STATES INSURER.—The term  
4 ‘non-United States insurer’ means an insurer that is  
5 organized under the laws of a jurisdiction other than  
6 a State, but does not include any United States  
7 branch of such an insurer.

8 “(6) OFFICE.—The term ‘Office’ means the  
9 Federal Insurance Office established by this section.

10 “(7) STATE INSURANCE MEASURE.—The term  
11 ‘State insurance measure’ means any State law, reg-  
12 ulation, administrative ruling, bulletin, guideline, or  
13 practice relating to or affecting prudential measures  
14 applicable to insurance or reinsurance.

15 “(8) STATE INSURANCE REGULATOR.—The  
16 term ‘State insurance regulator’ means any State  
17 regulatory authority responsible for the supervision  
18 of insurers.

19 “(9) SUBSTANTIALLY EQUIVALENT TO THE  
20 LEVEL OF PROTECTION ACHIEVED.—The term ‘sub-  
21 stantially equivalent to the level of protection  
22 achieved’ means the prudential measures of a for-  
23 eign government, authority, or regulatory entity  
24 achieve a similar outcome in consumer protection as

1 the outcome achieved under State insurance or rein-  
2 surance regulation.

3 “(10) UNITED STATES INSURER.—The term  
4 ‘United States insurer’ means—

5 “(A) an insurer that is organized under  
6 the laws of a State; or

7 “(B) a United States branch of a non-  
8 United States insurer.

9 “(s) AUTHORIZATION OF APPROPRIATIONS.—There  
10 are authorized to be appropriated for the Office for each  
11 fiscal year such sums as may be necessary.

12 **“SEC. 314. COVERED AGREEMENTS.**

13 “(a) AUTHORITY.—The Secretary and the United  
14 States Trade Representative are authorized, jointly, to ne-  
15 gotiate and enter into covered agreements on behalf of the  
16 United States.

17 “(b) REQUIREMENTS FOR CONSULTATION WITH  
18 CONGRESS.—

19 “(1) IN GENERAL.—Before initiating negotia-  
20 tions to enter into a covered agreement under sub-  
21 section (a), during such negotiations, and before en-  
22 tering into any such agreement, the Secretary and  
23 the United States Trade Representative shall jointly  
24 consult with the Committee on Financial Services  
25 and the Committee on Ways and Means of the

1 House of Representatives and the Committee on  
2 Banking, Housing, and Urban Affairs and the Com-  
3 mittee on Finance of the Senate.

4 “(2) SCOPE.—The consultation described in  
5 paragraph (1) shall include consultation with respect  
6 to—

7 “(A) the nature of the agreement;

8 “(B) how and to what extent the agree-  
9 ment will achieve the applicable purposes, poli-  
10 cies, priorities, and objectives of section 313  
11 and this section; and

12 “(C) the implementation of the agreement,  
13 including the general effect of the agreement on  
14 existing State laws.

15 “(c) SUBMISSION AND LAYOVER PROVISIONS.—A  
16 covered agreement under subsection (a) may enter into  
17 force with respect to the United States only if—

18 “(1) the Secretary and the United States Trade  
19 Representative jointly submit to the congressional  
20 committees specified in subsection (b)(1), on a day  
21 on which both Houses of Congress are in session, a  
22 copy of the final legal text of the agreement; and

23 “(2) a period of 90 calendar days beginning on  
24 the date on which the copy of the final legal text of

1 the agreement is submitted to the congressional  
2 committees under paragraph (1) has expired.”.

3 (b) DUTIES OF SECRETARY.—Section 321(a) of title  
4 31, United States Code, is amended—

5 (1) in paragraph (7), by striking “; and” and  
6 inserting a semicolon;

7 (2) in paragraph (8)(C), by striking the period  
8 at the end and inserting “; and”; and

9 (3) by adding at the end the following new  
10 paragraph:

11 “(9) advise the President on major domestic  
12 and international prudential policy issues in connec-  
13 tion with all lines of insurance except health insur-  
14 ance.”.

15 (c) CLERICAL AMENDMENT.—The table of sections  
16 for subchapter I of chapter 3 of title 31, United States  
17 Code, is amended by striking the item relating to section  
18 312 and inserting the following new items:

“Sec. 312. Terrorism and financial intelligence.

“Sec. 313. Federal Insurance Office.

“Sec. 314. Covered agreements.

“Sec. 315. Continuing in office.”.

## 19 **Subtitle B—State-Based Insurance** 20 **Reform**

### 21 **SEC. 511. SHORT TITLE.**

22 This subtitle may be cited as the “Nonadmitted and  
23 Reinsurance Reform Act of 2010”.

1 **SEC. 512. EFFECTIVE DATE.**

2 Except as otherwise specifically provided in this sub-  
3 title, this subtitle shall take effect upon the expiration of  
4 the 12-month period beginning on the date of the enact-  
5 ment of this subtitle.

6 **PART I—NONADMITTED INSURANCE**

7 **SEC. 521. REPORTING, PAYMENT, AND ALLOCATION OF**  
8 **PREMIUM TAXES.**

9 (a) HOME STATE'S EXCLUSIVE AUTHORITY.—No  
10 State other than the home State of an insured may require  
11 any premium tax payment for nonadmitted insurance.

12 (b) ALLOCATION OF NONADMITTED PREMIUM  
13 TAXES.—

14 (1) IN GENERAL.—The States may enter into a  
15 compact or otherwise establish procedures to allocate  
16 among the States the premium taxes paid to an in-  
17 sured's home State described in subsection (a).

18 (2) EFFECTIVE DATE.—Except as expressly  
19 otherwise provided in such compact or other proce-  
20 dures, any such compact or other procedures—

21 (A) if adopted on or before the expiration  
22 of the 330-day period that begins on the date  
23 of the enactment of this subtitle, shall apply to  
24 any premium taxes that, on or after such date  
25 of enactment, are required to be paid to any

1 State that is subject to such compact or proce-  
2 dures; and

3 (B) if adopted after the expiration of such  
4 330-day period, shall apply to any premium  
5 taxes that, on or after January 1 of the first  
6 calendar year that begins after the expiration of  
7 such 330-day period, are required to be paid to  
8 any State that is subject to such compact or  
9 procedures.

10 (3) REPORT.—Upon the expiration of the 330-  
11 day period referred to in paragraph (2), the NAIC  
12 may submit a report to the Committee on Financial  
13 Services and the Committee on the Judiciary of the  
14 House of Representatives and the Committee on  
15 Banking, Housing, and Urban Affairs of the Senate  
16 identifying and describing any compact or other pro-  
17 cedures for allocation among the States of premium  
18 taxes that have been adopted during such period by  
19 any States.

20 (4) NATIONWIDE SYSTEM.—The Congress in-  
21 tends that each State adopt nationwide uniform re-  
22 quirements, forms, and procedures, such as an inter-  
23 state compact, that provide for the reporting, pay-  
24 ment, collection, and allocation of premium taxes for  
25 nonadmitted insurance consistent with this section.

1           (c) ALLOCATION BASED ON TAX ALLOCATION RE-  
2 PORT.—To facilitate the payment of premium taxes  
3 among the States, an insured’s home State may require  
4 surplus lines brokers and insureds who have independently  
5 procured insurance to annually file tax allocation reports  
6 with the insured’s home State detailing the portion of the  
7 nonadmitted insurance policy premium or premiums at-  
8 tributable to properties, risks, or exposures located in each  
9 State. The filing of a nonadmitted insurance tax allocation  
10 report and the payment of tax may be made by a person  
11 authorized by the insured to act as its agent.

12 **SEC. 522. REGULATION OF NONADMITTED INSURANCE BY**  
13 **INSURED’S HOME STATE.**

14           (a) HOME STATE AUTHORITY.—Except as otherwise  
15 provided in this section, the placement of nonadmitted in-  
16 surance shall be subject to the statutory and regulatory  
17 requirements solely of the insured’s home State.

18           (b) BROKER LICENSING.—No State other than an in-  
19 sured’s home State may require a surplus lines broker to  
20 be licensed in order to sell, solicit, or negotiate non-  
21 admitted insurance with respect to such insured.

22           (c) ENFORCEMENT PROVISION.—With respect to sec-  
23 tion 521 and subsections (a) and (b) of this section, any  
24 law, regulation, provision, or action of any State that ap-  
25 plies or purports to apply to nonadmitted insurance sold



1 to, solicited by, or negotiated with an insured whose home  
2 State is another State shall be preempted with respect to  
3 such application.

4 (d) WORKERS' COMPENSATION EXCEPTION.—This  
5 section may not be construed to preempt any State law,  
6 rule, or regulation that restricts the placement of workers'  
7 compensation insurance or excess insurance for self-fund-  
8 ed workers' compensation plans with a nonadmitted in-  
9 surer.

10 **SEC. 523. PARTICIPATION IN NATIONAL PRODUCER DATA-**  
11 **BASE.**

12 After the expiration of the 2-year period beginning  
13 on the date of the enactment of this subtitle, a State may  
14 not collect any fees relating to licensing of an individual  
15 or entity as a surplus lines broker in the State unless the  
16 State has in effect at such time laws or regulations that  
17 provide for participation by the State in the national in-  
18 surance producer database of the NAIC, or any other  
19 equivalent uniform national database, for the licensure of  
20 surplus lines brokers and the renewal of such licenses.

21 **SEC. 524. UNIFORM STANDARDS FOR SURPLUS LINES ELI-**  
22 **GIBILITY.**

23 A State may not—

24 (1) impose eligibility requirements on, or other-  
25 wise establish eligibility criteria for, nonadmitted in-

1       surers domiciled in a United States jurisdiction, ex-  
2       cept in conformance with such requirements and cri-  
3       teria in sections 5A(2) and 5C(2)(a) of the Non-Ad-  
4       mitted Insurance Model Act, unless the State has  
5       adopted nationwide uniform requirements, forms,  
6       and procedures developed in accordance with section  
7       521(b) of this subtitle that include alternative na-  
8       tionwide uniform eligibility requirements; or

9               (2) prohibit a surplus lines broker from placing  
10       nonadmitted insurance with, or procuring non-  
11       admitted insurance from, a nonadmitted insurer  
12       domiciled outside the United States that is listed on  
13       the Quarterly Listing of Alien Insurers maintained  
14       by the International Insurers Department of the  
15       NAIC.

16 **SEC. 525. STREAMLINED APPLICATION FOR COMMERCIAL**  
17 **PURCHASERS.**

18       A surplus lines broker seeking to procure or place  
19       nonadmitted insurance in a State for an exempt commer-  
20       cial purchaser shall not be required to satisfy any State  
21       requirement to make a due diligence search to determine  
22       whether the full amount or type of insurance sought by  
23       such exempt commercial purchaser can be obtained from  
24       admitted insurers if—

1           (1) the broker procuring or placing the surplus  
2 lines insurance has disclosed to the exempt commer-  
3 cial purchaser that such insurance may or may not  
4 be available from the admitted market that may pro-  
5 vide greater protection with more regulatory over-  
6 sight; and

7           (2) the exempt commercial purchaser has sub-  
8 sequently requested in writing the broker to procure  
9 or place such insurance from a nonadmitted insurer.

10 **SEC. 526. GAO STUDY OF NONADMITTED INSURANCE MAR-**  
11 **KET.**

12           (a) IN GENERAL.—The Comptroller General of the  
13 United States shall conduct a study of the nonadmitted  
14 insurance market to determine the effect of the enactment  
15 of this part on the size and market share of the non-  
16 admitted insurance market for providing coverage typi-  
17 cally provided by the admitted insurance market.

18           (b) CONTENTS.—The study shall determine and ana-  
19 lyze—

20           (1) the change in the size and market share of  
21 the nonadmitted insurance market and in the num-  
22 ber of insurance companies and insurance holding  
23 companies providing such business in the 18-month  
24 period that begins upon the effective date of this  
25 subtitle;

1           (2) the extent to which insurance coverage typi-  
2 cally provided by the admitted insurance market has  
3 shifted to the nonadmitted insurance market;

4           (3) the consequences of any change in the size  
5 and market share of the nonadmitted insurance  
6 market, including differences in the price and avail-  
7 ability of coverage available in both the admitted  
8 and nonadmitted insurance markets;

9           (4) the extent to which insurance companies  
10 and insurance holding companies that provide both  
11 admitted and nonadmitted insurance have experi-  
12 enced shifts in the volume of business between ad-  
13 mitted and nonadmitted insurance; and

14           (5) the extent to which there has been a change  
15 in the number of individuals who have nonadmitted  
16 insurance policies, the type of coverage provided  
17 under such policies, and whether such coverage is  
18 available in the admitted insurance market.

19       (c) CONSULTATION WITH NAIC.—In conducting the  
20 study under this section, the Comptroller General shall  
21 consult with the NAIC.

22       (d) REPORT.—The Comptroller General shall com-  
23 plete the study under this section and submit a report to  
24 the Committee on Banking, Housing, and Urban Affairs  
25 of the Senate and the Committee on Financial Services

1 of the House of Representatives regarding the findings of  
2 the study not later than 30 months after the effective date  
3 of this subtitle.

4 **SEC. 527. DEFINITIONS.**

5 For purposes of this part, the following definitions  
6 shall apply:

7 (1) ADMITTED INSURER.—The term “admitted  
8 insurer” means, with respect to a State, an insurer  
9 licensed to engage in the business of insurance in  
10 such State.

11 (2) AFFILIATE.—The term “affiliate” means,  
12 with respect to an insured, any entity that controls,  
13 is controlled by, or is under common control with the  
14 insured.

15 (3) AFFILIATED GROUP.—The term “affiliated  
16 group” means any group of entities that are all af-  
17 filiated.

18 (4) CONTROL.—An entity has “control” over  
19 another entity if—

20 (A) the entity directly or indirectly or act-  
21 ing through 1 or more other persons owns, con-  
22 trols, or has the power to vote 25 percent or  
23 more of any class of voting securities of the  
24 other entity; or

1 (B) the entity controls in any manner the  
2 election of a majority of the directors or trust-  
3 ees of the other entity.

4 (5) EXEMPT COMMERCIAL PURCHASER.—The  
5 term “exempt commercial purchaser” means any  
6 person purchasing commercial insurance that, at the  
7 time of placement, meets the following requirements:

8 (A) The person employs or retains a quali-  
9 fied risk manager to negotiate insurance cov-  
10 erage.

11 (B) The person has paid aggregate nation-  
12 wide commercial property and casualty insur-  
13 ance premiums in excess of \$100,000 in the im-  
14 mediately preceding 12 months.

15 (C)(i) The person meets at least 1 of the  
16 following criteria:

17 (I) The person possesses a net worth  
18 in excess of \$20,000,000, as such amount  
19 is adjusted pursuant to clause (ii).

20 (II) The person generates annual rev-  
21 enues in excess of \$50,000,000, as such  
22 amount is adjusted pursuant to clause (ii).

23 (III) The person employs more than  
24 500 full-time or full-time equivalent em-  
25 ployees per individual insured or is a mem-

1                   ber of an affiliated group employing more  
2                   than 1,000 employees in the aggregate.

3                   (IV) The person is a not-for-profit or-  
4                   ganization or public entity generating an-  
5                   nual budgeted expenditures of at least  
6                   \$30,000,000, as such amount is adjusted  
7                   pursuant to clause (ii).

8                   (V) The person is a municipality with  
9                   a population in excess of 50,000 persons.

10                  (ii) Effective on the fifth January 1 occur-  
11                  ring after the date of the enactment of this sub-  
12                  title and each fifth January 1 occurring there-  
13                  after, the amounts in subclauses (I), (II), and  
14                  (IV) of clause (i) shall be adjusted to reflect the  
15                  percentage change for such 5-year period in the  
16                  Consumer Price Index for All Urban Con-  
17                  sumers published by the Bureau of Labor Sta-  
18                  tistics of the Department of Labor.

19                  (6) HOME STATE.—

20                  (A) IN GENERAL.—Except as provided in  
21                  subparagraph (B), the term “home State”  
22                  means, with respect to an insured—

23                         (i) the State in which an insured  
24                         maintains its principal place of business or,

1 in the case of an individual, the individ-  
2 ual's principal residence; or

3 (ii) if 100 percent of the insured risk  
4 is located out of the State referred to in  
5 clause (i), the State to which the greatest  
6 percentage of the insured's taxable pre-  
7 mium for that insurance contract is allo-  
8 cated.

9 (B) AFFILIATED GROUPS.—If more than 1  
10 insured from an affiliated group are named in-  
11 sureds on a single nonadmitted insurance con-  
12 tract, the term “home State” means the home  
13 State, as determined pursuant to subparagraph  
14 (A), of the member of the affiliated group that  
15 has the largest percentage of premium attrib-  
16 uted to it under such insurance contract.

17 (7) INDEPENDENTLY PROCURED INSURANCE.—  
18 The term “independently procured insurance”  
19 means insurance procured directly by an insured  
20 from a nonadmitted insurer.

21 (8) NAIC.—The term “NAIC” means the Na-  
22 tional Association of Insurance Commissioners or  
23 any successor entity.

24 (9) NONADMITTED INSURANCE.—The term  
25 “nonadmitted insurance” means any property and



1       casualty insurance permitted to be placed directly or  
2       through a surplus lines broker with a nonadmitted  
3       insurer eligible to accept such insurance.

4           (10) NON-ADMITTED INSURANCE MODEL  
5       ACT.—The term “Non-Admitted Insurance Model  
6       Act” means the provisions of the Non-Admitted In-  
7       surance Model Act, as adopted by the NAIC on Au-  
8       gust 3, 1994, and amended on September 30, 1996,  
9       December 6, 1997, October 2, 1999, and June 8,  
10      2002.

11          (11) NONADMITTED INSURER.—The term  
12      “nonadmitted insurer”—

13           (A) means, with respect to a State, an in-  
14           surer not licensed to engage in the business of  
15           insurance in such State; but

16           (B) does not include a risk retention  
17           group, as that term is defined in section 2(a)(4)  
18           of the Liability Risk Retention Act of 1986 (15  
19           U.S.C. 3901(a)(4)).

20          (12) PREMIUM TAX.—The term “premium tax”  
21      means, with respect to surplus lines or independently  
22      procured insurance coverage, any tax, fee, assess-  
23      ment, or other charge imposed by a government en-  
24      tity directly or indirectly based on any payment  
25      made as consideration for an insurance contract for

1 such insurance, including premium deposits, assess-  
2 ments, registration fees, and any other compensation  
3 given in consideration for a contract of insurance.

4 (13) QUALIFIED RISK MANAGER.—The term  
5 “qualified risk manager” means, with respect to a  
6 policyholder of commercial insurance, a person who  
7 meets all of the following requirements:

8 (A) The person is an employee of, or third-  
9 party consultant retained by, the commercial  
10 policyholder.

11 (B) The person provides skilled services in  
12 loss prevention, loss reduction, or risk and in-  
13 surance coverage analysis, and purchase of in-  
14 surance.

15 (C) The person—

16 (i)(I) has a bachelor’s degree or high-  
17 er from an accredited college or university  
18 in risk management, business administra-  
19 tion, finance, economics, or any other field  
20 determined by a State insurance commis-  
21 sioner or other State regulatory official or  
22 entity to demonstrate minimum com-  
23 petence in risk management; and

24 (II)(aa) has 3 years of experience in  
25 risk financing, claims administration, loss

1 prevention, risk and insurance analysis, or  
2 purchasing commercial lines of insurance;  
3 or

4 (bb) has—

5 (AA) a designation as a Char-  
6 tered Property and Casualty Under-  
7 writer (in this subparagraph referred  
8 to as “CPCU”) issued by the Amer-  
9 ican Institute for CPCU/Insurance In-  
10 stitute of America;

11 (BB) a designation as an Asso-  
12 ciate in Risk Management (ARM)  
13 issued by the American Institute for  
14 CPCU/Insurance Institute of America;

15 (CC) a designation as Certified  
16 Risk Manager (CRM) issued by the  
17 National Alliance for Insurance Edu-  
18 cation & Research;

19 (DD) a designation as a RIMS  
20 Fellow (RF) issued by the Global Risk  
21 Management Institute; or

22 (EE) any other designation, cer-  
23 tification, or license determined by a  
24 State insurance commissioner or other  
25 State insurance regulatory official or

1                   entity to demonstrate minimum com-  
2                   petency in risk management;

3                   (ii)(I) has at least 7 years of experi-  
4                   ence in risk financing, claims administra-  
5                   tion, loss prevention, risk and insurance  
6                   coverage analysis, or purchasing commer-  
7                   cial lines of insurance; and

8                   (II) has any 1 of the designations  
9                   specified in subitems (AA) through (EE)  
10                  of clause (i)(II)(bb);

11                  (iii) has at least 10 years of experi-  
12                  ence in risk financing, claims administra-  
13                  tion, loss prevention, risk and insurance  
14                  coverage analysis, or purchasing commer-  
15                  cial lines of insurance; or

16                  (iv) has a graduate degree from an  
17                  accredited college or university in risk  
18                  management, business administration, fi-  
19                  nance, economics, or any other field deter-  
20                  mined by a State insurance commissioner  
21                  or other State regulatory official or entity  
22                  to demonstrate minimum competence in  
23                  risk management.

1           (14) REINSURANCE.—The term “reinsurance”  
2 means the assumption by an insurer of all or part  
3 of a risk undertaken originally by another insurer.

4           (15) SURPLUS LINES BROKER.—The term “sur-  
5 plus lines broker” means an individual, firm, or cor-  
6 poration which is licensed in a State to sell, solicit,  
7 or negotiate insurance on properties, risks, or expo-  
8 sures located or to be performed in a State with  
9 nonadmitted insurers.

10          (16) STATE.—The term “State” includes any  
11 State of the United States, the District of Columbia,  
12 the Commonwealth of Puerto Rico, Guam, the  
13 Northern Mariana Islands, the Virgin Islands, and  
14 American Samoa.

15                           **PART II—REINSURANCE**

16 **SEC. 531. REGULATION OF CREDIT FOR REINSURANCE AND**  
17 **REINSURANCE AGREEMENTS.**

18          (a) CREDIT FOR REINSURANCE.—If the State of  
19 domicile of a ceding insurer is an NAIC-accredited State,  
20 or has financial solvency requirements substantially simi-  
21 lar to the requirements necessary for NAIC accreditation,  
22 and recognizes credit for reinsurance for the insurer’s  
23 ceded risk, then no other State may deny such credit for  
24 reinsurance.

1           (b)            ADDITIONAL            PREEMPTION            OF  
2 EXTRATERRITORIAL APPLICATION OF STATE LAW.—In  
3 addition to the application of subsection (a), all laws, regu-  
4 lations, provisions, or other actions of a State that is not  
5 the domiciliary State of the ceding insurer, except those  
6 with respect to taxes and assessments on insurance com-  
7 panies or insurance income, are preempted to the extent  
8 that they—

9                   (1) restrict or eliminate the rights of the ceding  
10 insurer or the assuming insurer to resolve disputes  
11 pursuant to contractual arbitration to the extent  
12 such contractual provision is not inconsistent with  
13 the provisions of title 9, United States Code;

14                   (2) require that a certain State’s law shall gov-  
15 ern the reinsurance contract, disputes arising from  
16 the reinsurance contract, or requirements of the re-  
17 insurance contract;

18                   (3) attempt to enforce a reinsurance contract  
19 on terms different than those set forth in the rein-  
20 surance contract, to the extent that the terms are  
21 not inconsistent with this part; or

22                   (4) otherwise apply the laws of the State to re-  
23 insurance agreements of ceding insurers not domi-  
24 ciled in that State.

1 **SEC. 532. REGULATION OF REINSURER SOLVENCY.**

2 (a) DOMICILIARY STATE REGULATION.—If the State  
3 of domicile of a reinsurer is an NAIC-accredited State or  
4 has financial solvency requirements substantially similar  
5 to the requirements necessary for NAIC accreditation,  
6 such State shall be solely responsible for regulating the  
7 financial solvency of the reinsurer.

8 (b) NONDOMICILIARY STATES.—

9 (1) LIMITATION ON FINANCIAL INFORMATION  
10 REQUIREMENTS.—If the State of domicile of a rein-  
11 surer is an NAIC-accredited State or has financial  
12 solvency requirements substantially similar to the re-  
13 quirements necessary for NAIC accreditation, no  
14 other State may require the reinsurer to provide any  
15 additional financial information other than the infor-  
16 mation the reinsurer is required to file with its  
17 domiciliary State.

18 (2) RECEIPT OF INFORMATION.—No provision  
19 of this section shall be construed as preventing or  
20 prohibiting a State that is not the State of domicile  
21 of a reinsurer from receiving a copy of any financial  
22 statement filed with its domiciliary State.

23 **SEC. 533. DEFINITIONS.**

24 For purposes of this part, the following definitions  
25 shall apply:

1           (1) CEDING INSURER.—The term “ceding in-  
2           surer” means an insurer that purchases reinsurance.

3           (2) DOMICILIARY STATE.—The terms “State of  
4           domicile” and “domiciliary State” mean, with re-  
5           spect to an insurer or reinsurer, the State in which  
6           the insurer or reinsurer is incorporated or entered  
7           through, and licensed.

8           (3) NAIC.—The term “NAIC” means the Na-  
9           tional Association of Insurance Commissioners or  
10          any successor entity.

11          (4) REINSURANCE.—The term “reinsurance”  
12          means the assumption by an insurer of all or part  
13          of a risk undertaken originally by another insurer.

14          (5) REINSURER.—

15                (A) IN GENERAL.—The term “reinsurer”  
16                means an insurer to the extent that the in-  
17                surer—

18                   (i) is principally engaged in the busi-  
19                   ness of reinsurance;

20                   (ii) does not conduct significant  
21                   amounts of direct insurance as a percent-  
22                   age of its net premiums; and

23                   (iii) is not engaged in an ongoing  
24                   basis in the business of soliciting direct in-  
25                   surance.



1 (B) DETERMINATION.—A determination of  
2 whether an insurer is a reinsurer shall be made  
3 under the laws of the State of domicile in ac-  
4 cordance with this paragraph.

5 (6) STATE.—The term “State” includes any  
6 State of the United States, the District of Columbia,  
7 the Commonwealth of Puerto Rico, Guam, the  
8 Northern Mariana Islands, the Virgin Islands, and  
9 American Samoa.

### 10 **PART III—RULE OF CONSTRUCTION**

#### 11 **SEC. 541. RULE OF CONSTRUCTION.**

12 Nothing in this subtitle or the amendments made by  
13 this subtitle shall be construed to modify, impair, or super-  
14 sede the application of the antitrust laws. Any implied or  
15 actual conflict between this subtitle and any amendments  
16 to this subtitle and the antitrust laws shall be resolved  
17 in favor of the operation of the antitrust laws.

#### 18 **SEC. 542. SEVERABILITY.**

19 If any section or subsection of this subtitle, or any  
20 application of such provision to any person or cir-  
21 cumstance, is held to be unconstitutional, the remainder  
22 of this subtitle, and the application of the provision to any  
23 other person or circumstance, shall not be affected.

1 **TITLE VI—IMPROVEMENTS TO**  
2 **REGULATION OF BANK AND**  
3 **SAVINGS ASSOCIATION HOLD-**  
4 **ING COMPANIES AND DEPOSI-**  
5 **TORY INSTITUTIONS**

6 **SEC. 601. SHORT TITLE.**

7 This title may be cited as the “Bank and Savings  
8 Association Holding Company and Depository Institution  
9 Regulatory Improvements Act of 2010”.

10 **SEC. 602. DEFINITION.**

11 For purposes of this title, a company is a “commer-  
12 cial firm” if the annual gross revenues derived by the com-  
13 pany and all of its affiliates from activities that are finan-  
14 cial in nature (as defined in section 4(k) of the Bank  
15 Holding Company Act of 1956 (12 U.S.C. 1843(k))) and,  
16 if applicable, from the ownership or control of one or more  
17 insured depository institutions, represent less than 15 per-  
18 cent of the consolidated annual gross revenues of the com-  
19 pany.

20 **SEC. 603. MORATORIUM AND STUDY ON TREATMENT OF**  
21 **CREDIT CARD BANKS, INDUSTRIAL LOAN**  
22 **COMPANIES, AND CERTAIN OTHER COMPA-**  
23 **NIES UNDER THE BANK HOLDING COMPANY**  
24 **ACT OF 1956.**

25 (a) MORATORIUM.—

1 (1) DEFINITIONS.—In this subsection—

2 (A) the term “credit card bank” means an  
3 institution described in section 2(c)(2)(F) of the  
4 Bank Holding Company Act of 1956 (12  
5 U.S.C. 1841(c)(2)(F));

6 (B) the term “industrial bank” means an  
7 institution described in section 2(c)(2)(H) of  
8 the Bank Holding Company Act of 1956 (12  
9 U.S.C. 1841(c)(2)(H)); and

10 (C) the term “trust bank” means an insti-  
11 tution described in section 2(c)(2)(D) of the  
12 Bank Holding Company Act of 1956 (12  
13 U.S.C. 1841(c)(2)(D)).

14 (2) MORATORIUM ON PROVISION OF DEPOSIT  
15 INSURANCE.—The Corporation may not approve an  
16 application for deposit insurance under section 5 of  
17 the Federal Deposit Insurance Act (12 U.S.C. 1815)  
18 that is received after November 23, 2009, for an in-  
19 dustrial bank, a credit card bank, or a trust bank  
20 that is directly or indirectly owned or controlled by  
21 a commercial firm.

22 (3) CHANGE IN CONTROL.—

23 (A) IN GENERAL.—Except as provided in  
24 subparagraph (B), the appropriate Federal  
25 banking agency shall disapprove a change in

1 control, as provided in section 7(j) of the Fed-  
2 eral Deposit Insurance Act (12 U.S.C. 1817(j)),  
3 of an industrial bank, a credit card bank, or a  
4 trust bank if the change in control would result  
5 in direct or indirect control of the industrial  
6 bank, credit card bank, or trust bank by a com-  
7 mercial firm.

8 (B) EXCEPTIONS.—Subparagraph (A)  
9 shall not apply to a change in control of an in-  
10 dustrial bank, credit card bank, or trust bank—

11 (i) that—

12 (I) is in danger of default, as de-  
13 termined by the appropriate Federal  
14 banking agency;

15 (II) results from the merger or  
16 whole acquisition of a commercial firm  
17 that directly or indirectly controls the  
18 industrial bank, credit card bank, or  
19 trust bank in a bona fide merger with  
20 or acquisition by another commercial  
21 firm, as determined by the appro-  
22 priate Federal banking agency; or

23 (III) results from an acquisition  
24 of voting shares of a publicly traded  
25 company that controls an industrial

1 bank, credit card bank, or trust bank,  
2 if, after the acquisition, the acquiring  
3 shareholder (or group of shareholders  
4 acting in concert) holds less than 25  
5 percent of any class of the voting  
6 shares of the company; and

7 (ii) that has obtained all regulatory  
8 approvals otherwise required for such  
9 change of control under any applicable  
10 Federal or State law, including section 7(j)  
11 of the Federal Deposit Insurance Act (12  
12 U.S.C. 1817(j)).

13 (4) SUNSET.—This subsection shall cease to  
14 have effect 3 years after the date of enactment of  
15 this Act.

16 (b) GOVERNMENT ACCOUNTABILITY OFFICE STUDY  
17 OF EXCEPTIONS UNDER THE BANK HOLDING COMPANY  
18 ACT OF 1956.—

19 (1) STUDY REQUIRED.—The Comptroller Gen-  
20 eral of the United States shall carry out a study to  
21 determine whether it is necessary, in order to  
22 strengthen the safety and soundness of institutions  
23 or the stability of the financial system, to eliminate  
24 the exceptions under section 2 of the Bank Holding

1 Company Act of 1956 (12 U.S.C. 1841) for institu-  
2 tions described in—

3 (A) section 2(a)(5)(E) of the Bank Hold-  
4 ing Company Act of 1956 (12 U.S.C.  
5 1841(a)(5)(E));

6 (B) section 2(a)(5)(F) of the Bank Hold-  
7 ing Company Act of 1956 (12 U.S.C.  
8 1841(a)(5)(F));

9 (C) section 2(c)(2)(D) of the Bank Hold-  
10 ing Company Act of 1956 (12 U.S.C.  
11 1841(c)(2)(D));

12 (D) section 2(c)(2)(F) of the Bank Hold-  
13 ing Company Act of 1956 (12 U.S.C.  
14 1841(c)(2)(F));

15 (E) section 2(c)(2)(H) of the Bank Hold-  
16 ing Company Act of 1956 (12 U.S.C.  
17 1841(c)(2)(H)); and

18 (F) section 2(c)(2)(B) of the Bank Hold-  
19 ing Company Act of 1956 (12 U.S.C.  
20 1841(c)(2)(B)).

21 (2) CONTENT OF STUDY.—

22 (A) IN GENERAL.—The study required  
23 under paragraph (1), with respect to the insti-  
24 tutions referenced in each of subparagraphs (A)  
25 through (E) of paragraph (1), shall, to the ex-



1 cable to each category of institution de-  
2 scribed in clause (i), including any restric-  
3 tions (including limitations on affiliate  
4 transactions or cross-marketing) that apply  
5 to transactions between an institution, the  
6 holding company of the institution, and  
7 any other affiliate of the institution; and

8 (vii) evaluate the potential con-  
9 sequences of subjecting the institutions de-  
10 scribed in clause (i) to the requirements of  
11 the Bank Holding Company Act of 1956,  
12 including with respect to the availability  
13 and allocation of credit, the stability of the  
14 financial system and the economy, the safe  
15 and sound operation of each category of  
16 institution, and the impact on the types of  
17 activities in which such institutions, and  
18 the holding companies of such institutions,  
19 may engage.

20 (B) SAVINGS ASSOCIATIONS.—With respect  
21 to institutions described in paragraph (1)(F),  
22 the study required under paragraph (1) shall—

23 (i) determine the adequacy of the  
24 Federal bank regulatory framework appli-  
25 cable to such institutions, including any re-



1            restrictions (including limitations on affiliate  
2            transactions or cross-marketing) that apply  
3            to transactions between an institution, the  
4            holding company of the institution, and  
5            any other affiliate of the institution; and

6            (ii) evaluate the potential con-  
7            sequences of subjecting the institutions de-  
8            scribed in paragraph (1)(F) to the require-  
9            ments of the Bank Holding Company Act  
10          of 1956, including with respect to the  
11          availability and allocation of credit, the  
12          stability of the financial system and the  
13          economy, the safe and sound operation of  
14          such institutions, and the impact on the  
15          types of activities in which such institu-  
16          tions, and the holding companies of such  
17          institutions, may engage.

18          (3) REPORT.—Not later than 18 months after  
19          the date of enactment of this Act, the Comptroller  
20          General shall submit to the Committee on Banking,  
21          Housing, and Urban Affairs of the Senate and the  
22          Committee on Financial Services of the House of  
23          Representatives a report on the study required  
24          under paragraph (1).

1 **SEC. 604. REPORTS AND EXAMINATIONS OF HOLDING COM-**  
2 **PANIES; REGULATION OF FUNCTIONALLY**  
3 **REGULATED SUBSIDIARIES.**

4 (a) REPORTS BY BANK HOLDING COMPANIES.—Sec-  
5 tions 5(c)(1) of the Bank Holding Company Act of 1956  
6 (12 U.S.C. 1844(c)(1)) is amended—

7 (1) by striking subclause (A)(ii) and inserting  
8 the following:

9 “(ii) compliance by the bank holding  
10 company or subsidiary with—

11 “(I) this Act;

12 “(II) Federal laws that the  
13 Board has specific jurisdiction to en-  
14 force against the company or sub-  
15 sidiary; and

16 “(III) other than in the case of  
17 an insured depository institution or  
18 functionally regulated subsidiary, any  
19 other applicable provision of Federal  
20 law.”;

21 (2) by striking subparagraph (B) and inserting  
22 the following:

23 “(B) USE OF EXISTING REPORTS AND  
24 OTHER SUPERVISORY INFORMATION.—The  
25 Board shall, to the fullest extent possible, use—

1 “(i) reports and other supervisory in-  
2 formation that the bank holding company  
3 or any subsidiary thereof has been required  
4 to provide to other Federal or State regu-  
5 latory agencies;

6 “(ii) externally audited financial state-  
7 ments of the bank holding company or  
8 subsidiary;

9 “(iii) information otherwise available  
10 from Federal or State regulatory agencies;  
11 and

12 “(iv) information that is otherwise re-  
13 quired to be reported publicly.”; and

14 (3) by adding at the end the following:

15 “(C) AVAILABILITY.—Upon the request of  
16 the Board, the bank holding company or a sub-  
17 sidiary of the bank holding company shall  
18 promptly provide to the Board any information  
19 described in clauses (i) through (iii) of subpara-  
20 graph (B).”.

21 (b) EXAMINATIONS OF BANK HOLDING COMPA-  
22 NIES.—Section 5(c)(2) of the Bank Holding Company Act  
23 of 1956 (12 U.S.C. 1844(c)(2)) is amended to read as  
24 follows:

25 “(2) EXAMINATIONS.—

1           “(A) IN GENERAL.—Subject to subtitle B  
2 of the Consumer Financial Protection Act of  
3 2010, the Board may make examinations of a  
4 bank holding company and each subsidiary of a  
5 bank holding company in order to—

6           “(i) inform the Board of—

7           “(I) the nature of the operations  
8 and financial condition of the bank  
9 holding company and the subsidiary;

10           “(II) the financial, operational,  
11 and other risks within the bank hold-  
12 ing company system that may pose a  
13 threat to—

14           “(aa) the safety and sound-  
15 ness of the bank holding com-  
16 pany or of any depository institu-  
17 tion subsidiary of the bank hold-  
18 ing company; or

19           “(bb) the stability of the fi-  
20 nancial system of the United  
21 States; and

22           “(III) the systems of the bank  
23 holding company for monitoring and  
24 controlling the risks described in sub-  
25 clause (II); and

1                   “(ii) monitor the compliance of the  
2                   bank holding company and the subsidiary  
3                   with—

4                               “(I) this Act;

5                               “(II) Federal laws that the  
6                   Board has specific jurisdiction to en-  
7                   force against the company or sub-  
8                   sidiary; and

9                               “(III) other than in the case of  
10                   an insured depository institution or  
11                   functionally regulated subsidiary, any  
12                   other applicable provisions of Federal  
13                   law.

14                               “(B) USE OF REPORTS TO REDUCE EXAMI-  
15                   NATIONS.—For purposes of this paragraph, the  
16                   Board shall, to the fullest extent possible, rely  
17                   on—

18                               “(i) examination reports made by  
19                   other Federal or State regulatory agencies  
20                   relating to a bank holding company and  
21                   any subsidiary of a bank holding company;  
22                   and

23                               “(ii) the reports and other informa-  
24                   tion required under paragraph (1).

1                   “(C) COORDINATION WITH OTHER REGU-  
2                   LATORS.—The Board shall—

3                   “(i) provide reasonable notice to, and  
4                   consult with, the appropriate Federal  
5                   banking agency, the Securities and Ex-  
6                   change Commission, the Commodity Fu-  
7                   tures Trading Commission, or State regu-  
8                   latory agency, as appropriate, for a sub-  
9                   sidiary that is a depository institution or a  
10                  functionally regulated subsidiary of a bank  
11                  holding company before commencing an ex-  
12                  amination of the subsidiary under this sec-  
13                  tion; and

14                  “(ii) to the fullest extent possible,  
15                  avoid duplication of examination activities,  
16                  reporting requirements, and requests for  
17                  information.”.

18                  (c) AUTHORITY TO REGULATE FUNCTIONALLY REG-  
19                  ULATED SUBSIDIARIES OF BANK HOLDING COMPA-  
20                  NIES.—The Bank Holding Company Act of 1956 (12  
21                  U.S.C. 1841 et seq.) is amended—

22                  (1) in section 5(c)(5)(B) (12 U.S.C.  
23                  1844(c)(5)(B)), by striking clause (v) and inserting  
24                  the following:

1                   “(v) an entity that is subject to regu-  
2                   lation by, or registration with, the Com-  
3                   modity Futures Trading Commission, with  
4                   respect to activities conducted as a futures  
5                   commission merchant, commodity trading  
6                   adviser, commodity pool, commodity pool  
7                   operator, swap execution facility, swap  
8                   data repository, swap dealer, major swap  
9                   participant, and activities that are inci-  
10                  dental to such commodities and swaps ac-  
11                  tivities.”; and

12                  (2) by striking section 10A (12 U.S.C. 1848a).

13                  (d) ACQUISITIONS OF BANKS.—Section 3(c) of the  
14 Bank Holding Company Act of 1956 (12 U.S.C. 1842(e))  
15 is amended by adding at the end the following:

16                  “(7) FINANCIAL STABILITY.—In every case, the  
17 Board shall take into consideration the extent to  
18 which a proposed acquisition, merger, or consolida-  
19 tion would result in greater or more concentrated  
20 risks to the stability of the United States banking or  
21 financial system.”.

22                  (e) ACQUISITIONS OF NONBANKS.—

23                  (1) NOTICE PROCEDURES.—Section 4(j)(2)(A)  
24 of the Bank Holding Company Act of 1956 (12  
25 U.S.C. 1843(j)(2)(A)) is amended by striking “or





1                   “(iii) HART-SCOTT-RODINO FILING  
2                   REQUIREMENT.—Solely for purposes of  
3                   section 7A(c)(8) of the Clayton Act (15  
4                   U.S.C. 18a(c)(8)), the transactions subject  
5                   to the requirements of this paragraph shall  
6                   be treated as if the approval of the Board  
7                   is not required.”.

8           (f) BANK MERGER ACT TRANSACTIONS.—Section  
9   18(c)(5) of the Federal Deposit Insurance Act (12 U.S.C.  
10 1828(c)(5)) is amended, in the matter immediately fol-  
11 lowing subparagraph (B), by striking “and the conven-  
12 ience and needs of the community to be served” and in-  
13 serting “the convenience and needs of the community to  
14 be served, and the risk to the stability of the United States  
15 banking or financial system”.

16           (g) REPORTS BY SAVINGS AND LOAN HOLDING COM-  
17 PANIES.—Section 10(b)(2) of the Home Owners’ Loan Act  
18 (12 U.S.C. 1467a(b)(2) is amended—

19                   (1) by striking “Each savings” and inserting  
20                   the following:

21                           “(A) IN GENERAL.—Each savings”; and

22                   (2) by adding at the end the following:

23                           “(B) USE OF EXISTING REPORTS AND  
24                   OTHER SUPERVISORY INFORMATION.—The  
25                   Board shall, to the fullest extent possible, use—

1                   “(i) reports and other supervisory in-  
2                   formation that the savings and loan hold-  
3                   ing company or any subsidiary thereof has  
4                   been required to provide to other Federal  
5                   or State regulatory agencies;

6                   “(ii) externally audited financial state-  
7                   ments of the savings and loan holding com-  
8                   pany or subsidiary;

9                   “(iii) information that is otherwise  
10                  available from Federal or State regulatory  
11                  agencies; and

12                  “(iv) information that is otherwise re-  
13                  quired to be reported publicly.

14                  “(C) AVAILABILITY.—Upon the request of  
15                  the Board, a savings and loan holding company  
16                  or a subsidiary of a savings and loan holding  
17                  company shall promptly provide to the Board  
18                  any information described in clauses (i) through  
19                  (iii) of subparagraph (B).”.

20                  (h) EXAMINATION OF SAVINGS AND LOAN HOLDING  
21                  COMPANIES.—

22                  (1) DEFINITIONS.—Section 2 of the Home  
23                  Owners’ Loan Act (12 U.S.C. 1462) is amended by  
24                  adding at the end the following:

1           “(10) APPROPRIATE FEDERAL BANKING AGEN-  
2           CY.—The term ‘appropriate Federal banking agency’  
3           has the same meaning as in section 3(q) of the Fed-  
4           eral Deposit Insurance Act (12 U.S.C. 1813(q)).

5           “(11) FUNCTIONALLY REGULATED SUB-  
6           SIDIARY.—The term ‘functionally regulated sub-  
7           sidiary’ has the same meaning as in section 5(e)(5)  
8           of the Bank Holding Company Act of 1956 (12  
9           U.S.C. 1844(e)(5)).”.

10           (2) EXAMINATION.—Section 10(b) of the Home  
11           Owners’ Loan Act (12 U.S.C. 1467a(b)) is amended  
12           by striking paragraph (4) and inserting the fol-  
13           lowing:

14           “(4) EXAMINATIONS.—

15           “(A) IN GENERAL.—Subject to subtitle B  
16           of the Consumer Financial Protection Act of  
17           2010, the Board may make examinations of a  
18           savings and loan holding company and each  
19           subsidiary of a savings and loan holding com-  
20           pany system, in order to—

21           “(i) inform the Board of—

22           “(I) the nature of the operations  
23           and financial condition of the savings  
24           and loan holding company and the  
25           subsidiary;

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1                   “(II) the financial, operational,  
2                   and other risks within the savings and  
3                   loan holding company system that  
4                   may pose a threat to—

5                   “(aa) the safety and sound-  
6                   ness of the savings and loan  
7                   holding company or of any depos-  
8                   itory institution subsidiary of the  
9                   savings and loan holding com-  
10                  pany; or

11                  “(bb) the stability of the fi-  
12                  nancial system of the United  
13                  States; and

14                  “(III) the systems of the savings  
15                  and loan holding company for moni-  
16                  toring and controlling the risks de-  
17                  scribed in subclause (II); and

18                  “(ii) monitor the compliance of the  
19                  savings and loan holding company and the  
20                  subsidiary with—

21                  “(I) this Act;

22                  “(II) Federal laws that the  
23                  Board has specific jurisdiction to en-  
24                  force against the company or sub-  
25                  sidiary; and

1                   “(III) other than in the case of  
2                   an insured depository institution or  
3                   functionally regulated subsidiary, any  
4                   other applicable provisions of Federal  
5                   law.

6                   “(B) USE OF REPORTS TO REDUCE EXAMI-  
7                   NATIONS.—For purposes of this subsection, the  
8                   Board shall, to the fullest extent possible, rely  
9                   on—

10                   “(i) the examination reports made by  
11                   other Federal or State regulatory agencies  
12                   relating to a savings and loan holding com-  
13                   pany and any subsidiary; and

14                   “(ii) the reports and other informa-  
15                   tion required under paragraph (2).

16                   “(C) COORDINATION WITH OTHER REGU-  
17                   LATORS.—The Board shall—

18                   “(i) provide reasonable notice to, and  
19                   consult with, the appropriate Federal  
20                   banking agency, the Securities and Ex-  
21                   change Commission, the Commodity Fu-  
22                   tures Trading Commission, or State regu-  
23                   latory agency, as appropriate, for a sub-  
24                   sidiary that is a depository institution or a  
25                   functionally regulated subsidiary of a sav-



1 the Bank Holding Company Act of  
2 1956 (12 U.S.C. 1841(c)(2)(D)); or

3 “(III) a company described in  
4 subsection (c)(9)(C) solely by virtue of  
5 such company’s control of an inter-  
6 mediate holding company established  
7 pursuant to section 10A.”.

8 (j) EFFECTIVE DATE.—The amendments made by  
9 this section shall take effect on the transfer date.

10 **SEC. 605. ASSURING CONSISTENT OVERSIGHT OF PERMISSIBLE ACTIVITIES OF DEPOSITORY INSTITUTION SUBSIDIARIES OF HOLDING COMPANIES.**

14 (a) IN GENERAL.—The Federal Deposit Insurance  
15 Act (12 U.S.C. 1811 et seq.) is amended by inserting after  
16 section 25 the following new section:

17 **“SEC. 26. ASSURING CONSISTENT OVERSIGHT OF SUBSIDIARIES OF HOLDING COMPANIES.**

19 “(a) DEFINITIONS.—For purposes of this section:

20 “(1) BOARD.—The term ‘Board’ means the  
21 Board of Governors of the Federal Reserve System.

22 “(2) FUNCTIONALLY REGULATED SUBSIDIARY.—The term ‘functionally regulated subsidiary’ has the same meaning as in section 5(c)(5)  
23 of the Bank Holding Company Act.  
24  
25

1           “(3) LEAD INSURED DEPOSITORY INSTITU-  
2           TION.—The term ‘lead insured depository institu-  
3           tion’ has the same meaning as in section 2(o)(8) of  
4           the Bank Holding Company Act.

5           “(b) EXAMINATION REQUIREMENTS.—Subject to  
6 subtitle B of the Consumer Financial Protection Act of  
7 2010, the Board shall examine the activities of a non-  
8 depository institution subsidiary (other than a functionally  
9 regulated subsidiary or a subsidiary of a depository insti-  
10 tution) of a depository institution holding company that  
11 are permissible for the insured depository institution sub-  
12 sidiaries of the depository institution holding company in  
13 the same manner, subject to the same standards, and with  
14 the same frequency as would be required if such activities  
15 were conducted in the lead insured depository institution  
16 of the depository institution holding company.

17           “(c) STATE COORDINATION.—

18           “(1) CONSULTATION AND COORDINATION.—If a  
19 nondepository institution subsidiary is supervised by  
20 a State bank supervisor or other State regulatory  
21 authority, the Board, in conducting the examinations  
22 required in subsection (b), shall consult and coordi-  
23 nate with such State regulator.

24           “(2) ALTERNATING EXAMINATIONS PER-  
25 MITTED.—The examinations required under sub-



1 section (b) may be conducted in joint or alternating  
2 manner with a State regulator, if the Board deter-  
3 mines that an examination of a nondepository insti-  
4 tution subsidiary conducted by the State carries out  
5 the purposes of this section.

6 “(d) APPROPRIATE FEDERAL BANKING AGENCY  
7 BACKUP EXAMINATION AUTHORITY.—

8 “(1) IN GENERAL.—In the event that the  
9 Board does not conduct examinations required under  
10 subsection (b) in the same manner, subject to the  
11 same standards, and with the same frequency as  
12 would be required if such activities were conducted  
13 by the lead insured depository institution subsidiary  
14 of the depository institution holding company, the  
15 appropriate Federal banking agency for the lead in-  
16 sured depository institution may recommend in writ-  
17 ing (which shall include a written explanation of the  
18 concerns giving rise to the recommendation) that the  
19 Board perform the examination required under sub-  
20 section (b).

21 “(2) EXAMINATION BY AN APPROPRIATE FED-  
22 ERAL BANKING AGENCY.—If the Board does not, be-  
23 fore the end of the 60-day period beginning on the  
24 date on which the Board receives a recommendation  
25 under paragraph (1), begin an examination as re-

1        required under subsection (b) or provide a written ex-  
2        planation or plan to the appropriate Federal banking  
3        agency making such recommendation responding to  
4        the concerns raised by the appropriate Federal  
5        banking agency for the lead insured depository insti-  
6        tution, the appropriate Federal banking agency for  
7        the lead insured depository institution may, subject  
8        to the Consumer Financial Protection Act of 2010,  
9        examine the activities that are permissible for a de-  
10        pository institution subsidiary conducted by such  
11        nondepository institution subsidiary (other than a  
12        functionally regulated subsidiary or a subsidiary of  
13        a depository institution) of the depository institution  
14        holding company as if the nondepository institution  
15        subsidiary were an insured depository institution for  
16        which the appropriate Federal banking agency of the  
17        lead insured depository institution was the appro-  
18        priate Federal banking agency, to determine whether  
19        the activities—

20                “(A) pose a material threat to the safety  
21                and soundness of any insured depository insti-  
22                tution subsidiary of the depository institution  
23                holding company;

24                “(B) are conducted in accordance with ap-  
25                plicable Federal law; and

1           “(C) are subject to appropriate systems for  
2           monitoring and controlling the financial, oper-  
3           ating, and other material risks of the activities  
4           that may pose a material threat to the safety  
5           and soundness of the insured depository institu-  
6           tion subsidiaries of the holding company.

7           “(3) AGENCY COORDINATION WITH THE  
8           BOARD.—An appropriate Federal banking agency  
9           that conducts an examination pursuant to paragraph  
10          (2) shall coordinate examination of the activities of  
11          nondepository institution subsidiaries described in  
12          subsection (b) with the Board in a manner that—

13                 “(A) avoids duplication;

14                 “(B) shares information relevant to the su-  
15                 pervision of the depository institution holding  
16                 company;

17                 “(C) achieves the objectives of subsection  
18                 (b); and

19                 “(D) ensures that the depository institu-  
20                 tion holding company and the subsidiaries of  
21                 the depository institution holding company are  
22                 not subject to conflicting supervisory demands  
23                 by such agency and the Board.

24           “(4) FEE PERMITTED FOR EXAMINATION  
25          COSTS.—An appropriate Federal banking agency

1 that conducts an examination or enforcement action  
2 pursuant to this section may collect an assessment,  
3 fee, or such other charge from the subsidiary as the  
4 appropriate Federal banking agency determines nec-  
5 essary or appropriate to carry out the responsibil-  
6 ities of the appropriate Federal banking agency in  
7 connection with such examination.

8 “(e) REFERRALS FOR ENFORCEMENT BY APPRO-  
9 PRIATE FEDERAL BANKING AGENCY.—

10 “(1) RECOMMENDATION OF ENFORCEMENT AC-  
11 TION.—The appropriate Federal banking agency for  
12 the lead insured depository institution, based upon  
13 its examination of a nondepository institution sub-  
14 sidiary conducted pursuant to subsection (d), or  
15 other relevant information, may submit to the  
16 Board, in writing, a recommendation that the Board  
17 take enforcement action against such nondepository  
18 institution subsidiary, together with an explanation  
19 of the concerns giving rise to the recommendation,  
20 if the appropriate Federal banking agency deter-  
21 mines (by a vote of its members, if applicable) that  
22 the activities of the nondepository institution sub-  
23 sidiary pose a material threat to the safety and  
24 soundness of any insured depository institution sub-

1 subsidiary of the depository institution holding com-  
2 pany.

3 “(2) BACK-UP AUTHORITY OF THE APPRO-  
4 PRIATE FEDERAL BANKING AGENCY.—If, within the  
5 60-day period beginning on the date on which the  
6 Board receives a recommendation under paragraph  
7 (1), the Board does not take enforcement action  
8 against the nondepository institution subsidiary or  
9 provide a plan for supervisory or enforcement action  
10 that is acceptable to the appropriate Federal bank-  
11 ing agency that made the recommendation pursuant  
12 to paragraph (1), such agency may take the rec-  
13 ommended enforcement action against the non-  
14 depository institution subsidiary, in the same man-  
15 ner as if the nondepository institution subsidiary  
16 were an insured depository institution for which the  
17 agency was the appropriate Federal banking agency.

18 “(f) COORDINATION AMONG APPROPRIATE FEDERAL  
19 BANKING AGENCIES.—Each Federal banking agency,  
20 prior to or when exercising authority under subsection (d)  
21 or (e) shall—

22 “(1) provide reasonable notice to, and consult  
23 with, the appropriate Federal banking agency or  
24 State bank supervisor (or other State regulatory  
25 agency) of the nondepository institution subsidiary

1 of a depository institution holding company that is  
2 described in subsection (d) before commencing any  
3 examination of the subsidiary;

4 “(2) to the fullest extent possible—

5 “(A) rely on the examinations, inspections,  
6 and reports of the appropriate Federal banking  
7 agency or the State bank supervisor (or other  
8 State regulatory agency) of the subsidiary;

9 “(B) avoid duplication of examination ac-  
10 tivities, reporting requirements, and requests  
11 for information; and

12 “(C) ensure that the depository institution  
13 holding company and the subsidiaries of the de-  
14 pository institution holding company are not  
15 subject to conflicting supervisory demands by  
16 the appropriate Federal banking agencies.

17 “(g) RULE OF CONSTRUCTION.—No provision of this  
18 section shall be construed as limiting any authority of the  
19 Board, the Corporation, or the Comptroller of the Cur-  
20 rency under any other provision of law.”.

21 (b) EFFECTIVE DATE.—The amendment made by  
22 subsection (a) shall take effect on the transfer date.

1 **SEC. 606. REQUIREMENTS FOR FINANCIAL HOLDING COM-**  
2 **PANIES TO REMAIN WELL CAPITALIZED AND**  
3 **WELL MANAGED.**

4 (a) AMENDMENT.—Section 4(l)(1) of the Bank Hold-  
5 ing Company Act of 1956 (12 U.S.C. 1843(l)(1)) is  
6 amended—

7 (1) in subparagraph (B), by striking “and” at  
8 the end;

9 (2) by redesignating subparagraph (C) as sub-  
10 paragraph (D);

11 (3) by inserting after subparagraph (B) the fol-  
12 lowing:

13 “(C) the bank holding company is well  
14 capitalized and well managed; and”;

15 (4) in subparagraph (D)(ii), as so redesignated,  
16 by striking “subparagraphs (A) and (B)” and insert-  
17 ing “subparagraphs (A), (B), and (C)”.

18 (b) HOME OWNERS’ LOAN ACT AMENDMENT.—Sec-  
19 tion 10(c)(2) of the Home Owners’ Loan Act (12 U.S.C.  
20 1467a(c)(2)) is amended by adding at the end the fol-  
21 lowing new subparagraph:

22 “(H) Any activity that is permissible for a  
23 financial holding company (as such term is de-  
24 fined under section 2(p) of the Bank Holding  
25 Company Act of 1956 (12 U.S.C. 1841(p)) to

1           conduct under section 4(k) of the Bank Holding  
2           Company Act of 1956 if—

3                   “(i) the savings and loan holding com-  
4                   pany meets all of the criteria to qualify as  
5                   a financial holding company, and complies  
6                   with all of the requirements applicable to a  
7                   financial holding company, under sections  
8                   4(l) and 4(m) of the Bank Holding Com-  
9                   pany Act and section 804(c) of the Com-  
10                  munity Reinvestment Act of 1977 (12  
11                  U.S.C. 2903(c)) as if the savings and loan  
12                  holding company was a bank holding com-  
13                  pany; and

14                   “(ii) the savings and loan holding  
15                   company conducts the activity in accord-  
16                   ance with the same terms, conditions, and  
17                   requirements that apply to the conduct of  
18                   such activity by a bank holding company  
19                   under the Bank Holding Company Act of  
20                   1956 and the Board’s regulations and in-  
21                   terpretations under such Act.”.

22           (c) EFFECTIVE DATE.—The amendments made by  
23           this section shall take effect on the transfer date.



1 **SEC. 607. STANDARDS FOR INTERSTATE ACQUISITIONS.**

2 (a) ACQUISITION OF BANKS.—Section 3(d)(1)(A) of  
3 the Bank Holding Company Act of 1956 (12 U.S.C.  
4 1842(d)(1)(A)) is amended by striking “adequately cap-  
5 italized and adequately managed” and inserting “well cap-  
6 italized and well managed”.

7 (b) INTERSTATE BANK MERGERS.—Section  
8 44(b)(4)(B) of the Federal Deposit Insurance Act (12  
9 U.S.C. 1831u(b)(4)(B)) is amended by striking “will con-  
10 tinue to be adequately capitalized and adequately man-  
11 aged” and inserting “will be well capitalized and well man-  
12 aged”.

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall take effect on the transfer date.

15 **SEC. 608. ENHANCING EXISTING RESTRICTIONS ON BANK**  
16 **TRANSACTIONS WITH AFFILIATES.**

17 (a) AFFILIATE TRANSACTIONS.—Section 23A of the  
18 Federal Reserve Act (12 U.S.C. 371c) is amended—

19 (1) in subsection (b)—

20 (A) in paragraph (1), by striking subpara-  
21 graph (D) and inserting the following:

22 “(D) any investment fund with respect to  
23 which a member bank or affiliate thereof is an  
24 investment adviser; and”;

25 (B) in paragraph (7)—

1 (i) in subparagraph (A), by inserting  
2 before the semicolon at the end the fol-  
3 lowing: “, including a purchase of assets  
4 subject to an agreement to repurchase”;

5 (ii) in subparagraph (C), by striking  
6 “, including assets subject to an agreement  
7 to repurchase,”;

8 (iii) in subparagraph (D)—

9 (I) by inserting “or other debt  
10 obligations” after “acceptance of secu-  
11 rities”; and

12 (II) by striking “or” at the end;  
13 and

14 (iv) by adding at the end the fol-  
15 lowing:

16 “(F) a transaction with an affiliate that  
17 involves the borrowing or lending of securities,  
18 to the extent that the transaction causes a  
19 member bank or a subsidiary to have credit ex-  
20 posure to the affiliate; or

21 “(G) a derivative transaction, as defined in  
22 paragraph (3) of section 5200(b) of the Revised  
23 Statutes of the United States (12 U.S.C.  
24 84(b)), with an affiliate, to the extent that the

1 transaction causes a member bank or a sub-  
2 subsidiary to have credit exposure to the affiliate;”;

3 (2) in subsection (c)—

4 (A) in paragraph (1)—

5 (i) in the matter preceding subpara-  
6 graph (A), by striking “subsidiary” and all  
7 that follows through “time of the trans-  
8 action” and inserting “subsidiary, and any  
9 credit exposure of a member bank or a  
10 subsidiary to an affiliate resulting from a  
11 securities borrowing or lending transaction,  
12 or a derivative transaction, shall be se-  
13 cured at all times”; and

14 (ii) in each of subparagraphs (A)  
15 through (D), by striking “or letter of cred-  
16 it” and inserting “letter of credit, or credit  
17 exposure”;

18 (B) by striking paragraph (2);

19 (C) by redesignating paragraphs (3)  
20 through (5) as paragraphs (2) through (4), re-  
21 spectively;

22 (D) in paragraph (2), as so redesignated,  
23 by inserting before the period at the end “, or  
24 credit exposure to an affiliate resulting from a

1 securities borrowing or lending transaction, or  
2 derivative transaction”; and

3 (E) in paragraph (3), as so redesignated—

4 (i) by inserting “or other debt obliga-  
5 tions” after “securities”; and

6 (ii) by striking “or guarantee” and all  
7 that follows through “behalf of,” and in-  
8 serting “guarantee, acceptance, or letter of  
9 credit issued on behalf of, or credit expo-  
10 sure from a securities borrowing or lending  
11 transaction, or derivative transaction to,”;

12 (3) in subsection (d)(4), in the matter pre-  
13 ceding subparagraph (A), by striking “or issuing”  
14 and all that follows through “behalf of,” and insert-  
15 ing “issuing a guarantee, acceptance, or letter of  
16 credit on behalf of, or having credit exposure result-  
17 ing from a securities borrowing or lending trans-  
18 action, or derivative transaction to,”; and

19 (4) in subsection (f)—

20 (A) in paragraph (2)—

21 (i) by striking “or order”;

22 (ii) by striking “if it finds” and all  
23 that follows through the end of the para-  
24 graph and inserting the following: “if—

1           “(i) the Board finds the exemption to  
2           be in the public interest and consistent  
3           with the purposes of this section, and noti-  
4           fies the Federal Deposit Insurance Cor-  
5           poration of such finding; and

6           “(ii) before the end of the 60-day pe-  
7           riod beginning on the date on which the  
8           Federal Deposit Insurance Corporation re-  
9           ceives notice of the finding under clause  
10          (i), the Federal Deposit Insurance Cor-  
11          poration does not object, in writing, to the  
12          finding, based on a determination that the  
13          exemption presents an unacceptable risk to  
14          the Deposit Insurance Fund.”;

15          (iii) by striking the Board and insert-  
16          ing the following:

17          “(A) IN GENERAL.—The Board”; and

18          (iv) by adding at the end the fol-  
19          lowing:

20          “(B) ADDITIONAL EXEMPTIONS.—

21                 “(i) NATIONAL BANKS.—The Comp-  
22                 troller of the Currency may, by order, ex-  
23                 empt a transaction of a national bank from  
24                 the requirements of this section if—

1                   “(I) the Board and the Office of  
2                   the Comptroller of the Currency joint-  
3                   ly find the exemption to be in the  
4                   public interest and consistent with the  
5                   purposes of this section and notify the  
6                   Federal Deposit Insurance Corpora-  
7                   tion of such finding; and

8                   “(II) before the end of the 60-  
9                   day period beginning on the date on  
10                  which the Federal Deposit Insurance  
11                  Corporation receives notice of the  
12                  finding under subclause (I), the Fed-  
13                  eral Deposit Insurance Corporation  
14                  does not object, in writing, to the  
15                  finding, based on a determination that  
16                  the exemption presents an unaccept-  
17                  able risk to the Deposit Insurance  
18                  Fund.

19                  “(ii) STATE BANKS.—The Federal  
20                  Deposit Insurance Corporation may, by  
21                  order, exempt a transaction of a State non-  
22                  member bank, and the Board may, by  
23                  order, exempt a transaction of a State  
24                  member bank, from the requirements of  
25                  this section if—

1                   “(I) the Board and the Federal  
2                   Deposit Insurance Corporation jointly  
3                   find that the exemption is in the pub-  
4                   lic interest and consistent with the  
5                   purposes of this section; and

6                   “(II) the Federal Deposit Insur-  
7                   ance Corporation finds that the ex-  
8                   emption does not present an unaccept-  
9                   able risk to the Deposit Insurance  
10                  Fund.”; and

11                  (B) by adding at the end the following:

12                  “(4) AMOUNTS OF COVERED TRANSACTIONS.—  
13                  The Board may issue such regulations or interpreta-  
14                  tions as the Board determines are necessary or ap-  
15                  propriate with respect to the manner in which a net-  
16                  ting agreement may be taken into account in deter-  
17                  mining the amount of a covered transaction between  
18                  a member bank or a subsidiary and an affiliate, in-  
19                  cluding the extent to which netting agreements be-  
20                  tween a member bank or a subsidiary and an affil-  
21                  iate may be taken into account in determining  
22                  whether a covered transaction is fully secured for  
23                  purposes of subsection (d)(4). An interpretation  
24                  under this paragraph with respect to a specific mem-  
25                  ber bank, subsidiary, or affiliate shall be issued

1 jointly with the appropriate Federal banking agency  
2 for such member bank, subsidiary, or affiliate.”.

3 (b) TRANSACTIONS WITH AFFILIATES.—Section  
4 23B(e) of the Federal Reserve Act (12 U.S.C. 371e–1(e))  
5 is amended—

6 (1) by striking the undesignated matter fol-  
7 lowing subparagraph (B);

8 (2) by redesignating subparagraphs (A) and  
9 (B) as clauses (i) and (ii), respectively, and adjust-  
10 ing the clause margins accordingly;

11 (3) by redesignating paragraphs (1) and (2) as  
12 subparagraphs (A) and (B), respectively, and adjust-  
13 ing the subparagraph margins accordingly;

14 (4) by striking “The Board” and inserting the  
15 following:

16 “(1) IN GENERAL.—The Board”;

17 (5) in paragraph (1)(B), as so redesignated—

18 (A) in the matter preceding clause (i), by  
19 inserting before “regulations” the following:

20 “subject to paragraph (2), if the Board finds  
21 that an exemption or exclusion is in the public  
22 interest and is consistent with the purposes of  
23 this section, and notifies the Federal Deposit  
24 Insurance Corporation of such finding,”; and



1 (B) in clause (ii), by striking the comma at  
2 the end and inserting a period; and

3 (6) by adding at the end the following:

4 “(2) EXCEPTION.—The Board may grant an  
5 exemption or exclusion under this subsection only if,  
6 during the 60-day period beginning on the date of  
7 receipt of notice of the finding from the Board  
8 under paragraph (1)(B), the Federal Deposit Insur-  
9 ance Corporation does not object, in writing, to such  
10 exemption or exclusion, based on a determination  
11 that the exemption presents an unacceptable risk to  
12 the Deposit Insurance Fund.”.

13 (c) HOME OWNERS’ LOAN ACT.—Section 11 of the  
14 Home Owners’ Loan Act (12 U.S.C. 1468) is amended  
15 by adding at the end the following:

16 “(d) EXEMPTIONS.—

17 “(1) FEDERAL SAVINGS ASSOCIATIONS.—The  
18 Comptroller of the Currency may, by order, exempt  
19 a transaction of a Federal savings association from  
20 the requirements of this section if—

21 “(A) the Board and the Office of the  
22 Comptroller of the Currency jointly find the ex-  
23 emption to be in the public interest and con-  
24 sistent with the purposes of this section and no-

1           tify the Federal Deposit Insurance Corporation  
2           of such finding; and

3                   “(B) before the end of the 60-day period  
4           beginning on the date on which the Federal De-  
5           posit Insurance Corporation receives notice of  
6           the finding under subparagraph (A), the Fed-  
7           eral Deposit Insurance Corporation does not ob-  
8           ject, in writing, to the finding, based on a de-  
9           termination that the exemption presents an un-  
10          acceptable risk to the Deposit Insurance Fund.

11           “(2) STATE SAVINGS ASSOCIATION.—The Fed-  
12          eral Deposit Insurance Corporation may, by order,  
13          exempt a transaction of a State savings association  
14          from the requirements of this section if the Board  
15          and the Federal Deposit Insurance Corporation  
16          jointly find that—

17                   “(A) the exemption is in the public interest  
18                  and consistent with the purposes of this section;  
19                  and

20                   “(B) the exemption does not present an  
21                  unacceptable risk to the Deposit Insurance  
22                  Fund.”.

23          (d) EFFECTIVE DATE.—The amendments made by  
24          this section shall take effect 1 year after the transfer date.

1 **SEC. 609. ELIMINATING EXCEPTIONS FOR TRANSACTIONS**  
2 **WITH FINANCIAL SUBSIDIARIES.**

3 (a) AMENDMENT.—Section 23A(e) of the Federal Re-  
4 serve Act (12 U.S.C. 371c(e)) is amended—

5 (1) by striking paragraph (3); and

6 (2) by redesignating paragraph (4) as para-  
7 graph (3).

8 (b) PROSPECTIVE APPLICATION OF AMENDMENT.—

9 The amendments made by this section shall apply with  
10 respect to any covered transaction between a bank and  
11 a subsidiary of the bank, as those terms are defined in  
12 section 23A of the Federal Reserve Act (12 U.S.C. 371c),  
13 that is entered into on or after the date of enactment of  
14 this Act.

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall take effect 1 year after the transfer date.

17 **SEC. 610. LENDING LIMITS APPLICABLE TO CREDIT EXPO-**  
18 **SURE ON DERIVATIVE TRANSACTIONS, RE-**  
19 **PURCHASE AGREEMENTS, REVERSE REPUR-**  
20 **CHASE AGREEMENTS, AND SECURITIES**  
21 **LENDING AND BORROWING TRANSACTIONS.**

22 (a) NATIONAL BANKS.—Section 5200(b) of the Re-  
23 vised Statutes of the United States (12 U.S.C. 84(b)) is  
24 amended—

25 (1) in paragraph (1), by striking “shall in-  
26 clude” and all that follows through the end of the

1 paragraph and inserting the following: “shall in-  
2 clude—

3 “(A) all direct or indirect advances of  
4 funds to a person made on the basis of any ob-  
5 ligation of that person to repay the funds or re-  
6 payable from specific property pledged by or on  
7 behalf of the person;

8 “(B) to the extent specified by the Comp-  
9 troller of the Currency, any liability of a na-  
10 tional banking association to advance funds to  
11 or on behalf of a person pursuant to a contrac-  
12 tual commitment; and

13 “(C) any credit exposure to a person aris-  
14 ing from a derivative transaction, repurchase  
15 agreement, reverse repurchase agreement, secu-  
16 rities lending transaction, or securities bor-  
17 rowing transaction between the national bank-  
18 ing association and the person;”;

19 (2) in paragraph (2), by striking the period at  
20 the end and inserting “; and”; and

21 (3) by adding at the end the following:

22 “(3) the term ‘derivative transaction’ includes  
23 any transaction that is a contract, agreement, swap,  
24 warrant, note, or option that is based, in whole or  
25 in part, on the value of, any interest in, or any

1 quantitative measure or the occurrence of any event  
2 relating to, one or more commodities, securities, cur-  
3 rencies, interest or other rates, indices, or other as-  
4 sets.”.

5 (b) SAVINGS ASSOCIATIONS.—Section 5(u)(3) of the  
6 Home Owners’ Loan Act (12 U.S.C. 1464(u)(3)) is  
7 amended by striking “Director” each place that term ap-  
8 pears and inserting “Comptroller of the Currency”.

9 (c) EFFECTIVE DATE.—The amendments made by  
10 this section shall take effect 1 year after the transfer date.

11 **SEC. 611. CONSISTENT TREATMENT OF DERIVATIVE TRANS-**  
12 **ACTIONS IN LENDING LIMITS.**

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

16 “(y) STATE LENDING LIMIT TREATMENT OF DE-  
17 RIVATIVES TRANSACTIONS.—An insured State bank may  
18 engage in a derivative transaction, as defined in section  
19 5200(b)(3) of the Revised Statutes of the United States  
20 (12 U.S.C. 84(b)(3)), only if the law with respect to lend-  
21 ing limits of the State in which the insured State bank  
22 is chartered takes into consideration credit exposure to de-  
23 rivative transactions.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall take effect 18 months after the transfer  
3 date.

4 **SEC. 612. RESTRICTION ON CONVERSIONS OF TROUBLED**  
5 **BANKS.**

6 (a) CONVERSION OF A NATIONAL BANKING ASSOCIA-  
7 TION.—The Act entitled “An Act to provide for the con-  
8 version of national banking associations into and their  
9 merger or consolidation with State banks, and for other  
10 purposes.” (12 U.S.C. 214 et seq.) is amended by adding  
11 at the end the following:

12 **“SEC. 10. PROHIBITION ON CONVERSION.**

13 “A national banking association may not convert to  
14 a State bank or State savings association during any pe-  
15 riod in which the national banking association is subject  
16 to a cease and desist order (or other formal enforcement  
17 order) issued by, or a memorandum of understanding en-  
18 tered into with, the Comptroller of the Currency with re-  
19 spect to a significant supervisory matter.”.

20 (b) CONVERSION OF A STATE BANK OR SAVINGS AS-  
21 SOCIATION.—Section 5154 of the Revised Statutes of the  
22 United States (12 U.S.C. 35) is amended by adding at  
23 the end the following: “The Comptroller of the Currency  
24 may not approve the conversion of a State bank or State  
25 savings association to a national banking association or

1 Federal savings association during any period in which the  
2 State bank or State savings association is subject to a  
3 cease and desist order (or other formal enforcement order)  
4 issued by, or a memorandum of understanding entered  
5 into with, a State bank supervisor or the appropriate Fed-  
6 eral banking agency with respect to a significant super-  
7 visory matter or a final enforcement action by a State At-  
8 torney General.”.

9 (c) CONVERSION OF A FEDERAL SAVINGS ASSOCIA-  
10 TION.—Section 5(i) of the Home Owners’ Loan Act (12  
11 U.S.C. 1464(i)) is amended by adding at the end the fol-  
12 lowing:

13 “(6) LIMITATION ON CERTAIN CONVERSIONS BY  
14 FEDERAL SAVINGS ASSOCIATIONS.—A Federal sav-  
15 ings association may not convert to a State bank or  
16 State savings association during any period in which  
17 the Federal savings association is subject to a cease  
18 and desist order (or other formal enforcement order)  
19 issued by, or a memorandum of understanding en-  
20 tered into with, the Office of Thrift Supervision or  
21 the Comptroller of the Currency with respect to a  
22 significant supervisory matter.”.

23 (d) EXCEPTION.—The prohibition on the approval of  
24 conversions under the amendments made by subsections  
25 (a), (b), and (c) shall not apply, if—

1           (1) the Federal banking agency that would be  
2           the appropriate Federal banking agency after the  
3           proposed conversion gives the appropriate Federal  
4           banking agency or State bank supervisor that issued  
5           the cease and desist order (or other formal enforce-  
6           ment order) or memorandum of understanding, as  
7           appropriate, written notice of the proposed conver-  
8           sion including a plan to address the significant su-  
9           pervisory matter in a manner that is consistent with  
10          the safe and sound operation of the institution;

11          (2) within 30 days of receipt of the written no-  
12          tice required under paragraph (1), the appropriate  
13          Federal banking agency or State bank supervisor  
14          that issued the cease and desist order (or other for-  
15          mal enforcement order) or memorandum of under-  
16          standing, as appropriate, does not object to the con-  
17          version or the plan to address the significant super-  
18          visory matter;

19          (3) after conversion of the insured depository  
20          institution, the appropriate Federal banking agency  
21          after the conversion implements such plan; and

22          (4) in the case of a final enforcement action by  
23          a State Attorney General, approval of the conversion  
24          is conditioned on compliance by the insured deposi-



1 tory institution with the terms of such final enforce-  
2 ment action.

3 (e) NOTIFICATION OF PENDING ENFORCEMENT AC-  
4 TIONS.—

5 (1) COPY OF CONVERSION APPLICATION.—At  
6 the time an insured depository institution files a  
7 conversion application, the insured depository insti-  
8 tution shall transmit a copy of the conversion appli-  
9 cation to—

10 (A) the appropriate Federal banking agen-  
11 cy for the insured depository institution; and

12 (B) the Federal banking agency that would  
13 be the appropriate Federal banking agency of  
14 the insured depository institution after the pro-  
15 posed conversion.

16 (2) NOTIFICATION AND ACCESS TO INFORMA-  
17 TION.—Upon receipt of a copy of the application de-  
18 scribed in paragraph (1), the appropriate Federal  
19 banking agency for the insured depository institution  
20 proposing the conversion shall—

21 (A) notify the Federal banking agency that  
22 would be the appropriate Federal banking agen-  
23 cy for the institution after the proposed conver-  
24 sion in writing of any ongoing supervisory or  
25 investigative proceedings that the appropriate

1 Federal banking agency for the institution pro-  
2 posing to convert believes is likely to result, in  
3 the near term and absent the proposed conver-  
4 sion, in a cease and desist order (or other for-  
5 mal enforcement order) or memorandum of un-  
6 derstanding with respect to a significant super-  
7 visory matter; and

8 (B) provide the Federal banking agency  
9 that would be the appropriate Federal banking  
10 agency for the institution after the proposed  
11 conversion access to all investigative and super-  
12 visory information relating to the proceedings  
13 described in subparagraph (A).

14 **SEC. 613. DE NOVO BRANCHING INTO STATES.**

15 (a) NATIONAL BANKS.—Section 5155(g)(1)(A) of the  
16 Revised Statutes of the United States (12 U.S.C.  
17 36(g)(1)(A)) is amended to read as follows:

18 “(A) the law of the State in which the  
19 branch is located, or is to be located, would per-  
20 mit establishment of the branch, if the national  
21 bank were a State bank chartered by such  
22 State; and”.

23 (b) STATE INSURED BANKS.—Section 18(d)(4)(A)(i)  
24 of the Federal Deposit Insurance Act (12 U.S.C.  
25 1828(d)(4)(A)(i)) is amended to read as follows:



1 transaction, or securities borrowing  
2 transaction between the member bank  
3 and the person.”.

4 (b) EFFECTIVE DATE.—The amendments made by  
5 this section shall take effect 1 year after the transfer date.

6 **SEC. 615. LIMITATIONS ON PURCHASES OF ASSETS FROM**  
7 **INSIDERS.**

8 (a) AMENDMENT TO THE FEDERAL DEPOSIT INSUR-  
9 ANCE ACT.—Section 18 of the Federal Deposit Insurance  
10 Act (12 U.S.C. 1828) is amended by adding at the end  
11 the following:

12 “(z) GENERAL PROHIBITION ON SALE OF ASSETS.—

13 “(1) IN GENERAL.—An insured depository in-  
14 stitution may not purchase an asset from, or sell an  
15 asset to, an executive officer, director, or principal  
16 shareholder of the insured depository institution, or  
17 any related interest of such person (as such terms  
18 are defined in section 22(h) of Federal Reserve Act),  
19 unless—

20 “(A) the transaction is on market terms;

21 and

22 “(B) if the transaction represents more  
23 than 10 percent of the capital stock and surplus  
24 of the insured depository institution, the trans-  
25 action has been approved in advance by a ma-

1           jority of the members of the board of directors  
2           of the insured depository institution who do not  
3           have an interest in the transaction.

4           “(2) RULEMAKING.—The Board of Governors  
5           of the Federal Reserve System may issue such rules  
6           as may be necessary to define terms and to carry  
7           out the purposes this subsection. Before proposing  
8           or adopting a rule under this paragraph, the Board  
9           of Governors of the Federal Reserve System shall  
10          consult with the Comptroller of the Currency and  
11          the Corporation as to the terms of the rule.”.

12          (b) AMENDMENTS TO THE FEDERAL RESERVE  
13          ACT.—Section 22(d) of the Federal Reserve Act (12  
14          U.S.C. 375) is amended to read as follows:

15           “(d) [Reserved]”.

16          (c) EFFECTIVE DATE.—The amendments made by  
17          this section shall take effect on the transfer date.

18          **SEC. 616. REGULATIONS REGARDING CAPITAL LEVELS.**

19          (a) CAPITAL LEVELS OF BANK HOLDING COMPA-  
20          NIES.—Section 5(b) of the Bank Holding Company Act  
21          of 1956 (12 U.S.C. 1844(b)) is amended—

22           (1) by inserting after “orders” the following: “,  
23           including regulations and orders relating to the cap-  
24           ital requirements for bank holding companies,”; and

1           (2) by adding at the end the following: “In es-  
2           tablishing capital regulations pursuant to this sub-  
3           section, the Board shall seek to make such require-  
4           ments countercyclical, so that the amount of capital  
5           required to be maintained by a company increases in  
6           times of economic expansion and decreases in times  
7           of economic contraction, consistent with the safety  
8           and soundness of the company.”.

9           (b) CAPITAL LEVELS OF SAVINGS AND LOAN HOLD-  
10          ING COMPANIES.—Section 10(g)(1) of the Home Owners’  
11          Loan Act (12 U.S.C. 1467a(g)(1)) is amended—

12           (1) by inserting after “orders” the following: “,  
13           including regulations and orders relating to capital  
14           requirements for savings and loan holding compa-  
15           nies,”; and

16           (2) by inserting at the end the following: “In  
17           establishing capital regulations pursuant to this sub-  
18           section, the appropriate Federal banking agency  
19           shall seek to make such requirements countercyclical  
20           so that the amount of capital required to be main-  
21           tained by a company increases in times of economic  
22           expansion and decreases in times of economic con-  
23           traction, consistent with the safety and soundness of  
24           the company.”.

1           (c) CAPITAL LEVELS OF INSURED DEPOSITORY IN-  
2     STITUTIONS.—Section 908(a)(1) of the International  
3     Lending Supervision Act of 1983 (12 U.S.C. 3907(a)(1))  
4     is amended by adding at the end the following: “Each ap-  
5     propriate Federal banking agency shall seek to make the  
6     capital standards required under this section or other pro-  
7     visions of Federal law for insured depository institutions  
8     countercyclical so that the amount of capital required to  
9     be maintained by an insured depository institution in-  
10    creases in times of economic expansion and decreases in  
11    times of economic contraction, consistent with the safety  
12    and soundness of the insured depository institution.”

13           (d) SOURCE OF STRENGTH.—The Federal Deposit  
14    Insurance Act (12 U.S.C. 1811 et seq.) is amended by  
15    inserting after section 38 (12 U.S.C. 1831o) the following:

16    **“SEC. 38A. SOURCE OF STRENGTH.**

17           “(a) HOLDING COMPANIES.—The appropriate Fed-  
18    eral banking agency for a bank holding company or sav-  
19    ings and loan holding company shall require the bank  
20    holding company or savings and loan holding company to  
21    serve as a source of financial strength for any subsidiary  
22    of the bank holding company or savings and loan holding  
23    company that is a depository institution.

24           “(b) OTHER COMPANIES.—If an insured depository  
25    institution is not the subsidiary of a bank holding com-

1 pany or savings and loan holding company, the appro-  
2 priate Federal banking agency for the insured depository  
3 institution shall require any company that directly or indi-  
4 rectly controls the insured depository institution to serve  
5 as a source of financial strength for such institution.

6 “(c) REPORTS.—The appropriate Federal banking  
7 agency for an insured depository institution described in  
8 subsection (b) may, from time to time, require the com-  
9 pany, or a company that directly or indirectly controls the  
10 insured depository institution, to submit a report, under  
11 oath, for the purposes of—

12 “(1) assessing the ability of such company to  
13 comply with the requirement under subsection (b);  
14 and

15 “(2) enforcing the compliance of such company  
16 with the requirement under subsection (b).

17 “(d) RULES.—Not later than 1 year after the trans-  
18 fer date, as defined in section 311 of the Enhancing Fi-  
19 nancial Institution Safety and Soundness Act of 2010, the  
20 appropriate Federal banking agencies shall jointly issue  
21 final rules to carry out this section.

22 “(e) DEFINITION.—In this section, the term ‘source  
23 of financial strength’ means the ability of a company that  
24 directly or indirectly owns or controls an insured deposi-  
25 tory institution to provide financial assistance to such in-



1 insured depository institution in the event of the financial  
2 distress of the insured depository institution.”.

3 (e) EFFECTIVE DATE.—The amendments made by  
4 this section shall take effect on the transfer date.

5 **SEC. 617. ELIMINATION OF ELECTIVE INVESTMENT BANK**  
6 **HOLDING COMPANY FRAMEWORK.**

7 (a) AMENDMENT.—Section 17 of the Securities Ex-  
8 change Act of 1934 (15 U.S.C. 78q) is amended—

9 (1) by striking subsection (i); and

10 (2) by redesignating subsections (j) and (k) as  
11 subsections (i) and (j), respectively.

12 (b) EFFECTIVE DATE.—The amendments made by  
13 this section shall take effect on the transfer date.

14 **SEC. 618. SECURITIES HOLDING COMPANIES.**

15 (a) DEFINITIONS.—In this section—

16 (1) the term “associated person of a securities  
17 holding company” means a person directly or indi-  
18 rectly controlling, controlled by, or under common  
19 control with, a securities holding company;

20 (2) the term “foreign bank” has the same  
21 meaning as in section 1(b)(7) of the International  
22 Banking Act of 1978 (12 U.S.C. 3101(7));

23 (3) the term “insured bank” has the same  
24 meaning as in section 3 of the Federal Deposit In-  
25 surance Act (12 U.S.C. 1813);

1 (4) the term “securities holding company”—

2 (A) means—

3 (i) a person (other than a natural per-  
4 son) that owns or controls 1 or more bro-  
5 kers or dealers registered with the Com-  
6 mission; and

7 (ii) the associated persons of a person  
8 described in clause (i); and

9 (B) does not include a person that is—

10 (i) a nonbank financial company su-  
11 pervised by the Board under title I;

12 (ii) an insured bank (other than an  
13 institution described in subparagraphs (D),  
14 (F), or (H) of section 2(c)(2) of the Bank  
15 Holding Company Act of 1956 (12 U.S.C.  
16 1841(c)(2)) or a savings association;

17 (iii) an affiliate of an insured bank  
18 (other than an institution described in sub-  
19 paragraphs (D), (F), or (H) of section  
20 2(c)(2) of the Bank Holding Company Act  
21 of 1956 (12 U.S.C. 1841(c)(2)) or an affil-  
22 iate of a savings association;

23 (iv) a foreign bank, foreign company,  
24 or company that is described in section

1           8(a) of the International Banking Act of  
2           1978 (12 U.S.C. 3106(a));

3                   (v) a foreign bank that controls, di-  
4           rectly or indirectly, a corporation chartered  
5           under section 25A of the Federal Reserve  
6           Act (12 U.S.C. 611 et seq.); or

7                   (vi) subject to comprehensive consoli-  
8           dated supervision by a foreign regulator;

9           (5) the term “supervised securities holding com-  
10          pany” means a securities holding company that is  
11          supervised by the Board of Governors under this  
12          section; and

13           (6) the terms “affiliate”, “bank”, “bank hold-  
14          ing company”, “company”, “control”, “savings asso-  
15          ciation”, and “subsidiary” have the same meanings  
16          as in section 2 of the Bank Holding Company Act  
17          of 1956.

18          (b) SUPERVISION OF A SECURITIES HOLDING COM-  
19          PANY NOT HAVING A BANK OR SAVINGS ASSOCIATION  
20          AFFILIATE.—

21           (1) IN GENERAL.—A securities holding com-  
22          pany that is required by a foreign regulator or provi-  
23          sion of foreign law to be subject to comprehensive  
24          consolidated supervision may register with the Board  
25          of Governors under paragraph (2) to become a su-

1 supervised securities holding company. Any securities  
2 holding company filing such a registration shall be  
3 supervised in accordance with this section, and shall  
4 comply with the rules and orders prescribed by the  
5 Board of Governors applicable to supervised securi-  
6 ties holding companies.

7 (2) REGISTRATION AS A SUPERVISED SECURI-  
8 TIES HOLDING COMPANY.—

9 (A) REGISTRATION.—A securities holding  
10 company that elects to be subject to comprehen-  
11 sive consolidated supervision shall register by  
12 filing with the Board of Governors such infor-  
13 mation and documents as the Board of Gov-  
14 ernors, by regulation, may prescribe as nec-  
15 essary or appropriate in furtherance of the pur-  
16 poses of this section.

17 (B) EFFECTIVE DATE.—A securities hold-  
18 ing company that registers under subparagraph  
19 (A) shall be deemed to be a supervised securi-  
20 ties holding company, effective on the date that  
21 is 45 days after the date of receipt of the reg-  
22 istration information and documents under sub-  
23 paragraph (A) by the Board of Governors, or  
24 within such shorter period as the Board of Gov-  
25 ernors, by rule or order, may determine.

1           (c) SUPERVISION OF SECURITIES HOLDING COMPA-  
2 NIES.—

3           (1) RECORDKEEPING AND REPORTING.—

4                   (A) RECORDKEEPING AND REPORTING RE-  
5 QUIRED.—Each supervised securities holding  
6 company and each affiliate of a supervised secu-  
7 rities holding company shall make and keep for  
8 periods determined by the Board of Governors  
9 such records, furnish copies of such records,  
10 and make such reports, as the Board of Gov-  
11 ernors determines to be necessary or appro-  
12 priate to carry out this section, to prevent eva-  
13 sions thereof, and to monitor compliance by the  
14 supervised securities holding company or affil-  
15 iate with applicable provisions of law.

16                   (B) FORM AND CONTENTS.—

17                           (i) IN GENERAL.—Any record or re-  
18 port required to be made, furnished, or  
19 kept under this paragraph shall—

20                                   (I) be prepared in such form and  
21 according to such specifications (in-  
22 cluding certification by a registered  
23 public accounting firm), as the Board  
24 of Governors may require; and

1 (II) be provided promptly to the  
2 Board of Governors at any time, upon  
3 request by the Board of Governors.

4 (ii) CONTENTS.—Records and reports  
5 required to be made, furnished, or kept  
6 under this paragraph may include—

7 (I) a balance sheet or income  
8 statement of the supervised securities  
9 holding company or an affiliate of a  
10 supervised securities holding company;

11 (II) an assessment of the consoli-  
12 dated capital and liquidity of the su-  
13 pervised securities holding company;

14 (III) a report by an independent  
15 auditor attesting to the compliance of  
16 the supervised securities holding com-  
17 pany with the internal risk manage-  
18 ment and internal control objectives of  
19 the supervised securities holding com-  
20 pany; and

21 (IV) a report concerning the ex-  
22 tent to which the supervised securities  
23 holding company or affiliate has com-  
24 plied with the provisions of this sec-

1                   tion and any regulations prescribed  
2                   and orders issued under this section.

3           (2) USE OF EXISTING REPORTS.—

4                   (A) IN GENERAL.—The Board of Gov-  
5                   ernors shall, to the fullest extent possible, ac-  
6                   cept reports in fulfillment of the requirements  
7                   of this paragraph that a supervised securities  
8                   holding company or an affiliate of a supervised  
9                   securities holding company has been required to  
10                  provide to another regulatory agency or a self-  
11                  regulatory organization.

12                  (B) AVAILABILITY.—A supervised securi-  
13                  ties holding company or an affiliate of a super-  
14                  vised securities holding company shall promptly  
15                  provide to the Board of Governors, at the re-  
16                  quest of the Board of Governors, any report de-  
17                  scribed in subparagraph (A), as permitted by  
18                  law.

19           (3) EXAMINATION AUTHORITY.—

20                  (A) FOCUS OF EXAMINATION AUTHOR-  
21                  ITY.—The Board of Governors may make ex-  
22                  aminations of any supervised securities holding  
23                  company and any affiliate of a supervised secu-  
24                  rities holding company to carry out this sub-  
25                  section, to prevent evasions thereof, and to

1 monitor compliance by the supervised securities  
2 holding company or affiliate with applicable  
3 provisions of law.

4 (B) DEFERENCE TO OTHER EXAMINA-  
5 TIONS.—For purposes of this subparagraph, the  
6 Board of Governors shall, to the fullest extent  
7 possible, use the reports of examination made  
8 by other appropriate Federal or State regu-  
9 latory authorities with respect to any function-  
10 ally regulated subsidiary or any institution de-  
11 scribed in subparagraph (D), (F), or (H) of  
12 section 2(c)(2) of the Bank Holding Company  
13 Act of 1956 (12 U.S.C. 1841(c)(2)).

14 (d) CAPITAL AND RISK MANAGEMENT.—

15 (1) IN GENERAL.—The Board of Governors  
16 shall, by regulation or order, prescribe capital ade-  
17 quacy and other risk management standards for su-  
18 pervised securities holding companies that are ap-  
19 propriate to protect the safety and soundness of the  
20 supervised securities holding companies and address  
21 the risks posed to financial stability by supervised  
22 securities holding companies.

23 (2) DIFFERENTIATION.—In imposing standards  
24 under this subsection, the Board of Governors may  
25 differentiate among supervised securities holding



1 companies on an individual basis, or by category,  
2 taking into consideration the requirements under  
3 paragraph (3).

4 (3) CONTENT.—Any standards imposed on a  
5 supervised securities holding company under this  
6 subsection shall take into account—

7 (A) the differences among types of busi-  
8 ness activities carried out by the supervised se-  
9 curities holding company;

10 (B) the amount and nature of the financial  
11 assets of the supervised securities holding com-  
12 pany;

13 (C) the amount and nature of the liabilities  
14 of the supervised securities holding company,  
15 including the degree of reliance on short-term  
16 funding;

17 (D) the extent and nature of the off-bal-  
18 ance sheet exposures of the supervised securi-  
19 ties holding company;

20 (E) the extent and nature of the trans-  
21 actions and relationships of the supervised secu-  
22 rities holding company with other financial  
23 companies;

24 (F) the importance of the supervised secu-  
25 rities holding company as a source of credit for

1 households, businesses, and State and local gov-  
2 ernments, and as a source of liquidity for the  
3 financial system; and

4 (G) the nature, scope, and mix of the ac-  
5 tivities of the supervised securities holding com-  
6 pany.

7 (4) NOTICE.—A capital requirement imposed  
8 under this subsection may not take effect earlier  
9 than 180 days after the date on which a supervised  
10 securities holding company is provided notice of the  
11 capital requirement.

12 (e) OTHER PROVISIONS OF LAW APPLICABLE TO SU-  
13 PERVISED SECURITIES HOLDING COMPANIES.—

14 (1) FEDERAL DEPOSIT INSURANCE ACT.—Sub-  
15 sections (b), (c) through (s), and (u) of section 8 of  
16 the Federal Deposit Insurance Act (12 U.S.C. 1818)  
17 shall apply to any supervised securities holding com-  
18 pany, and to any subsidiary (other than a bank or  
19 an institution described in subparagraph (D), (F),  
20 or (H) of section 2(c)(2) of the Bank Holding Com-  
21 pany Act of 1956 (12 U.S.C. 1841(c)(2))) of a su-  
22 pervised securities holding company, in the same  
23 manner as such subsections apply to a bank holding  
24 company for which the Board of Governors is the  
25 appropriate Federal banking agency. For purposes

1 of applying such subsections to a supervised securi-  
2 ties holding company or a subsidiary (other than a  
3 bank or an institution described in subparagraph  
4 (D), (F), or (H) of section 2(c)(2) of the Bank  
5 Holding Company Act of 1956 (12 U.S.C.  
6 1841(c)(2))) of a supervised securities holding com-  
7 pany, the Board of Governors shall be deemed the  
8 appropriate Federal banking agency for the super-  
9 vised securities holding company or subsidiary.

10 (2) BANK HOLDING COMPANY ACT OF 1956.—  
11 Except as the Board of Governors may otherwise  
12 provide by regulation or order, a supervised securi-  
13 ties holding company shall be subject to the provi-  
14 sions of the Bank Holding Company Act of 1956  
15 (12 U.S.C. 1841 et seq.) in the same manner and  
16 to the same extent a bank holding company is sub-  
17 ject to such provisions, except that a supervised se-  
18 curities holding company may not, by reason of this  
19 paragraph, be deemed to be a bank holding company  
20 for purposes of section 4 of the Bank Holding Com-  
21 pany Act of 1956 (12 U.S.C. 1843).

1 **SEC. 619. PROHIBITIONS ON PROPRIETARY TRADING AND**  
2 **CERTAIN RELATIONSHIPS WITH HEDGE**  
3 **FUNDS AND PRIVATE EQUITY FUNDS.**

4 The Bank Holding Company Act of 1956 (12 U.S.C.  
5 1841 et seq.) is amended by adding at the end the fol-  
6 lowing:

7 **“SEC. 13. PROHIBITIONS ON PROPRIETARY TRADING AND**  
8 **CERTAIN RELATIONSHIPS WITH HEDGE**  
9 **FUNDS AND PRIVATE EQUITY FUNDS.**

10 “(a) IN GENERAL.—

11 “(1) PROHIBITION.—Unless otherwise provided  
12 in this section, a banking entity shall not—

13 “(A) engage in proprietary trading; or

14 “(B) acquire or retain any equity, partner-  
15 ship, or other ownership interest in or sponsor  
16 a hedge fund or a private equity fund.

17 “(2) NONBANK FINANCIAL COMPANIES SUPER-  
18 VISED BY THE BOARD.—Any nonbank financial com-  
19 pany supervised by the Board that engages in pro-  
20 prietary trading or takes or retains any equity, part-  
21 nership, or other ownership interest in or sponsors  
22 a hedge fund or a private equity fund shall be sub-  
23 ject, by rule, as provided in subsection (b)(2), to ad-  
24 ditional capital requirements for and additional  
25 quantitative limits with regards to such proprietary  
26 trading and taking or retaining any equity, partner-

1 ship, or other ownership interest in or sponsorship  
2 of a hedge fund or a private equity fund, except that  
3 permitted activities as described in subsection (d)  
4 shall not be subject to the additional capital and ad-  
5 ditional quantitative limits except as provided in  
6 subsection (d)(3), as if the nonbank financial com-  
7 pany supervised by the Board were a banking entity.

8 “(b) STUDY AND RULEMAKING.—

9 “(1) STUDY.—Not later than 6 months after  
10 the date of enactment of this section, the Financial  
11 Stability Oversight Council shall study and make  
12 recommendations on implementing the provisions of  
13 this section so as to—

14 “(A) promote and enhance the safety and  
15 soundness of banking entities;

16 “(B) protect taxpayers and consumers and  
17 enhance financial stability by minimizing the  
18 risk that insured depository institutions and the  
19 affiliates of insured depository institutions will  
20 engage in unsafe and unsound activities;

21 “(C) limit the inappropriate transfer of  
22 Federal subsidies from institutions that benefit  
23 from deposit insurance and liquidity facilities of  
24 the Federal Government to unregulated entities;

1           “(D) reduce conflicts of interest between  
2           the self-interest of banking entities and  
3           nonbank financial companies supervised by the  
4           Board, and the interests of the customers of  
5           such entities and companies;

6           “(E) limit activities that have caused  
7           undue risk or loss in banking entities and  
8           nonbank financial companies supervised by the  
9           Board, or that might reasonably be expected to  
10          create undue risk or loss in such banking enti-  
11          ties and nonbank financial companies super-  
12          vised by the Board;

13          “(F) appropriately accommodate the busi-  
14          ness of insurance within an insurance company,  
15          subject to regulation in accordance with the rel-  
16          evant insurance company investment laws, while  
17          protecting the safety and soundness of any  
18          banking entity with which such insurance com-  
19          pany is affiliated and of the United States fi-  
20          nancial system; and

21          “(G) appropriately time the divestiture of  
22          illiquid assets that are affected by the imple-  
23          mentation of the prohibitions under subsection  
24          (a).

25          “(2) RULEMAKING.—

1           “(A) IN GENERAL.—Unless otherwise pro-  
2           vided in this section, not later than 9 months  
3           after the completion of the study under para-  
4           graph (1), the appropriate Federal banking  
5           agencies, the Securities and Exchange Commis-  
6           sion, and the Commodity Futures Trading  
7           Commission, shall consider the findings of the  
8           study under paragraph (1) and adopt rules to  
9           carry out this section, as provided in subpara-  
10          graph (B).

11          “(B) COORDINATED RULEMAKING.—

12           “(i) REGULATORY AUTHORITY.—The  
13           regulations issued under this paragraph  
14           shall be issued by—

15                   “(I) the appropriate Federal  
16                   banking agencies, jointly, with respect  
17                   to insured depository institutions;

18                   “(II) the Board, with respect to  
19                   any company that controls an insured  
20                   depository institution, or that is treat-  
21                   ed as a bank holding company for  
22                   purposes of section 8 of the Inter-  
23                   national Banking Act, any nonbank fi-  
24                   nancial company supervised by the  
25                   Board, and any subsidiary of any of

1 the foregoing (other than a subsidiary  
2 for which an agency described in sub-  
3 clause (I), (III), or (IV) is the pri-  
4 mary financial regulatory agency);

5 “(III) the Commodity Futures  
6 Trading Commission, with respect to  
7 any entity for which the Commodity  
8 Futures Trading Commission is the  
9 primary financial regulatory agency,  
10 as defined in section 2 of the Dodd-  
11 Frank Wall Street Reform and Con-  
12 sumer Protection Act; and

13 “(IV) the Securities and Ex-  
14 change Commission, with respect to  
15 any entity for which the Securities  
16 and Exchange Commission is the pri-  
17 mary financial regulatory agency, as  
18 defined in section 2 of the Dodd-  
19 Frank Wall Street Reform and Con-  
20 sumer Protection Act.

21 “(ii) COORDINATION, CONSISTENCY,  
22 AND COMPARABILITY.—In developing and  
23 issuing regulations pursuant to this sec-  
24 tion, the appropriate Federal banking  
25 agencies, the Securities and Exchange



1 Commission, and the Commodity Futures  
2 Trading Commission shall consult and co-  
3 ordinate with each other, as appropriate,  
4 for the purposes of assuring, to the extent  
5 possible, that such regulations are com-  
6 parable and provide for consistent applica-  
7 tion and implementation of the applicable  
8 provisions of this section to avoid providing  
9 advantages or imposing disadvantages to  
10 the companies affected by this subsection  
11 and to protect the safety and soundness of  
12 banking entities and nonbank financial  
13 companies supervised by the Board.

14 “(iii) COUNCIL ROLE.—The Chair-  
15 person of the Financial Stability Oversight  
16 Council shall be responsible for coordina-  
17 tion of the regulations issued under this  
18 section.

19 “(c) EFFECTIVE DATE.—

20 “(1) IN GENERAL.—Except as provided in para-  
21 graphs (2) and (3), this section shall take effect on  
22 the earlier of—

23 “(A) 12 months after the date of the  
24 issuance of final rules under subsection (b); or

1                   “(B) 2 years after the date of enactment  
2                   of this section.

3                   “(2) CONFORMANCE PERIOD FOR DIVESTI-  
4                   TURE.—A banking entity or nonbank financial com-  
5                   pany supervised by the Board shall bring its activi-  
6                   ties and investments into compliance with the re-  
7                   quirements of this section not later than 2 years  
8                   after the date on which the requirements become ef-  
9                   fective pursuant to this section or 2 years after the  
10                  date on which the entity or company becomes a  
11                  nonbank financial company supervised by the Board.  
12                  The Board may, by rule or order, extend this two-  
13                  year period for not more than one year at a time,  
14                  if, in the judgment of the Board, such an extension  
15                  is consistent with the purposes of this section and  
16                  would not be detrimental to the public interest. The  
17                  extensions made by the Board under the preceding  
18                  sentence may not exceed an aggregate of 3 years.

19                  “(3) EXTENDED TRANSITION FOR ILLIQUID  
20                  FUNDS.—

21                  “(A) APPLICATION.—The Board may,  
22                  upon the application of a banking entity, extend  
23                  the period during which the banking entity, to  
24                  the extent necessary to fulfill a contractual obli-  
25                  gation that was in effect on May 1, 2010, may

1 take or retain its equity, partnership, or other  
2 ownership interest in, or otherwise provide addi-  
3 tional capital to, an illiquid fund.

4 “(B) TIME LIMIT ON APPROVAL.—The  
5 Board may grant 1 extension under subpara-  
6 graph (A), which may not exceed 5 years.

7 “(4) DIVESTITURE REQUIRED.—Except as oth-  
8 erwise provided in subsection (d)(1)(G), a banking  
9 entity may not engage in any activity prohibited  
10 under subsection (a)(1)(B) after the earlier of—

11 “(A) the date on which the contractual ob-  
12 ligation to invest in the illiquid fund terminates;  
13 and

14 “(B) the date on which any extensions  
15 granted by the Board under paragraph (3) ex-  
16 pire.

17 “(5) ADDITIONAL CAPITAL DURING TRANSITION  
18 PERIOD.—Notwithstanding paragraph (2), on the  
19 date on which the rules are issued under subsection  
20 (b)(2), the appropriate Federal banking agencies,  
21 the Securities and Exchange Commission, and the  
22 Commodity Futures Trading Commission shall issue  
23 rules, as provided in subsection (b)(2), to impose ad-  
24 ditional capital requirements, and any other restric-  
25 tions, as appropriate, on any equity, partnership, or

1 ownership interest in or sponsorship of a hedge fund  
2 or private equity fund by a banking entity.

3 “(6) SPECIAL RULEMAKING.—Not later than 6  
4 months after the date of enactment of this section,  
5 the Board shall issues rules to implement para-  
6 graphs (2) and (3).

7 “(d) PERMITTED ACTIVITIES.—

8 “(1) IN GENERAL.—Notwithstanding the re-  
9 strictions under subsection (a), to the extent per-  
10 mitted by any other provision of Federal or State  
11 law, and subject to the limitations under paragraph  
12 (2) and any restrictions or limitations that the ap-  
13 propriate Federal banking agencies, the Securities  
14 and Exchange Commission, and the Commodity Fu-  
15 tures Trading Commission, may determine, the fol-  
16 lowing activities (in this section referred to as ‘per-  
17 mitted activities’) are permitted:

18 “(A) The purchase, sale, acquisition, or  
19 disposition of obligations of the United States  
20 or any agency thereof, obligations, participa-  
21 tions, or other instruments of or issued by the  
22 Government National Mortgage Association, the  
23 Federal National Mortgage Association, the  
24 Federal Home Loan Mortgage Corporation, a  
25 Federal Home Loan Bank, the Federal Agricul-

1           tural Mortgage Corporation, or a Farm Credit  
2           System institution chartered under and subject  
3           to the provisions of the Farm Credit Act of  
4           1971 (12 U.S.C. 2001 et seq.), and obligations  
5           of any State or of any political subdivision  
6           thereof.

7           “(B) The purchase, sale, acquisition, or  
8           disposition of securities and other instruments  
9           described in subsection (h)(4) in connection  
10          with underwriting or market-making-related ac-  
11          tivities, to the extent that any such activities  
12          permitted by this subparagraph are designed  
13          not to exceed the reasonably expected near term  
14          demands of clients, customers, or counterpar-  
15          ties.

16          “(C) Risk-mitigating hedging activities in  
17          connection with and related to individual or ag-  
18          gregated positions, contracts, or other holdings  
19          of a banking entity that are designed to reduce  
20          the specific risks to the banking entity in con-  
21          nection with and related to such positions, con-  
22          tracts, or other holdings.

23          “(D) The purchase, sale, acquisition, or  
24          disposition of securities and other instruments

1 described in subsection (h)(4) on behalf of cus-  
2 tomers.

3 “(E) Investments in one or more small  
4 business investment companies, as defined in  
5 section 102 of the Small Business Investment  
6 Act of 1958 (15 U.S.C. 662), investments de-  
7 signed primarily to promote the public welfare,  
8 of the type permitted under paragraph (11) of  
9 section 5136 of the Revised Statutes of the  
10 United States (12 U.S.C. 24), or investments  
11 that are qualified rehabilitation expenditures  
12 with respect to a qualified rehabilitated building  
13 or certified historic structure, as such terms are  
14 defined in section 47 of the Internal Revenue  
15 Code of 1986 or a similar State historic tax  
16 credit program.

17 “(F) The purchase, sale, acquisition, or  
18 disposition of securities and other instruments  
19 described in subsection (h)(4) by a regulated in-  
20 surance company directly engaged in the busi-  
21 ness of insurance for the general account of the  
22 company and by any affiliate of such regulated  
23 insurance company, provided that such activi-  
24 ties by any affiliate are solely for the general

1 account of the regulated insurance company,  
2 if—

3 “(i) the purchase, sale, acquisition, or  
4 disposition is conducted in compliance  
5 with, and subject to, the insurance com-  
6 pany investment laws, regulations, and  
7 written guidance of the State or jurisdic-  
8 tion in which each such insurance company  
9 is domiciled; and

10 “(ii) the appropriate Federal banking  
11 agencies, after consultation with the Fi-  
12 nancial Stability Oversight Council and the  
13 relevant insurance commissioners of the  
14 States and territories of the United States,  
15 have not jointly determined, after notice  
16 and comment, that a particular law, regu-  
17 lation, or written guidance described in  
18 clause (i) is insufficient to protect the safe-  
19 ty and soundness of the banking entity, or  
20 of the financial stability of the United  
21 States.

22 “(G) Organizing and offering a private eq-  
23 uity or hedge fund, including serving as a gen-  
24 eral partner, managing member, or trustee of  
25 the fund and in any manner selecting or con-

1 trolling (or having employees, officers, directors,  
2 or agents who constitute) a majority of the di-  
3 rectors, trustees, or management of the fund,  
4 including any necessary expenses for the fore-  
5 going, only if—

6 “(i) the banking entity provides bona  
7 fide trust, fiduciary, or investment advisory  
8 services;

9 “(ii) the fund is organized and offered  
10 only in connection with the provision of  
11 bona fide trust, fiduciary, or investment  
12 advisory services and only to persons that  
13 are customers of such services of the bank-  
14 ing entity;

15 “(iii) the banking entity does not ac-  
16 quire or retain an equity interest, partner-  
17 ship interest, or other ownership interest  
18 in the funds except for a de minimis in-  
19 vestment subject to and in compliance with  
20 paragraph (4);

21 “(iv) the banking entity complies with  
22 the restrictions under paragraphs (1) and  
23 (2) of subparagraph (f);

24 “(v) the banking entity does not, di-  
25 rectly or indirectly, guarantee, assume, or



1 otherwise insure the obligations or per-  
2 formance of the hedge fund or private eq-  
3 uity fund or of any hedge fund or private  
4 equity fund in which such hedge fund or  
5 private equity fund invests;

6 “(vi) the banking entity does not  
7 share with the hedge fund or private equity  
8 fund, for corporate, marketing, pro-  
9 motional, or other purposes, the same  
10 name or a variation of the same name;

11 “(vii) no director or employee of the  
12 banking entity takes or retains an equity  
13 interest, partnership interest, or other  
14 ownership interest in the hedge fund or  
15 private equity fund, except for any director  
16 or employee of the banking entity who is  
17 directly engaged in providing investment  
18 advisory or other services to the hedge  
19 fund or private equity fund; and

20 “(viii) the banking entity discloses to  
21 prospective and actual investors in the  
22 fund, in writing, that any losses in such  
23 hedge fund or private equity fund are  
24 borne solely by investors in the fund and  
25 not by the banking entity, and otherwise

1           complies with any additional rules of the  
2           appropriate Federal banking agencies, the  
3           Securities and Exchange Commission, or  
4           the Commodity Futures Trading Commis-  
5           sion, as provided in subsection (b)(2), de-  
6           signed to ensure that losses in such hedge  
7           fund or private equity fund are borne sole-  
8           ly by investors in the fund and not by the  
9           banking entity.

10           “(H) Proprietary trading conducted by a  
11           banking entity pursuant to paragraph (9) or  
12           (13) of section 4(c), provided that the trading  
13           occurs solely outside of the United States and  
14           that the banking entity is not directly or indi-  
15           rectly controlled by a banking entity that is or-  
16           ganized under the laws of the United States or  
17           of one or more States.

18           “(I) The acquisition or retention of any eq-  
19           uity, partnership, or other ownership interest  
20           in, or the sponsorship of, a hedge fund or a pri-  
21           vate equity fund by a banking entity pursuant  
22           to paragraph (9) or (13) of section 4(c) solely  
23           outside of the United States, provided that no  
24           ownership interest in such hedge fund or pri-  
25           vate equity fund is offered for sale or sold to a

1 resident of the United States and that the  
2 banking entity is not directly or indirectly con-  
3 trolled by a banking entity that is organized  
4 under the laws of the United States or of one  
5 or more States.

6 “(J) Such other activity as the appropriate  
7 Federal banking agencies, the Securities and  
8 Exchange Commission, and the Commodity Fu-  
9 tures Trading Commission determine, by rule,  
10 as provided in subsection (b)(2), would promote  
11 and protect the safety and soundness of the  
12 banking entity and the financial stability of the  
13 United States.

14 “(2) LIMITATION ON PERMITTED ACTIVITIES.—

15 “(A) IN GENERAL.—No transaction, class  
16 of transactions, or activity may be deemed a  
17 permitted activity under paragraph (1) if the  
18 transaction, class of transactions, or activity—

19 “(i) would involve or result in a mate-  
20 rial conflict of interest (as such term shall  
21 be defined by rule as provided in sub-  
22 section (b)(2)) between the banking entity  
23 and its clients, customers, or counterpar-  
24 ties;

1                   “(ii) would result, directly or indi-  
2                   rectly, in a material exposure by the bank-  
3                   ing entity to high-risk assets or high-risk  
4                   trading strategies (as such terms shall be  
5                   defined by rule as provided in subsection  
6                   (b)(2));

7                   “(iii) would pose a threat to the safety  
8                   and soundness of such banking entity; or

9                   “(iv) would pose a threat to the finan-  
10                  cial stability of the United States.

11                  “(B) RULEMAKING.—The appropriate  
12                  Federal banking agencies, the Securities and  
13                  Exchange Commission, and the Commodity Fu-  
14                  tures Trading Commission shall issue regula-  
15                  tions to implement subparagraph (A), as part  
16                  of the regulations issued under subsection  
17                  (b)(2).

18                  “(3) CAPITAL AND QUANTITATIVE LIMITA-  
19                  TIONS.—The appropriate Federal banking agencies,  
20                  the Securities and Exchange Commission, and the  
21                  Commodity Futures Trading Commission shall, as  
22                  provided in subsection (b)(2), adopt rules imposing  
23                  additional capital requirements and quantitative lim-  
24                  itations, including diversification requirements, re-  
25                  garding the activities permitted under this section if

1 the appropriate Federal banking agencies, the Secu-  
2 rities and Exchange Commission, and the Com-  
3 modity Futures Trading Commission determine that  
4 additional capital and quantitative limitations are  
5 appropriate to protect the safety and soundness of  
6 banking entities engaged in such activities.

7 “(4) DE MINIMIS INVESTMENT.—

8 “(A) IN GENERAL.—A banking entity may  
9 make and retain an investment in a hedge fund  
10 or private equity fund that the banking entity  
11 organizes and offers, subject to the limitations  
12 and restrictions in subparagraph (B) for the  
13 purposes of—

14 “(i) establishing the fund and pro-  
15 viding the fund with sufficient initial eq-  
16 uity for investment to permit the fund to  
17 attract unaffiliated investors; or

18 “(ii) making a de minimis investment.

19 “(B) LIMITATIONS AND RESTRICTIONS ON  
20 INVESTMENTS.—

21 “(i) REQUIREMENT TO SEEK OTHER  
22 INVESTORS.—A banking entity shall ac-  
23 tively seek unaffiliated investors to reduce  
24 or dilute the investment of the banking en-

1                   tity to the amount permitted under clause  
2                   (ii).

3                   “(ii) LIMITATIONS ON SIZE OF IN-  
4                   VESTMENTS.—Notwithstanding any other  
5                   provision of law, investments by a banking  
6                   entity in a hedge fund or private equity  
7                   fund shall—

8                   “(I) not later than 1 year after  
9                   the date of establishment of the fund,  
10                  be reduced through redemption, sale,  
11                  or dilution to an amount that is not  
12                  more than 3 percent of the total own-  
13                  ership interests of the fund;

14                  “(II) be immaterial to the bank-  
15                  ing entity, as defined, by rule, pursu-  
16                  ant to subsection (b)(2), but in no  
17                  case may the aggregate of all of the  
18                  interests of the banking entity in all  
19                  such funds exceed 3 percent of the  
20                  Tier 1 capital of the banking entity.

21                  “(iii) CAPITAL.—For purposes of de-  
22                  termining compliance with applicable cap-  
23                  ital standards under paragraph (3), the ag-  
24                  gregate amount of the outstanding invest-  
25                  ments by a banking entity under this para-

1 graph, including retained earnings, shall be  
2 deducted from the assets and tangible eq-  
3 uity of the banking entity, and the amount  
4 of the deduction shall increase commensu-  
5 rate with the leverage of the hedge fund or  
6 private equity fund.

7 “(C) EXTENSION.—Upon an application by  
8 a banking entity, the Board may extend the pe-  
9 riod of time to meet the requirements under  
10 subparagraph (B)(ii)(I) for 2 additional years,  
11 if the Board finds that an extension would be  
12 consistent with safety and soundness and in the  
13 public interest.

14 “(e) ANTI-EVASION.—

15 “(1) RULEMAKING.—The appropriate Federal  
16 banking agencies, the Securities and Exchange Com-  
17 mission, and the Commodity Futures Trading Com-  
18 mission shall issue regulations, as part of the rule-  
19 making provided for in subsection (b)(2), regarding  
20 internal controls and recordkeeping, in order to in-  
21 sure compliance with this section.

22 “(2) TERMINATION OF ACTIVITIES OR INVEST-  
23 MENT.—Notwithstanding any other provision of law,  
24 whenever an appropriate Federal banking agency,  
25 the Securities and Exchange Commission, or the

1 Commodity Futures Trading Commission, as appro-  
2 priate, has reasonable cause to believe that a bank-  
3 ing entity or nonbank financial company supervised  
4 by the Board under the respective agency's jurisdic-  
5 tion has made an investment or engaged in an activ-  
6 ity in a manner that functions as an evasion of the  
7 requirements of this section (including through an  
8 abuse of any permitted activity) or otherwise violates  
9 the restrictions under this section, the appropriate  
10 Federal banking agency, the Securities and Ex-  
11 change Commission, or the Commodity Futures  
12 Trading Commission, as appropriate, shall order,  
13 after due notice and opportunity for hearing, the  
14 banking entity or nonbank financial company super-  
15 vised by the Board to terminate the activity and, as  
16 relevant, dispose of the investment. Nothing in this  
17 paragraph shall be construed to limit the inherent  
18 authority of any Federal agency or State regulatory  
19 authority to further restrict any investments or ac-  
20 tivities under otherwise applicable provisions of law.

21 “(f) LIMITATIONS ON RELATIONSHIPS WITH HEDGE  
22 FUNDS AND PRIVATE EQUITY FUNDS.—

23 “(1) IN GENERAL.—No banking entity that  
24 serves, directly or indirectly, as the investment man-  
25 ager, investment adviser, or sponsor to a hedge fund



1 or private equity fund, or that organizes and offers  
2 a hedge fund or private equity fund pursuant to  
3 paragraph (d)(1)(G), and no affiliate of such entity,  
4 may enter into a transaction with the fund, or with  
5 any other hedge fund or private equity fund that is  
6 controlled by such fund, that would be a covered  
7 transaction, as defined in section 23A of the Federal  
8 Reserve Act (12 U.S.C. 371c), with the hedge fund  
9 or private equity fund, as if such banking entity and  
10 the affiliate thereof were a member bank and the  
11 hedge fund or private equity fund were an affiliate  
12 thereof.

13 “(2) TREATMENT AS MEMBER BANK.—A bank-  
14 ing entity that serves, directly or indirectly, as the  
15 investment manager, investment adviser, or sponsor  
16 to a hedge fund or private equity fund, or that orga-  
17 nizes and offers a hedge fund or private equity fund  
18 pursuant to paragraph (d)(1)(G), shall be subject to  
19 section 23B of the Federal Reserve Act (12 U.S.C.  
20 371c–1), as if such banking entity were a member  
21 bank and such hedge fund or private equity fund  
22 were an affiliate thereof.

23 “(3) PERMITTED SERVICES.—

24 “(A) IN GENERAL.—Notwithstanding para-  
25 graph (1), the Board may permit a banking en-

1           tity to enter into any prime brokerage trans-  
2           action with any hedge fund or private equity  
3           fund in which a hedge fund or private equity  
4           fund managed, sponsored, or advised by such  
5           banking entity has taken an equity, partner-  
6           ship, or other ownership interest, if—

7                   “(i) the banking entity is in compli-  
8                   ance with each of the limitations set forth  
9                   in subsection (d)(1)(G) with regard to a  
10                  hedge fund or private equity fund orga-  
11                  nized and offered by such banking entity;

12                  “(ii) the chief executive officer (or  
13                  equivalent officer) of the banking entity  
14                  certifies in writing annually (with a duty to  
15                  update the certification if the information  
16                  in the certification materially changes) that  
17                  the conditions specified in subsection  
18                  (d)(1)(g)(v) are satisfied; and

19                  “(iii) the Board has determined that  
20                  such transaction is consistent with the safe  
21                  and sound operation and condition of the  
22                  banking entity.

23                  “(B) TREATMENT OF PRIME BROKERAGE  
24                  TRANSACTIONS.—For purposes of subparagraph  
25                  (A), a prime brokerage transaction described in

1           subparagraph (A) shall be subject to section  
2           23B of the Federal Reserve Act (12 U.S.C.  
3           371c-1) as if the counterparty were an affiliate  
4           of the banking entity.

5           “(4) APPLICATION TO NONBANK FINANCIAL  
6           COMPANIES SUPERVISED BY THE BOARD.—The ap-  
7           propriate Federal banking agencies, the Securities  
8           and Exchange Commission, and the Commodity Fu-  
9           tures Trading Commission shall adopt rules, as pro-  
10          vided in subsection (b)(2), imposing additional cap-  
11          ital charges or other restrictions for nonbank finan-  
12          cial companies supervised by the Board to address  
13          the risks to and conflicts of interest of banking enti-  
14          ties described in paragraphs (1), (2), and (3) of this  
15          subsection.

16          “(g) RULES OF CONSTRUCTION.—

17          “(1) LIMITATION ON CONTRARY AUTHORITY.—  
18          Except as provided in this section, notwithstanding  
19          any other provision of law, the prohibitions and re-  
20          strictions under this section shall apply to activities  
21          of a banking entity or nonbank financial company  
22          supervised by the Board, even if such activities are  
23          authorized for a banking entity or nonbank financial  
24          company supervised by the Board.

1           “(2) SALE OR SECURITIZATION OF LOANS.—  
2           Nothing in this section shall be construed to limit or  
3           restrict the ability of a banking entity or nonbank fi-  
4           nancial company supervised by the Board to sell or  
5           securitize loans in a manner otherwise permitted by  
6           law.

7           “(3) AUTHORITY OF FEDERAL AGENCIES AND  
8           STATE REGULATORY AUTHORITIES.—Nothing in this  
9           section shall be construed to limit the inherent au-  
10          thority of any Federal agency or State regulatory  
11          authority under otherwise applicable provisions of  
12          law.

13          “(h) DEFINITIONS.—In this section, the following  
14          definitions shall apply:

15                 “(1) BANKING ENTITY.—The term ‘banking en-  
16                 tity’ means any insured depository institution (as de-  
17                 fined in section 3 of the Federal Deposit Insurance  
18                 Act (12 U.S.C. 1813)), any company that controls  
19                 an insured depository institution, or that is treated  
20                 as a bank holding company for purposes of section  
21                 8 of the International Banking Act of 1978, and any  
22                 affiliate or subsidiary of any such entity. For pur-  
23                 poses of this paragraph, the term ‘insured depository  
24                 institution’ does not include an institution that func-  
25                 tions solely in a trust or fiduciary capacity, if—

1           “(A) all or substantially all of the deposits  
2 of such institution are in trust funds and are  
3 received in a bona fide fiduciary capacity;

4           “(B) no deposits of such institution which  
5 are insured by the Federal Deposit Insurance  
6 Corporation are offered or marketed by or  
7 through an affiliate of such institution;

8           “(C) such institution does not accept de-  
9 mand deposits or deposits that the depositor  
10 may withdraw by check or similar means for  
11 payment to third parties or others or make  
12 commercial loans; and

13           “(D) such institution does not—

14           “(i) obtain payment or payment re-  
15 lated services from any Federal Reserve  
16 bank, including any service referred to in  
17 section 11A of the Federal Reserve Act  
18 (12 U.S.C. 248a); or

19           “(ii) exercise discount or borrowing  
20 privileges pursuant to section 19(b)(7) of  
21 the Federal Reserve Act (12 U.S.C.  
22 461(b)(7)).

23           “(2) HEDGE FUND; PRIVATE EQUITY FUND.—  
24 The terms ‘hedge fund’ and ‘private equity fund’  
25 mean an issuer that would be an investment com-

1       pany, as defined in the Investment Company Act of  
2       1940 (15 U.S.C. 80a-1 et seq.), but for section  
3       3(c)(1) or 3(c)(7) of that Act, or such similar funds  
4       as the appropriate Federal banking agencies, the Se-  
5       curities and Exchange Commission, and the Com-  
6       modity Futures Trading Commission may, by rule,  
7       as provided in subsection (b)(2), determine.

8           “(3) NONBANK FINANCIAL COMPANY SUPER-  
9       VISED BY THE BOARD.—The term ‘nonbank finan-  
10      cial company supervised by the Board’ means a  
11      nonbank financial company supervised by the Board  
12      of Governors, as defined in section 102 of the Fi-  
13      nancial Stability Act of 2010.

14          “(4) PROPRIETARY TRADING.—The term ‘pro-  
15      prietary trading’, when used with respect to a bank-  
16      ing entity or nonbank financial company supervised  
17      by the Board, means engaging as a principal for the  
18      trading account of the banking entity or nonbank fi-  
19      nancial company supervised by the Board in any  
20      transaction to purchase or sell, or otherwise acquire  
21      or dispose of, any security, any derivative, any con-  
22      tract of sale of a commodity for future delivery, any  
23      option on any such security, derivative, or contract,  
24      or any other security or financial instrument that  
25      the appropriate Federal banking agencies, the Secu-

1       rities and Exchange Commission, and the Com-  
2       modity Futures Trading Commission may, by rule  
3       as provided in subsection (b)(2), determine.

4           “(5) SPONSOR.—The term to ‘sponsor’ a fund  
5       means—

6           “(A) to serve as a general partner, man-  
7       aging member, or trustee of a fund;

8           “(B) in any manner to select or to control  
9       (or to have employees, officers, or directors, or  
10      agents who constitute) a majority of the direc-  
11     tors, trustees, or management of a fund; or

12          “(C) to share with a fund, for corporate,  
13      marketing, promotional, or other purposes, the  
14      same name or a variation of the same name.

15          “(6) TRADING ACCOUNT.—The term ‘trading  
16      account’ means any account used for acquiring or  
17      taking positions in the securities and instruments  
18      described in paragraph (4) principally for the pur-  
19      pose of selling in the near term (or otherwise with  
20      the intent to resell in order to profit from short-term  
21      price movements), and any such other accounts as  
22      the appropriate Federal banking agencies, the Secu-  
23      rities and Exchange Commission, and the Com-  
24      modity Futures Trading Commission may, by rule  
25      as provided in subsection (b)(2), determine.

1           “(7) ILLIQUID FUND.—

2                   “(A) IN GENERAL.—The term ‘illiquid  
3 fund’ means a hedge fund or private equity  
4 fund that—

5                           “(i) as of May 1, 2010, was prin-  
6 cipally invested in, or was invested and  
7 contractually committed to principally in-  
8 vest in, illiquid assets, such as portfolio  
9 companies, real estate investments, and  
10 venture capital investments; and

11                           “(ii) makes all investments pursuant  
12 to, and consistent with, an investment  
13 strategy to principally invest in illiquid as-  
14 sets. In issuing rules regarding this sub-  
15 paragraph, the Board shall take into con-  
16 sideration the terms of investment for the  
17 hedge fund or private equity fund, includ-  
18 ing contractual obligations, the ability of  
19 the fund to divest of assets held by the  
20 fund, and any other factors that the Board  
21 determines are appropriate.

22                           “(B) HEDGE FUND.—For the purposes of  
23 this paragraph, the term ‘hedge fund’ means  
24 any fund identified under subsection (h)(2), and  
25 does not include a private equity fund, as such



1 term is used in section 203(m) of the Invest-  
2 ment Advisers Act of 1940 (15 U.S.C. 80b-  
3 3(m)).”.

4 **SEC. 620. STUDY OF BANK INVESTMENT ACTIVITIES.**

5 (a) STUDY.—

6 (1) IN GENERAL.—Not later than 18 months  
7 after the date of enactment of this Act, the appro-  
8 priate Federal banking agencies shall jointly review  
9 and prepare a report on the activities that a banking  
10 entity, as such term is defined in the Bank Holding  
11 Company Act of 1956 (12 U.S.C. 1841 et. seq.),  
12 may engage in under Federal and State law, includ-  
13 ing activities authorized by statute and by order, in-  
14 terpretation and guidance.

15 (2) CONTENT.—In carrying out the study  
16 under paragraph (1), the appropriate Federal bank-  
17 ing agencies shall review and consider—

18 (A) the type of activities or investments;

19 (B) any financial, operational, managerial,  
20 or reputation risks associated with or presented  
21 as a result of the banking entity engaged in the  
22 activity or making the investment; and

23 (C) risk mitigation activities undertaken by  
24 the banking entity with regard to the risks.

1 (b) REPORT AND RECOMMENDATIONS TO THE COUN-  
2 CIL AND TO CONGRESS.—The appropriate Federal bank-  
3 ing agencies shall submit to the Council, the Committee  
4 on Financial Services of the House of Representatives,  
5 and the Committee on Banking, Housing, and Urban Af-  
6 fairs of the Senate the study conducted pursuant to sub-  
7 section (a) no later than 2 months after its completion.  
8 In addition to the information described in subsection (a),  
9 the report shall include recommendations regarding—

10 (1) whether each activity or investment has or  
11 could have a negative effect on the safety and sound-  
12 ness of the banking entity or the United States fi-  
13 nancial system;

14 (2) the appropriateness of the conduct of each  
15 activity or type of investment by banking entities;  
16 and

17 (3) additional restrictions as may be necessary  
18 to address risks to safety and soundness arising  
19 from the activities or types of investments described  
20 in subsection (a).

21 **SEC. 621. CONFLICTS OF INTEREST.**

22 (a) IN GENERAL.—The Securities Act of 1933 (15  
23 U.S.C. 77a et seq.) is amended by inserting after section  
24 27A the following:

1 **“SEC. 27B. CONFLICTS OF INTEREST RELATING TO CER-**  
2 **TAIN SECURITIZATIONS.**

3 “(a) IN GENERAL.—An underwriter, placement  
4 agent, initial purchaser, or sponsor, or any affiliate or sub-  
5 sidiary of any such entity, of an asset-backed security (as  
6 such term is defined in section 3 of the Securities and  
7 Exchange Act of 1934 (15 U.S.C. 78c), which for the pur-  
8 poses of this section shall include a synthetic asset-backed  
9 security), shall not, at any time for a period ending on  
10 the date that is one year after the date of the first closing  
11 of the sale of the asset-backed security, engage in any  
12 transaction that would involve or result in any material  
13 conflict of interest with respect to any investor in a trans-  
14 action arising out of such activity.

15 “(b) RULEMAKING.—Not later than 270 days after  
16 the date of enactment of this section, the Commission  
17 shall issue rules for the purpose of implementing sub-  
18 section (a).

19 “(c) EXCEPTION.—The prohibitions of subsection (a)  
20 shall not apply to—

21 “(1) risk-mitigating hedging activities in con-  
22 nection with positions or holdings arising out of the  
23 underwriting, placement, initial purchase, or spon-  
24 sorship of an asset-backed security, provided that  
25 such activities are designed to reduce the specific  
26 risks to the underwriter, placement agent, initial

1 purchaser, or sponsor associated with positions or  
2 holdings arising out of such underwriting, place-  
3 ment, initial purchase, or sponsorship; or

4 “(2) purchases or sales of asset-backed securi-  
5 ties made pursuant to and consistent with—

6 “(A) commitments of the underwriter,  
7 placement agent, initial purchaser, or sponsor,  
8 or any affiliate or subsidiary of any such entity,  
9 to provide liquidity for the asset-backed secu-  
10 rity, or

11 “(B) bona fide market-making in the asset  
12 backed security.

13 “(d) RULE OF CONSTRUCTION.—This subsection  
14 shall not otherwise limit the application of section 15G  
15 of the Securities Exchange Act of 1934.”.

16 (b) EFFECTIVE DATE.—Section 27B of the Securi-  
17 ties Act of 1933, as added by this section, shall take effect  
18 on the effective date of final rules issued by the Commis-  
19 sion under subsection (b) of such section 27B, except that  
20 subsections (b) and (d) of such section 27B shall take ef-  
21 fect on the date of enactment of this Act.

1 **SEC. 622. CONCENTRATION LIMITS ON LARGE FINANCIAL**  
2 **FIRMS.**

3 The Bank Holding Company Act of 1956 (12 U.S.C.  
4 1841 et seq.) is amended by adding at the end the fol-  
5 lowing:

6 **“SEC. 14. CONCENTRATION LIMITS ON LARGE FINANCIAL**  
7 **FIRMS.**

8 “(a) DEFINITIONS.—In this section—

9 “(1) the term ‘Council’ means the Financial  
10 Stability Oversight Council;

11 “(2) the term ‘financial company’ means—

12 “(A) an insured depository institution;

13 “(B) a bank holding company;

14 “(C) a savings and loan holding company;

15 “(D) a company that controls an insured  
16 depository institution;

17 “(E) a nonbank financial company super-  
18 vised by the Board under title I of the Dodd-  
19 Frank Wall Street Reform and Consumer Pro-  
20 tection Act; and

21 “(F) a foreign bank or company that is  
22 treated as a bank holding company for purposes  
23 of this Act; and

24 “(3) the term ‘liabilities’ means—

25 “(A) with respect to a United States finan-  
26 cial company—

1           “(i) the total risk-weighted assets of  
2           the financial company, as determined  
3           under the risk-based capital rules applica-  
4           ble to bank holding companies, as adjusted  
5           to reflect exposures that are deducted from  
6           regulatory capital; less

7           “(ii) the total regulatory capital of the  
8           financial company under the risk-based  
9           capital rules applicable to bank holding  
10          companies;

11          “(B) with respect to a foreign-based finan-  
12          cial company—

13               “(i) the total risk-weighted assets of  
14               the United States operations of the finan-  
15               cial company, as determined under the ap-  
16               plicable risk-based capital rules, as ad-  
17               justed to reflect exposures that are de-  
18               ducted from regulatory capital; less

19               “(ii) the total regulatory capital of the  
20               United States operations of the financial  
21               company, as determined under the applica-  
22               ble risk-based capital rules; and

23          “(C) with respect to an insurance company  
24          or other nonbank financial company supervised  
25          by the Board, such assets of the company as

1           the Board shall specify by rule, in order to pro-  
2           vide for consistent and equitable treatment of  
3           such companies.

4           “(b) CONCENTRATION LIMIT.—Subject to the rec-  
5           ommendations by the Council under subsection (e), a fi-  
6           nancial company may not merge or consolidate with, ac-  
7           quire all or substantially all of the assets of, or otherwise  
8           acquire control of, another company, if the total consoli-  
9           dated liabilities of the acquiring financial company upon  
10          consummation of the transaction would exceed 10 percent  
11          of the aggregate consolidated liabilities of all financial  
12          companies at the end of the calendar year preceding the  
13          transaction.

14          “(c) EXCEPTION TO CONCENTRATION LIMIT.—With  
15          the prior written consent of the Board, the concentration  
16          limit under subsection (b) shall not apply to an acquisi-  
17          tion—

18                 “(1) of a bank in default or in danger of de-  
19                 fault;

20                 “(2) with respect to which assistance is pro-  
21                 vided by the Federal Deposit Insurance Corporation  
22                 under section 13(c) of the Federal Deposit Insur-  
23                 ance Act (12 U.S.C. 1823(c)); or

24                 “(3) that would result only in a de minimis in-  
25                 crease in the liabilities of the financial company.

1       “(d) RULEMAKING AND GUIDANCE.—The Board  
2 shall issue regulations implementing this section in accord-  
3 ance with the recommendations of the Council under sub-  
4 section (e), including the definition of terms, as necessary.  
5 The Board may issue interpretations or guidance regard-  
6 ing the application of this section to an individual financial  
7 company or to financial companies in general.

8       “(e) COUNCIL STUDY AND RULEMAKING.—

9           “(1) STUDY AND RECOMMENDATIONS.—Not  
10 later than 6 months after the date of enactment of  
11 this section, the Council shall—

12           “(A) complete a study of the extent to  
13 which the concentration limit under this section  
14 would affect financial stability, moral hazard in  
15 the financial system, the efficiency and competi-  
16 tiveness of United States financial firms and fi-  
17 nancial markets, and the cost and availability of  
18 credit and other financial services to households  
19 and businesses in the United States; and

20           “(B) make recommendations regarding any  
21 modifications to the concentration limit that the  
22 Council determines would more effectively im-  
23 plement this section.

24           “(2) RULEMAKING.—Not later than 9 months  
25 after the date of completion of the study under para-



1 graph (1), and notwithstanding subsections (b) and  
2 (d), the Board shall issue final regulations imple-  
3 menting this section, which shall reflect any rec-  
4 ommendations by the Council under paragraph  
5 (1)(B).”.

6 **SEC. 623. INTERSTATE MERGER TRANSACTIONS.**

7 (a) INTERSTATE MERGER TRANSACTIONS.—Section  
8 18(c) of the Federal Deposit Insurance Act (12 U.S.C.  
9 1828(c)) is amended by adding at the end the following:

10 “(13)(A) Except as provided in subparagraph (B),  
11 the responsible agency may not approve an application for  
12 an interstate merger transaction if the resulting insured  
13 depository institution (including all insured depository in-  
14 stitutions which are affiliates of the resulting insured de-  
15 pository institution), upon consummation of the trans-  
16 action, would control more than 10 percent of the total  
17 amount of deposits of insured depository institutions in  
18 the United States.

19 “(B) Subparagraph (A) shall not apply to an inter-  
20 state merger transaction that involves 1 or more insured  
21 depository institutions in default or in danger of default,  
22 or with respect to which the Corporation provides assist-  
23 ance under section 13.

24 “(C) In this paragraph—

1           “(i) the term ‘interstate merger transaction’  
2 means a merger transaction involving 2 or more in-  
3 sured depository institutions that have different  
4 home States and that are not affiliates; and

5           “(ii) the term ‘home State’ means—

6               “(I) with respect to a national bank, the  
7 State in which the main office of the bank is lo-  
8 cated;

9               “(II) with respect to a State bank or State  
10 savings association, the State by which the  
11 State bank or State savings association is char-  
12 tered; and

13               “(III) with respect to a Federal savings as-  
14 sociation, the State in which the home office (as  
15 defined by the regulations of the Director of the  
16 Office of Thrift Supervision, or, on and after  
17 the transfer date, the Comptroller of the Cur-  
18 rency) of the Federal savings association is lo-  
19 cated.”.

20 (b) ACQUISITIONS BY BANK HOLDING COMPANIES.—

21           (1) IN GENERAL.—Section 4 of the Bank Hold-  
22 ing Company Act of 1956 (12 U.S.C. 1843) is  
23 amended—

24               (A) in subsection (i), by adding at the end  
25 the following:

1           “(8) INTERSTATE ACQUISITIONS.—

2                   “(A) IN GENERAL.—The Board may not  
3 approve an application by a bank holding com-  
4 pany to acquire an insured depository institu-  
5 tion under subsection (c)(8) or any other provi-  
6 sion of this Act if—

7                           “(i) the home State of such insured  
8 depository institution is a State other than  
9 the home State of the bank holding com-  
10 pany; and

11                           “(ii) the applicant (including all in-  
12 sured depository institutions which are af-  
13 filiates of the applicant) controls, or upon  
14 consummation of the transaction would  
15 control, more than 10 percent of the total  
16 amount of deposits of insured depository  
17 institutions in the United States.

18                   “(B) EXCEPTION.—Subparagraph (A)  
19 shall not apply to an acquisition that involves  
20 an insured depository institution in default or  
21 in danger of default, or with respect to which  
22 the Federal Deposit Insurance Corporation pro-  
23 vides assistance under section 13 of the Federal  
24 Deposit Insurance Act (12 U.S.C. 1823).”; and

1 (B) in subsection (k)(6)(B), by striking  
2 “savings association” and inserting “insured  
3 depository institution”.

4 (2) DEFINITIONS.—Section 2(o)(4) of the Bank  
5 Holding Company Act of 1956 (12 U.S.C.  
6 1841(o)(4)) is amended—

7 (A) in subparagraph (B), by striking  
8 “and” at the end;

9 (B) in subparagraph (C)(ii), by striking  
10 the period at the end and inserting a semicolon;  
11 and

12 (C) by adding at the end the following:

13 “(D) with respect to a State savings asso-  
14 ciation, the State by which the savings associa-  
15 tion is chartered; and

16 “(E) with respect to a Federal savings as-  
17 sociation, the State in which the home office (as  
18 defined by the regulations of the Director of the  
19 Office of Thrift Supervision, or, on and after  
20 the transfer date, the Comptroller of the Cur-  
21 rency) of the Federal savings association is lo-  
22 cated.”.

23 (c) ACQUISITIONS BY SAVINGS AND LOAN HOLDING  
24 COMPANIES.—Section 10(e)(2) of the Home Owners’  
25 Loan Act (12 U.S.C. 1467a(e)(2)) is amended—

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1 (1) in paragraph (2)—

2 (A) in subparagraph (C), by striking “or”  
3 at the end;

4 (B) in subparagraph (D), by striking the  
5 period at the end and inserting “, or”; and

6 (C) by adding at the end the following:

7 “(E) in the case of an application by a sav-  
8 ings and loan holding company to acquire an  
9 insured depository institution, if—

10 “(i) the home State of the insured de-  
11 pository institution is a State other than  
12 the home State of the savings and loan  
13 holding company;

14 “(ii) the applicant (including all in-  
15 sured depository institutions which are af-  
16 filiates of the applicant) controls, or upon  
17 consummation of the transaction would  
18 control, more than 10 percent of the total  
19 amount of deposits of insured depository  
20 institutions in the United States; and

21 “(iii) the acquisition does not involve  
22 an insured depository institution in default  
23 or in danger of default, or with respect to  
24 which the Federal Deposit Insurance Cor-  
25 poration provides assistance under section

1                   13 of the Federal Deposit Insurance Act  
2                   (12 U.S.C. 1823).”; and

3                   (2) by adding at the end the following:

4                   “(7) DEFINITIONS.—For purposes of paragraph  
5                   (2)(E)—

6                   “(A) the terms ‘default’, ‘in danger of de-  
7                   fault’, and ‘insured depository institution’ have  
8                   the same meanings as in section 3 of the Fed-  
9                   eral Deposit Insurance Act (12 U.S.C. 1813);  
10                  and

11                  “(B) the term ‘home State’ means—

12                   “(i) with respect to a national bank,  
13                   the State in which the main office of the  
14                   bank is located;

15                   “(ii) with respect to a State bank or  
16                   State savings association, the State by  
17                   which the savings association is chartered;

18                   “(iii) with respect to a Federal sav-  
19                   ings association, the State in which the  
20                   home office (as defined by the regulations  
21                   of the Director of the Office of Thrift Su-  
22                   pervision, or, on and after the transfer  
23                   date, the Comptroller of the Currency) of  
24                   the Federal savings association is located;  
25                   and

1                   “(iv) with respect to a savings and  
2                   loan holding company, the State in which  
3                   the amount of total deposits of all insured  
4                   depository institution subsidiaries of such  
5                   company was the greatest on the date on  
6                   which the company became a savings and  
7                   loan holding company.”.

8   **SEC. 624. QUALIFIED THRIFT LENDERS.**

9           Section 10(m)(3) of the Home Owners’ Loan Act (12  
10 U.S.C. 1467a(m)(3)) is amended—

11           (1) by striking subparagraph (A) and inserting  
12           the following:

13                   “(A) IN GENERAL.—A savings association  
14                   that fails to become or remain a qualified thrift  
15                   lender shall immediately be subject to the re-  
16                   strictions under subparagraph (B).”; and

17           (2) in subparagraph (B)(i), by striking sub-  
18           clause (III) and inserting the following:

19                   “(III) DIVIDENDS.—The savings  
20                   association may not pay dividends, ex-  
21                   cept for dividends that—

22                           “(aa) would be permissible  
23                           for a national bank;

24                           “(bb) are necessary to meet  
25                           obligations of a company that

1 controls such savings association;  
2 and

3 “(cc) are specifically ap-  
4 proved by the Comptroller of the  
5 Currency and the Board after a  
6 written request submitted to the  
7 Comptroller of the Currency and  
8 the Board by the savings associa-  
9 tion not later than 30 days be-  
10 fore the date of the proposed  
11 payment.

12 “(IV) REGULATORY AUTHOR-  
13 ITY.—A savings association that fails  
14 to become or remain a qualified thrift  
15 lender shall be deemed to have vio-  
16 lated section 5 of the Home Owners’  
17 Loan Act (12 U.S.C. 1464) and sub-  
18 ject to actions authorized by section  
19 5(d) of the Home Owners’ Loan Act  
20 (12 U.S.C. 1464(d)).”.

21 **SEC. 625. TREATMENT OF DIVIDENDS BY CERTAIN MUTUAL**  
22 **HOLDING COMPANIES.**

23 (a) IN GENERAL.—Section 10(o) of the Home Own-  
24 ers’ Loan Act (12 U.S.C. 1467a(o)) is amended by adding  
25 at the end the following:



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1           “(11) DIVIDENDS.—

2                   “(A) DECLARATION OF DIVIDENDS.—

3                           “(i) ADVANCE NOTICE REQUIRED.—

4                           Each subsidiary of a mutual holding com-  
5                           pany that is a savings association shall  
6                           give the appropriate Federal banking agen-  
7                           cy and the Board notice not later than 30  
8                           days before the date of a proposed declara-  
9                           tion by the board of directors of the sav-  
10                           ings association of any dividend on the  
11                           guaranty, permanent, or other  
12                           nonwithdrawable stock of the savings asso-  
13                           ciation.

14                           “(ii) INVALID DIVIDENDS.—Any divi-  
15                           dend described in clause (i) that is de-  
16                           clared without giving notice to the appro-  
17                           priate Federal banking agency and the  
18                           Board under clause (i), or that is declared  
19                           during the 30-day period preceding the  
20                           date of a proposed declaration for which  
21                           notice is given to the appropriate Federal  
22                           banking agency and the Board under  
23                           clause (i), shall be invalid and shall confer  
24                           no rights or benefits upon the holder of  
25                           any such stock.

1           “(B) WAIVER OF DIVIDENDS.—A mutual  
2 holding company may waive the right to receive  
3 any dividend declared by a subsidiary of the  
4 mutual holding company, if—

5           “(i) no insider of the mutual holding  
6 company, associate of an insider, or tax-  
7 qualified or non-tax-qualified employee  
8 stock benefit plan of the mutual holding  
9 company holds any share of the stock in  
10 the class of stock to which the waiver  
11 would apply; or

12           “(ii) the mutual holding company  
13 gives written notice to the Board of the in-  
14 tent of the mutual holding company to  
15 waive the right to receive dividends, not  
16 later than 30 days before the date of the  
17 proposed date of payment of the dividend,  
18 and the Board does not object to the waiv-  
19 er.

20           “(C) RESOLUTION INCLUDED IN WAIVER  
21 NOTICE.—A notice of a waiver under subpara-  
22 graph (B) shall include a copy of the resolution  
23 of the board of directors of the mutual holding  
24 company, in such form and substance as the  
25 Board may determine, together with any sup-



1                   pany or its subsidiary stock savings  
2                   association; and

3                   “(III) waived dividends it had a  
4                   right to receive from the subsidiary  
5                   stock savings association.

6                   “(E) VALUATION.—

7                   “(i) IN GENERAL.—The appropriate  
8                   Federal banking agency shall consider  
9                   waived dividends in determining an appro-  
10                  priate exchange ratio in the event of a full  
11                  conversion to stock form.

12                  “(ii) EXCEPTION.—In the case of a  
13                  savings association that has reorganized  
14                  into a mutual holding company, has issued  
15                  minority stock from a mid-tier stock hold-  
16                  ing company or a subsidiary stock savings  
17                  association of the mutual holding company,  
18                  and has waived dividends it had a right to  
19                  receive from a subsidiary savings associa-  
20                  tion before December 1, 2009, the appro-  
21                  priate Federal banking agency shall not  
22                  consider waived dividends in determining  
23                  an appropriate exchange ratio in the event  
24                  of a full conversion to stock form.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall take effect on the transfer date.

3 **SEC. 626. INTERMEDIATE HOLDING COMPANIES.**

4 The Home Owners' Loan Act (12 U.S.C. 1461 et  
5 seq.) is amended by inserting after section 10 (12 U.S.C.  
6 1467a) the following new section:

7 **“SEC. 10A. INTERMEDIATE HOLDING COMPANIES.**

8 “(a) DEFINITION.—For purposes of this section:

9 “(1) FINANCIAL ACTIVITIES.—The term ‘finan-  
10 cial activities’ means activities described in clauses  
11 (i) and (ii) of section 10(c)(9)(A).

12 “(2) GRANDFATHERED UNITARY SAVINGS AND  
13 LOAN HOLDING COMPANY.—The term ‘grand-  
14 fathered unitary savings and loan holding company’  
15 means a company described in section 10(c)(9)(C).

16 “(3) INTERNAL FINANCIAL ACTIVITIES.—The  
17 term ‘internal financial activities’ includes—

18 “(A) internal financial activities conducted  
19 by a grandfathered savings and loan holding  
20 company or any affiliate; and

21 “(B) internal treasury, investment, and  
22 employee benefit functions.

23 “(b) REQUIREMENT.—

24 “(1) IN GENERAL.—

1           “(A) ACTIVITIES OTHER THAN FINANCIAL  
2           ACTIVITIES.—If a grandfathered unitary sav-  
3           ings and loan holding company conducts activi-  
4           ties other than financial activities, the Board  
5           may require such company to establish and con-  
6           duct all or a portion of such financial activities  
7           in or through an intermediate holding company,  
8           which shall be a savings and loan holding com-  
9           pany, established pursuant to regulations of the  
10          Board, not later than 90 days (or such longer  
11          period as the Board may deem appropriate)  
12          after the transfer date.

13          “(B) OTHER ACTIVITIES.—Notwith-  
14          standing subparagraph (A), the Board shall re-  
15          quire a grandfathered unitary savings and loan  
16          holding company to establish an intermediate  
17          holding company if the Board makes a deter-  
18          mination that the establishment of such inter-  
19          mediate holding company is necessary—

20                 “(i) to appropriately supervise activi-  
21                 ties that are determined to be financial ac-  
22                 tivities; or

23                 “(ii) to ensure that supervision by the  
24                 Board does not extend to the activities of

1           such company that are not financial activi-  
2           ties.

3           “(2) INTERNAL FINANCIAL ACTIVITIES.—

4           “(A) TREATMENT OF INTERNAL FINAN-  
5           CIAL ACTIVITIES.—For purposes of this sub-  
6           section, the internal financial activities of a  
7           grandfathered unitary savings and loan holding  
8           company shall not be required to be placed in  
9           an intermediate holding company.

10          “(B) GRANDFATHERED ACTIVITIES.—A  
11          grandfathered unitary savings and loan holding  
12          company may continue to engage in an internal  
13          financial activity, subject to review by the  
14          Board to determine whether engaging in such  
15          activity presents undue risk to the grand-  
16          fathered unitary savings and loan holding com-  
17          pany or to the financial stability of the United  
18          States, if—

19                 “(i) the grandfathered unitary savings  
20                 and loan holding company engaged in the  
21                 activity during the year before the date of  
22                 enactment of this section; and

23                 “(ii) at least  $\frac{2}{3}$  of the assets or  $\frac{2}{3}$  of  
24                 the revenues generated from the activity  
25                 are from or attributable to the grand-

1           fathered unitary savings and loan holding  
2           company.

3           “(3) SOURCE OF STRENGTH.—A grandfathered  
4           unitary savings and loan holding company that di-  
5           rectly or indirectly controls an intermediate holding  
6           company established under this section shall serve as  
7           a source of strength to its subsidiary intermediate  
8           holding company.

9           “(4) PARENT COMPANY REPORTS.—The Board,  
10          may from time to time, examine and require reports  
11          under oath from a grandfathered unitary savings  
12          and loan holding company that controls an inter-  
13          mediate holding company, and from the appropriate  
14          officers or directors of such company, solely for pur-  
15          poses of ensuring compliance with the provisions of  
16          this section, including assessing the ability of the  
17          company to serve as a source of strength to its sub-  
18          sidiary intermediate holding company as required  
19          under paragraph (3) and enforcing compliance with  
20          such requirement.

21          “(5) LIMITED PARENT COMPANY ENFORCE-  
22          MENT.—

23                 “(A) IN GENERAL.—In addition to any  
24                 other authority of the Board, the Board may  
25                 enforce compliance with the provisions of this



1 subsection that are applicable to any company  
2 described in paragraph (1)(A) that controls an  
3 intermediate holding company under section 8  
4 of the Federal Deposit Insurance Act, and a  
5 company described in paragraph (1)(A) shall be  
6 subject to such section (solely for purposes of  
7 this subparagraph) in the same manner and to  
8 the same extent as if the company described in  
9 paragraph (1)(A) were a savings and loan hold-  
10 ing company.

11 “(B) APPLICATION OF OTHER ACT.—Any  
12 violation of this subsection by a grandfathered  
13 unitary savings and loan holding company that  
14 controls an intermediate holding company may  
15 also be treated as a violation of the Federal De-  
16 posit Insurance Act for purposes of subpara-  
17 graph (A).

18 “(C) NO EFFECT ON OTHER AUTHOR-  
19 ITY.—No provision of this paragraph shall be  
20 construed as limiting any authority of the  
21 Board or any other Federal agency under any  
22 other provision of law.

23 “(c) REGULATIONS.—The Board—

24 “(1) shall promulgate regulations to establish  
25 the criteria for determining whether to require a

1       grandfathered unitary savings and loan holding com-  
2       pany to establish an intermediate holding company  
3       under subsection (b); and

4           “(2) may promulgate regulations to establish  
5       any restrictions or limitations on transactions be-  
6       tween an intermediate holding company or a parent  
7       of such company and its affiliates, as necessary to  
8       prevent unsafe and unsound practices in connection  
9       with transactions between the intermediate holding  
10      company, or any subsidiary thereof, and its parent  
11      company or affiliates that are not subsidiaries of the  
12      intermediate holding company, except that such reg-  
13      ulations shall not restrict or limit any transaction in  
14      connection with the bona fide acquisition or lease by  
15      an unaffiliated person of assets, goods, or services.

16      “(d) RULES OF CONSTRUCTION.—

17           “(1) ACTIVITIES.—Nothing in this section shall  
18      be construed to require a grandfathered unitary sav-  
19      ings and loan holding company to conform its activi-  
20      ties to permissible activities.

21           “(2) PERMISSIBLE CORPORATE REORGANIZA-  
22      TION.—The formation of an intermediate holding  
23      company as required in subsection (b) shall be pre-  
24      sumed to be a permissible corporate reorganization  
25      as described in section 10(e)(9)(D).”.

1 **SEC. 627. INTEREST-BEARING TRANSACTION ACCOUNTS**  
2 **AUTHORIZED.**

3 (a) REPEAL OF PROHIBITION ON PAYMENT OF IN-  
4 TEREST ON DEMAND DEPOSITS.—

5 (1) FEDERAL RESERVE ACT.—Section 19(i) of  
6 the Federal Reserve Act (12 U.S.C. 371a) is amend-  
7 ed to read as follows:

8 “(i) [Repealed]”.

9 (2) HOME OWNERS’ LOAN ACT.—The first sen-  
10 tence of section 5(b)(1)(B) of the Home Owners’  
11 Loan Act (12 U.S.C. 1464(b)(1)(B)) is amended by  
12 striking “savings association may not—” and all  
13 that follows through “(ii) permit any” and inserting  
14 “savings association may not permit any”.

15 (3) FEDERAL DEPOSIT INSURANCE ACT.—Sec-  
16 tion 18(g) of the Federal Deposit Insurance Act (12  
17 U.S.C. 1828(g)) is amended to read as follows:

18 “(g) [Repealed]”.

19 (b) EFFECTIVE DATE.—The amendments made by  
20 subsection (a) shall take effect 1 year after the date of  
21 the enactment of this Act.

22 **SEC. 628. CREDIT CARD BANK SMALL BUSINESS LENDING.**

23 Section 2(c)(2)(F)(v) of the Bank Holding Company  
24 Act of 1956 (12 U.S.C. 1841(c)(2)(F)(v)) is amended by  
25 inserting before the period the following: “, other than  
26 credit card loans that are made to businesses that meet

1 the criteria for a small business concern to be eligible for  
2 business loans under regulations established by the Small  
3 Business Administration under part 121 of title 13, Code  
4 of Federal Regulations”.

5 **TITLE VII—WALL STREET**  
6 **TRANSPARENCY AND AC-**  
7 **COUNTABILITY**

8 **SEC. 701. SHORT TITLE.**

9 This title may be cited as the “Wall Street Trans-  
10 parency and Accountability Act of 2010”.

11 **Subtitle A—Regulation of Over-the-**  
12 **Counter Swaps Markets**

13 **PART I—REGULATORY AUTHORITY**

14 **SEC. 711. DEFINITIONS.**

15 In this subtitle, the terms “prudential regulator”,  
16 “swap”, “swap dealer”, “major swap participant”, “swap  
17 data repository”, “associated person of a swap dealer or  
18 major swap participant”, “eligible contract participant”,  
19 “swap execution facility”, “security-based swap”, “secu-  
20 rity-based swap dealer”, “major security-based swap par-  
21 ticipant”, and “associated person of a security-based swap  
22 dealer or major security-based swap participant” have the  
23 meanings given the terms in section 1a of the Commodity  
24 Exchange Act (7 U.S.C. 1a), including any modification  
25 of the meanings under section 721(b) of this Act.

1 **SEC. 712. REVIEW OF REGULATORY AUTHORITY.**

2 (a) CONSULTATION.—

3 (1) COMMODITY FUTURES TRADING COMMIS-  
4 SION.—Before commencing any rulemaking or  
5 issuing an order regarding swaps, swap dealers,  
6 major swap participants, swap data repositories, de-  
7 rivative clearing organizations with regard to swaps,  
8 persons associated with a swap dealer or major swap  
9 participant, eligible contract participants, or swap  
10 execution facilities pursuant to this subtitle, the  
11 Commodity Futures Trading Commission shall con-  
12 sult and coordinate to the extent possible with the  
13 Securities and Exchange Commission and the pru-  
14 dential regulators for the purposes of assuring regu-  
15 latory consistency and comparability, to the extent  
16 possible.

17 (2) SECURITIES AND EXCHANGE COMMIS-  
18 SION.—Before commencing any rulemaking or  
19 issuing an order regarding security-based swaps, se-  
20 curity-based swap dealers, major security-based  
21 swap participants, security-based swap data reposi-  
22 tories, clearing agencies with regard to security-  
23 based swaps, persons associated with a security-  
24 based swap dealer or major security-based swap par-  
25 ticipant, eligible contract participants with regard to  
26 security-based swaps, or security-based swap execu-

1           tion facilities pursuant to subtitle B, the Securities  
2           and Exchange Commission shall consult and coordi-  
3           nate to the extent possible with the Commodity Fu-  
4           tures Trading Commission and the prudential regu-  
5           lators for the purposes of assuring regulatory con-  
6           sistency and comparability, to the extent possible.

7           (3) PROCEDURES AND DEADLINE.—Such regu-  
8           lations shall be prescribed in accordance with appli-  
9           cable requirements of title 5, United States Code,  
10          and shall be issued in final form not later than 360  
11          days after the date of enactment of this Act.

12          (4) APPLICABILITY.—The requirements of  
13          paragraphs (1) and (2) shall not apply to an order  
14          issued—

15                (A) in connection with or arising from a  
16                violation or potential violation of any provision  
17                of the Commodity Exchange Act (7 U.S.C. 1 et  
18                seq.);

19                (B) in connection with or arising from a  
20                violation or potential violation of any provision  
21                of the securities laws; or

22                (C) in any proceeding that is conducted on  
23                the record in accordance with sections 556 and  
24                557 of title 5, United States Code.

1           (5) EFFECT.—Nothing in this subsection au-  
2           thorizes any consultation or procedure for consulta-  
3           tion that is not consistent with the requirements of  
4           subchapter II of chapter 5, and chapter 7, of title  
5           5, United States Code (commonly known as the  
6           “Administrative Procedure Act”).

7           (6) RULES; ORDERS.—In developing and pro-  
8           mulgating rules or orders pursuant to this sub-  
9           section, each Commission shall consider the views of  
10          the prudential regulators.

11          (7) TREATMENT OF SIMILAR PRODUCTS AND  
12          ENTITIES.—

13               (A) IN GENERAL.—In adopting rules and  
14               orders under this subsection, the Commodity  
15               Futures Trading Commission and the Securities  
16               and Exchange Commission shall treat function-  
17               ally or economically similar products or entities  
18               described in paragraphs (1) and (2) in a similar  
19               manner.

20               (B) EFFECT.—Nothing in this subtitle re-  
21               quires the Commodity Futures Trading Com-  
22               mission or the Securities and Exchange Com-  
23               mission to adopt joint rules or orders that treat  
24               functionally or economically similar products or

1 entities described in paragraphs (1) and (2) in  
2 an identical manner.

3 (8) MIXED SWAPS.—The Commodity Futures  
4 Trading Commission and the Securities and Ex-  
5 change Commission, after consultation with the  
6 Board of Governors, shall jointly prescribe such reg-  
7 ulations regarding mixed swaps, as described in sec-  
8 tion 1a(47)(D) of the Commodity Exchange Act (7  
9 U.S.C. 1a(47)(D)) and in section 3(a)(68)(D) of the  
10 Securities Exchange Act of 1934 (15 U.S.C.  
11 78c(a)(68)(D)), as may be necessary to carry out  
12 the purposes of this title.

13 (b) LIMITATION.—

14 (1) COMMODITY FUTURES TRADING COMMIS-  
15 SION.—Nothing in this title, unless specifically pro-  
16 vided, confers jurisdiction on the Commodity Fu-  
17 tures Trading Commission to issue a rule, regula-  
18 tion, or order providing for oversight or regulation  
19 of—

20 (A) security-based swaps; or

21 (B) with regard to its activities or func-  
22 tions concerning security-based swaps—

23 (i) security-based swap dealers;

24 (ii) major security-based swap partici-  
25 pants;



1 (iii) security-based swap data reposi-  
2 tories;

3 (iv) associated persons of a security-  
4 based swap dealer or major security-based  
5 swap participant;

6 (v) eligible contract participants with  
7 respect to security-based swaps; or

8 (vi) swap execution facilities with re-  
9 spect to security-based swaps.

10 (2) SECURITIES AND EXCHANGE COMMIS-  
11 SION.—Nothing in this title, unless specifically pro-  
12 vided, confers jurisdiction on the Securities and Ex-  
13 change Commission or State securities regulators to  
14 issue a rule, regulation, or order providing for over-  
15 sight or regulation of—

16 (A) swaps; or

17 (B) with regard to its activities or func-  
18 tions concerning swaps—

19 (i) swap dealers;

20 (ii) major swap participants;

21 (iii) swap data repositories;

22 (iv) persons associated with a swap  
23 dealer or major swap participant;

24 (v) eligible contract participants with  
25 respect to swaps; or

1 (vi) swap execution facilities with re-  
2 spect to swaps.

3 (3) PROHIBITION ON CERTAIN FUTURES ASSO-  
4 CIATIONS AND NATIONAL SECURITIES ASSOCIA-  
5 TIONS.—

6 (A) FUTURES ASSOCIATIONS.—Notwith-  
7 standing any other provision of law (including  
8 regulations), unless otherwise authorized by this  
9 title, no futures association registered under  
10 section 17 of the Commodity Exchange Act (7  
11 U.S.C. 21) may issue a rule, regulation, or  
12 order for the oversight or regulation of, or oth-  
13 erwise assert jurisdiction over, for any purpose,  
14 any security-based swap, except that this sub-  
15 paragraph shall not limit the authority of a reg-  
16 istered futures association to examine for com-  
17 pliance with, and enforce, its rules on capital  
18 adequacy.

19 (B) NATIONAL SECURITIES ASSOCIA-  
20 TIONS.—Notwithstanding any other provision of  
21 law (including regulations), unless otherwise au-  
22 thorized by this title, no national securities as-  
23 sociation registered under section 15A of the  
24 Securities Exchange Act of 1934 (15 U.S.C.  
25 78o-3) may issue a rule, regulation, or order

1           for the oversight or regulation of, or otherwise  
2           assert jurisdiction over, for any purpose, any  
3           swap, except that this subparagraph shall not  
4           limit the authority of a national securities asso-  
5           ciation to examine for compliance with, and en-  
6           force, its rules on capital adequacy.

7           (c) OBJECTION TO COMMISSION REGULATION.—

8           (1) FILING OF PETITION FOR REVIEW.—

9           (A) IN GENERAL.—If either Commission  
10          referred to in this section determines that a  
11          final rule, regulation, or order of the other  
12          Commission conflicts with subsection (a)(7) or  
13          (b), then the complaining Commission may ob-  
14          tain review of the final rule, regulation, or order  
15          in the United States Court of Appeals for the  
16          District of Columbia Circuit by filing in the  
17          court, not later than 60 days after the date of  
18          publication of the final rule, regulation, or  
19          order, a written petition requesting that the  
20          rule, regulation, or order be set aside.

21          (B) EXPEDITED PROCEEDING.—A pro-  
22          ceeding described in subparagraph (A) shall be  
23          expedited by the United States Court of Ap-  
24          peals for the District of Columbia Circuit.

1           (2) TRANSMITTAL OF PETITION AND  
2 RECORD.—

3           (A) IN GENERAL.—A copy of a petition de-  
4 scribed in paragraph (1) shall be transmitted  
5 not later than 1 business day after the date of  
6 filing by the complaining Commission to the  
7 Secretary of the responding Commission.

8           (B) DUTY OF RESPONDING COMMISSION.—  
9 On receipt of the copy of a petition described  
10 in paragraph (1), the responding Commission  
11 shall file with the United States Court of Ap-  
12 peals for the District of Columbia Circuit—

13           (i) a copy of the rule, regulation, or  
14 order under review (including any docu-  
15 ments referred to therein); and

16           (ii) any other materials prescribed by  
17 the United States Court of Appeals for the  
18 District of Columbia Circuit.

19           (3) STANDARD OF REVIEW.—The United States  
20 Court of Appeals for the District of Columbia Cir-  
21 cuit shall—

22           (A) give deference to the views of neither  
23 Commission; and

24           (B) determine to affirm or set aside a rule,  
25 regulation, or order of the responding Commis-

1           sion under this subsection, based on the deter-  
2           mination of the court as to whether the rule,  
3           regulation, or order is in conflict with sub-  
4           section (a)(7) or (b), as applicable.

5           (4) JUDICIAL STAY.—The filing of a petition by  
6           the complaining Commission pursuant to paragraph  
7           (1) shall operate as a stay of the rule, regulation, or  
8           order until the date on which the determination of  
9           the United States Court of Appeals for the District  
10          of Columbia Circuit is final (including any appeal of  
11          the determination).

12          (d) JOINT RULEMAKING.—

13           (1) IN GENERAL.—Notwithstanding any other  
14          provision of this title and subsections (b) and (c),  
15          the Commodity Futures Trading Commission and  
16          the Securities and Exchange Commission, in con-  
17          sultation with the Board of Governors, shall further  
18          define the terms “swap”, “security-based swap”,  
19          “swap dealer”, “security-based swap dealer”, “major  
20          swap participant”, “major security-based swap par-  
21          ticipant”, “eligible contract participant”, and “secu-  
22          rity-based swap agreement” in section 1a(47)(A)(v)  
23          of the Commodity Exchange Act (7 U.S.C.  
24          1a(47)(A)(v)) and section 3(a)(78) of the Securities  
25          Exchange Act of 1934 (15 U.S.C. 78c(a)(78)).

1 (2) AUTHORITY OF THE COMMISSIONS.—

2 (A) IN GENERAL.—Notwithstanding any  
3 other provision of this title, the Commodity Fu-  
4 tures Trading Commission and the Securities  
5 and Exchange Commission, in consultation with  
6 the Board of Governors, shall jointly adopt such  
7 other rules regarding such definitions as the  
8 Commodity Futures Trading Commission and  
9 the Securities and Exchange Commission deter-  
10 mine are necessary and appropriate, in the pub-  
11 lic interest, and for the protection of investors.

12 (B) TRADE REPOSITORY RECORD-  
13 KEEPING.—Notwithstanding any other provi-  
14 sion of this title, the Commodity Futures Trad-  
15 ing Commission and the Securities and Ex-  
16 change Commission, in consultation with the  
17 Board of Governors, shall engage in joint rule-  
18 making to jointly adopt a rule or rules gov-  
19 erning the books and records that are required  
20 to be kept and maintained regarding security-  
21 based swap agreements by persons that are reg-  
22 istered as swap data repositories under the  
23 Commodity Exchange Act, including uniform  
24 rules that specify the data elements that shall  
25 be collected and maintained by each repository.

1           (C) BOOKS AND RECORDS.—Notwith-  
2 standing any other provision of this title, the  
3 Commodity Futures Trading Commission and  
4 the Securities and Exchange Commission, in  
5 consultation with the Board of Governors, shall  
6 engage in joint rulemaking to jointly adopt a  
7 rule or rules governing books and records re-  
8 garding security-based swap agreements, in-  
9 cluding daily trading records, for swap dealers,  
10 major swap participants, security-based swap  
11 dealers, and security-based swap participants.

12           (D) COMPARABLE RULES.—Rules and reg-  
13 ulations prescribed jointly under this title by  
14 the Commodity Futures Trading Commission  
15 and the Securities and Exchange Commission  
16 shall be comparable to the maximum extent  
17 possible, taking into consideration differences in  
18 instruments and in the applicable statutory re-  
19 quirements.

20           (E) TRACKING UNCLEARED TRANS-  
21 ACTIONS.—Any rules prescribed under subpara-  
22 graph (A) shall require the maintenance of  
23 records of all activities relating to security-  
24 based swap agreement transactions defined  
25 under subparagraph (A) that are not cleared.

1           (F) SHARING OF INFORMATION.—The  
2           Commodity Futures Trading Commission shall  
3           make available to the Securities and Exchange  
4           Commission information relating to security-  
5           based swap agreement transactions defined in  
6           subparagraph (A) that are not cleared.

7           (3) FINANCIAL STABILITY OVERSIGHT COUN-  
8           CIL.—In the event that the Commodity Futures  
9           Trading Commission and the Securities and Ex-  
10          change Commission fail to jointly prescribe rules  
11          pursuant to paragraph (1) or (2) in a timely man-  
12          ner, at the request of either Commission, the Finan-  
13          cial Stability Oversight Council shall resolve the dis-  
14          pute—

15                 (A) within a reasonable time after receiv-  
16                 ing the request;

17                 (B) after consideration of relevant infor-  
18                 mation provided by each Commission; and

19                 (C) by agreeing with 1 of the Commissions  
20                 regarding the entirety of the matter or by de-  
21                 termining a compromise position.

22           (4) JOINT INTERPRETATION.—Any interpreta-  
23           tion of, or guidance by either Commission regarding,  
24           a provision of this title, shall be effective only if  
25           issued jointly by the Commodity Futures Trading



1 Commission and the Securities and Exchange Com-  
2 mission, after consultation with the Board of Gov-  
3 ernors, if this title requires the Commodity Futures  
4 Trading Commission and the Securities and Ex-  
5 change Commission to issue joint regulations to im-  
6 plement the provision.

7 (e) GLOBAL RULEMAKING TIMEFRAME.—Unless oth-  
8 erwise provided in this title, or an amendment made by  
9 this title, the Commodity Futures Trading Commission or  
10 the Securities and Exchange Commission, or both, shall  
11 individually, and not jointly, promulgate rules and regula-  
12 tions required of each Commission under this title or an  
13 amendment made by this title not later than 360 days  
14 after the date of enactment of this Act.

15 (f) RULES AND REGISTRATION BEFORE FINAL EF-  
16 FECTIVE DATES.—Beginning on the date of enactment of  
17 this Act and notwithstanding the effective date of any pro-  
18 vision of this Act, the Commodity Futures Trading Com-  
19 mission and the Securities and Exchange Commission  
20 may, in order to prepare for the effective dates of the pro-  
21 visions of this Act—

22 (1) promulgate rules, regulations, or orders per-  
23 mitted or required by this Act;

24 (2) conduct studies and prepare reports and  
25 recommendations required by this Act;

1           (3) register persons under the provisions of this  
2     Act; and

3           (4) exempt persons, agreements, contracts, or  
4     transactions from provisions of this Act, under the  
5     terms contained in this Act,

6     provided, however, that no action by the Commodity Fu-  
7     tures Trading Commission or the Securities and Exchange  
8     Commission described in paragraphs (1) through (4) shall  
9     become effective prior to the effective date applicable to  
10    such action under the provisions of this Act.

11 **SEC. 713. PORTFOLIO MARGINING CONFORMING CHANGES.**

12       (a) SECURITIES EXCHANGE ACT OF 1934.—Section  
13    15(c)(3) of the Securities Exchange Act of 1934 (15  
14    U.S.C. 78o(c)(3)) is amended by adding at the end the  
15    following:

16                   “(C) Notwithstanding any provision of sec-  
17                   tions 2(a)(1)(C)(i) or 4d(a)(2) of the Com-  
18                   modity Exchange Act and the rules and regula-  
19                   tions thereunder, and pursuant to an exemption  
20                   granted by the Commission under section 36 of  
21                   this title or pursuant to a rule or regulation,  
22                   cash and securities may be held by a broker or  
23                   dealer registered pursuant to subsection (b)(1)  
24                   and also registered as a futures commission  
25                   merchant pursuant to section 4f(a)(1) of the

1 Commodity Exchange Act, in a portfolio mar-  
2 gining account carried as a futures account  
3 subject to section 4d of the Commodity Ex-  
4 change Act and the rules and regulations there-  
5 under, pursuant to a portfolio margining pro-  
6 gram approved by the Commodity Futures  
7 Trading Commission, and subject to subchapter  
8 IV of chapter 7 of title 11 of the United States  
9 Code and the rules and regulations thereunder.  
10 The Commission shall consult with the Com-  
11 modity Futures Trading Commission to adopt  
12 rules to ensure that such transactions and ac-  
13 counts are subject to comparable requirements  
14 to the extent practicable for similar products.”.

15 (b) COMMODITY EXCHANGE ACT.—Section 4d of the  
16 Commodity Exchange Act (7 U.S.C. 6d) is amended by  
17 adding at the end the following:

18 “(h) Notwithstanding subsection (a)(2) or the rules  
19 and regulations thereunder, and pursuant to an exemption  
20 granted by the Commission under section 4(c) of this Act  
21 or pursuant to a rule or regulation, a futures commission  
22 merchant that is registered pursuant to section 4f(a)(1)  
23 of this Act and also registered as a broker or dealer pursu-  
24 ant to section 15(b)(1) of the Securities Exchange Act of  
25 1934 may, pursuant to a portfolio margining program ap-

1 proved by the Securities and Exchange Commission pursu-  
2 ant to section 19(b) of the Securities Exchange Act of  
3 1934, held in a portfolio margining account carried as a  
4 securities account subject to section 15(c)(3) of the Secu-  
5 rities Exchange Act of 1934 and the rules and regulations  
6 thereunder, a contract for the purchase or sale of a com-  
7 modity for future delivery or an option on such a contract,  
8 and any money, securities or other property received from  
9 a customer to margin, guarantee or secure such a con-  
10 tract, or accruing to a customer as the result of such a  
11 contract. The Commission shall consult with the Securities  
12 and Exchange Commission to adopt rules to ensure that  
13 such transactions and accounts are subject to comparable  
14 requirements to the extent practical for similar products.”.

15 (c) DUTY OF COMMODITY FUTURES TRADING COM-  
16 MISSION.—Section 20 of the Commodity Exchange Act (7  
17 U.S.C. 24) is amended by adding at the end the following:

18 “(c) The Commission shall exercise its authority to  
19 ensure that securities held in a portfolio margining ac-  
20 count carried as a futures account are customer property  
21 and the owners of those accounts are customers for the  
22 purposes of subchapter IV of chapter 7 of title 11 of the  
23 United States Code.”.

1 **SEC. 714. ABUSIVE SWAPS.**

2 The Commodity Futures Trading Commission or the  
3 Securities and Exchange Commission, or both, individually  
4 may, by rule or order—

5 (1) collect information as may be necessary con-  
6 cerning the markets for any types of—

7 (A) swap (as defined in section 1a of the  
8 Commodity Exchange Act (7 U.S.C. 1a)); or

9 (B) security-based swap (as defined in sec-  
10 tion 1a of the Commodity Exchange Act (7  
11 U.S.C. 1a)); and

12 (2) issue a report with respect to any types of  
13 swaps or security-based swaps that the Commodity  
14 Futures Trading Commission or the Securities and  
15 Exchange Commission determines to be detrimental  
16 to—

17 (A) the stability of a financial market; or

18 (B) participants in a financial market.

19 **SEC. 715. AUTHORITY TO PROHIBIT PARTICIPATION IN**  
20 **SWAP ACTIVITIES.**

21 Except as provided in section 4 of the Commodity Ex-  
22 change Act (7 U.S.C. 6), if the Commodity Futures Trad-  
23 ing Commission or the Securities and Exchange Commis-  
24 sion determines that the regulation of swaps or security-  
25 based swaps markets in a foreign country undermines the  
26 stability of the United States financial system, either

1 Commission, in consultation with the Secretary of the  
2 Treasury, may prohibit an entity domiciled in the foreign  
3 country from participating in the United States in any  
4 swap or security-based swap activities.

5 **SEC. 716. PROHIBITION AGAINST FEDERAL GOVERNMENT**  
6 **BAILOUTS OF SWAPS ENTITIES.**

7 (a) PROHIBITION ON FEDERAL ASSISTANCE.—Not-  
8 withstanding any other provision of law (including regula-  
9 tions), no Federal assistance may be provided to any  
10 swaps entity with respect to any swap, security-based  
11 swap, or other activity of the swaps entity.

12 (b) DEFINITIONS.—In this section:

13 (1) FEDERAL ASSISTANCE.—The term “Federal  
14 assistance” means the use of any advances from any  
15 Federal Reserve credit facility or discount window  
16 that is not part of a program or facility with broad-  
17 based eligibility under section 13(3)(A) of the Fed-  
18 eral Reserve Act, Federal Deposit Insurance Cor-  
19 poration insurance or guarantees for the purpose  
20 of—

21 (A) making any loan to, or purchasing any  
22 stock, equity interest, or debt obligation of, any  
23 swaps entity;

24 (B) purchasing the assets of any swaps en-  
25 tity;

1 (C) guaranteeing any loan or debt issuance  
2 of any swaps entity; or

3 (D) entering into any assistance arrange-  
4 ment (including tax breaks), loss sharing, or  
5 profit sharing with any swaps entity.

6 (2) SWAPS ENTITY.—

7 (A) IN GENERAL.—The term “swaps enti-  
8 ty” means any swap dealer, security-based swap  
9 dealer, major swap participant, major security-  
10 based swap participant, that is registered  
11 under—

12 (i) the Commodity Exchange Act (7  
13 U.S.C. 1 et seq.); or

14 (ii) the Securities Exchange Act of  
15 1934 (15 U.S.C. 78a et seq.).

16 (B) EXCLUSION.—The term “swaps enti-  
17 ty” does not include any major swap partici-  
18 pant or major security-based swap participant  
19 that is an insured depository institution.

20 (c) AFFILIATES OF INSURED DEPOSITORY INSTITU-  
21 TIONS.—The prohibition on Federal assistance contained  
22 in subsection (a) does not apply to and shall not prevent  
23 an insured depository institution from having or estab-  
24 lishing an affiliate which is a swaps entity, as long as such  
25 insured depository institution is part of a bank holding

1 company, or savings and loan holding company, that is  
2 supervised by the Federal Reserve and such swaps entity  
3 affiliate complies with sections 23A and 23B of the Fed-  
4 eral Reserve Act and such other requirements as the Com-  
5 modity Futures Trading Commission or the Securities Ex-  
6 change Commission, as appropriate, and the Board of  
7 Governors of the Federal Reserve System, may determine  
8 to be necessary and appropriate.

9 (d) ONLY BONA FIDE HEDGING AND TRADITIONAL  
10 BANK ACTIVITIES PERMITTED.—The prohibition in sub-  
11 section (a) shall apply to any insured depository institu-  
12 tion unless the insured depository institution limits its  
13 swap or security-based swap activities to:

14 (1) Hedging and other similar risk mitigating  
15 activities directly related to the insured depository  
16 institution's activities.

17 (2) Acting as a swaps entity for swaps or secu-  
18 rity-based swaps involving rates or reference assets  
19 that are permissible for investment by a national  
20 bank under the paragraph designated as "Seventh."  
21 of section 5136 of the Revised Statutes of the  
22 United States ( 12 U.S.C. 24), other than as de-  
23 scribed in paragraph (3).

24 (3) LIMITATION ON CREDIT DEFAULT SWAPS.—  
25 Acting as a swaps entity for credit default swaps, in-



1 including swaps or security-based swaps referencing  
2 the credit risk of asset-backed securities as defined  
3 in section 3(a)(77) of the Securities Exchange Act  
4 of 1934 (15 U.S.C. 78c(a)(77)) (as amended by this  
5 Act) shall not be considered a bank permissible ac-  
6 tivity for purposes of subsection (d)(2) unless such  
7 swaps or security-based swaps are cleared by a de-  
8 rivatives clearing organization (as such term is de-  
9 fined in section 1a of the Commodity Exchange Act  
10 (7 U.S.C. 1a)) or a clearing agency (as such term is  
11 defined in section 3 of the Securities Exchange Act  
12 (15 U.S.C. 78c)) that is registered, or exempt from  
13 registration, as a derivatives clearing organization  
14 under the Commodity Exchange Act or as a clearing  
15 agency under the Securities Exchange Act, respec-  
16 tively.

17 (e) EXISTING SWAPS AND SECURITY-BASED  
18 SWAPS.—The prohibition in subsection (a) shall only  
19 apply to swaps or security-based swaps entered into by  
20 an insured depository institution after the end of the tran-  
21 sition period described in subsection (f).

22 (f) TRANSITION PERIOD.—To the extent an insured  
23 depository institution qualifies as a “swaps entity” and  
24 would be subject to the Federal assistance prohibition in  
25 subsection (a), the appropriate Federal banking agency,

1 after consulting with and considering the views of the  
2 Commodity Futures Trading Commission or the Securities  
3 Exchange Commission, as appropriate, shall permit the in-  
4 sured depository institution up to 24 months to divest the  
5 swaps entity or cease the activities that require registra-  
6 tion as a swaps entity. In establishing the appropriate  
7 transition period to effect such divestiture or cessation of  
8 activities, which may include making the swaps entity an  
9 affiliate of the insured depository institution, the appro-  
10 priate Federal banking agency shall take into account and  
11 make written findings regarding the potential impact of  
12 such divestiture or cessation of activities on the insured  
13 depository institution's (1) mortgage lending, (2) small  
14 business lending, (3) job creation, and (4) capital forma-  
15 tion versus the potential negative impact on insured de-  
16 positors and the Deposit Insurance Fund of the Federal  
17 Deposit Insurance Corporation. The appropriate Federal  
18 banking agency may consider such other factors as may  
19 be appropriate. The appropriate Federal banking agency  
20 may place such conditions on the insured depository insti-  
21 tution's divestiture or ceasing of activities of the swaps  
22 entity as it deems necessary and appropriate. The transi-  
23 tion period under this subsection may be extended by the  
24 appropriate Federal banking agency, after consultation  
25 with the Commodity Futures Trading Commission and the

1 Securities and Exchange Commission, for a period of up  
2 to 1 additional year.

3 (g) EXCLUDED ENTITIES.—For purposes of this sec-  
4 tion, the term “swaps entity” shall not include any insured  
5 depository institution under the Federal Deposit Insur-  
6 ance Act or a covered financial company under title II  
7 which is in a conservatorship, receivership, or a bridge  
8 bank operated by the Federal Deposit Insurance Corpora-  
9 tion.

10 (h) EFFECTIVE DATE.—The prohibition in sub-  
11 section (a) shall be effective 2 years following the date on  
12 which this Act is effective.

13 (i) LIQUIDATION REQUIRED.—

14 (1) IN GENERAL.—

15 (A) FDIC INSURED INSTITUTIONS.—All  
16 swaps entities that are FDIC insured institu-  
17 tions that are put into receivership or declared  
18 insolvent as a result of swap or security-based  
19 swap activity of the swaps entities shall be sub-  
20 ject to the termination or transfer of that swap  
21 or security-based swap activity in accordance  
22 with applicable law prescribing the treatment of  
23 those contracts. No taxpayer funds shall be  
24 used to prevent the receivership of any swap en-

1           tity resulting from swap or security-based swap  
2           activity of the swaps entity.

3                   (B) INSTITUTIONS THAT POSE A SYSTEMIC  
4           RISK AND ARE SUBJECT TO HEIGHTENED PRU-  
5           DENTIAL SUPERVISION AS REGULATED UNDER  
6           SECTION 113.—All swaps entities that are insti-  
7           tutions that pose a systemic risk and are sub-  
8           ject to heightened prudential supervision as reg-  
9           ulated under section 113, that are put into re-  
10          ceivership or declared insolvent as a result of  
11          swap or security-based swap activity of the  
12          swaps entities shall be subject to the termi-  
13          nation or transfer of that swap or security-  
14          based swap activity in accordance with applica-  
15          ble law prescribing the treatment of those con-  
16          tracts. No taxpayer funds shall be used to pre-  
17          vent the receivership of any swap entity result-  
18          ing from swap or security-based swap activity  
19          of the swaps entity.

20                   (C) NON-FDIC INSURED, NON-SYSTEM-  
21          ICALLY SIGNIFICANT INSTITUTIONS NOT SUB-  
22          JECT TO HEIGHTENED PRUDENTIAL SUPER-  
23          VISION AS REGULATED UNDER SECTION 113.—  
24          No taxpayer resources shall be used for the or-  
25          derly liquidation of any swaps entities that are

1 non-FDIC insured, non-systemically significant  
2 institutions not subject to heightened prudential  
3 supervision as regulated under section 113.

4 (2) RECOVERY OF FUNDS.—All funds expended  
5 on the termination or transfer of the swap or secu-  
6 rity-based swap activity of the swaps entity shall be  
7 recovered in accordance with applicable law from the  
8 disposition of assets of such swap entity or through  
9 assessments, including on the financial sector as  
10 provided under applicable law.

11 (3) NO LOSSES TO TAXPAYERS.—Taxpayers  
12 shall bear no losses from the exercise of any author-  
13 ity under this title.

14 (j) PROHIBITION ON UNREGULATED COMBINATION  
15 OF SWAPS ENTITIES AND BANKING.—At no time fol-  
16 lowing adoption of the rules in subsection (k) may a bank  
17 or bank holding company be permitted to be or become  
18 a swap entity unless it conducts its swap or security-based  
19 swap activity in compliance with such minimum standards  
20 set by its prudential regulator as are reasonably calculated  
21 to permit the swaps entity to conduct its swap or security-  
22 based swap activities in a safe and sound manner and  
23 mitigate systemic risk.

1 (k) RULES.—In prescribing rules, the prudential reg-  
2 ulator for a swaps entity shall consider the following fac-  
3 tors:

4 (1) The expertise and managerial strength of  
5 the swaps entity, including systems for effective  
6 oversight.

7 (2) The financial strength of the swaps entity.

8 (3) Systems for identifying, measuring and con-  
9 trolling risks arising from the swaps entity's oper-  
10 ations.

11 (4) Systems for identifying, measuring and con-  
12 trolling the swaps entity's participation in existing  
13 markets.

14 (5) Systems for controlling the swaps entity's  
15 participation or entry into in new markets and prod-  
16 ucts.

17 (l) AUTHORITY OF THE FINANCIAL STABILITY OVER-  
18 SIGHT COUNCIL.—The Financial Stability Oversight  
19 Council may determine that, when other provisions estab-  
20 lished by this Act are insufficient to effectively mitigate  
21 systemic risk and protect taxpayers, that swaps entities  
22 may no longer access Federal assistance with respect to  
23 any swap, security-based swap, or other activity of the  
24 swaps entity. Any such determination by the Financial  
25 Stability Oversight Council of a prohibition of federal as-

1 sistance shall be made on an institution-by-institution  
2 basis, and shall require the vote of not fewer than two-  
3 thirds of the members of the Financial Stability Oversight  
4 Council, which must include the vote by the Chairman of  
5 the Council, the Chairman of the Board of Governors of  
6 the Federal Reserve System, and the Chairperson of the  
7 Federal Deposit Insurance Corporation. Notice and hear-  
8 ing requirements for such determinations shall be con-  
9 sistent with the standards provided in title I.

10 (m) BAN ON PROPRIETARY TRADING IN DERIVA-  
11 TIVES.—An insured depository institution shall comply  
12 with the prohibition on proprietary trading in derivatives  
13 as required by section 619 of the Dodd-Frank Wall Street  
14 Reform and Consumer Protection Act.

15 **SEC. 717. NEW PRODUCT APPROVAL CFTC—SEC PROCESS.**

16 (a) AMENDMENTS TO THE COMMODITY EXCHANGE  
17 ACT.—Section 2(a)(1)(C) of the Commodity Exchange  
18 Act (7 U.S.C. 2(a)(1)(C)) is amended—

19 (1) in clause (i) by striking “This” and insert-  
20 ing “(I) Except as provided in subclause (II), this”;  
21 and

22 (2) by adding at the end of clause (i) the fol-  
23 lowing:

24 “(II) This Act shall apply to and  
25 the Commission shall have jurisdiction

1 with respect to accounts, agreements,  
2 and transactions involving, and may  
3 permit the listing for trading pursu-  
4 ant to section 5c(c) of, a put, call, or  
5 other option on 1 or more securities  
6 (as defined in section 2(a)(1) of the  
7 Securities Act of 1933 or section  
8 3(a)(10) of the Securities Exchange  
9 Act of 1934 on the date of enactment  
10 of the Futures Trading Act of 1982),  
11 including any group or index of such  
12 securities, or any interest therein or  
13 based on the value thereof, that is ex-  
14 empted by the Securities and Ex-  
15 change Commission pursuant to sec-  
16 tion 36(a)(1) of the Securities Ex-  
17 change Act of 1934 with the condition  
18 that the Commission exercise concu-  
19 rrent jurisdiction over such put, call, or  
20 other option; provided, however, that  
21 nothing in this paragraph shall be  
22 construed to affect the jurisdiction  
23 and authority of the Securities and  
24 Exchange Commission over such put,  
25 call, or other option.”.



1 (b) AMENDMENTS TO THE SECURITIES EXCHANGE  
2 ACT OF 1934.—The Securities Exchange Act of 1934 is  
3 amended by adding the following section after section 3A  
4 (15 U.S.C. 78c–1):

5 **“SEC. 3B. SECURITIES-RELATED DERIVATIVES.**

6 “(a) Any agreement, contract, or transaction (or  
7 class thereof) that is exempted by the Commodity Futures  
8 Trading Commission pursuant to section 4(c)(1) of the  
9 Commodity Exchange Act (7 U.S.C. 6(c)(1)) with the con-  
10 dition that the Commission exercise concurrent jurisdic-  
11 tion over such agreement, contract, or transaction (or  
12 class thereof) shall be deemed a security for purposes of  
13 the securities laws.

14 “(b) With respect to any agreement, contract, or  
15 transaction (or class thereof) that is exempted by the  
16 Commodity Futures Trading Commission pursuant to sec-  
17 tion 4(c)(1) of the Commodity Exchange Act (7 U.S.C.  
18 6(c)(1)) with the condition that the Commission exercise  
19 concurrent jurisdiction over such agreement, contract, or  
20 transaction (or class thereof), references in the securities  
21 laws to the ‘purchase’ or ‘sale’ of a security shall be  
22 deemed to include the execution, termination (prior to its  
23 scheduled maturity date), assignment, exchange, or simi-  
24 lar transfer or conveyance of, or extinguishing of rights

1 or obligations under such agreement, contract, or trans-  
2 action, as the context may require.”.

3 (c) AMENDMENT TO SECURITIES EXCHANGE ACT OF  
4 1934.—Section 19(b) of the Securities Exchange Act of  
5 1934 (15 U.S.C. 78s(b)) is amended by adding at the end  
6 the following:

7 “(10) Notwithstanding paragraph (2), the time  
8 period within which the Commission is required by  
9 order to approve a proposed rule change or institute  
10 proceedings to determine whether the proposed rule  
11 change should be disapproved is stayed pending a  
12 determination by the Commission upon the request  
13 of the Commodity Futures Trading Commission or  
14 its Chairman that the Commission issue a deter-  
15 mination as to whether a product that is the subject  
16 of such proposed rule change is a security pursuant  
17 to section 718 of the Wall Street Transparency and  
18 Accountability Act of 2010.”.

19 (d) AMENDMENT TO COMMODITY EXCHANGE ACT.—  
20 Section 5c(e)(1) of the Commodity Exchange Act (7  
21 U.S.C. 7a–2(e)(1)) is amended—

22 (1) by striking “Subject to paragraph (2)” and  
23 inserting the following:

24 “(A) ELECTION.—Subject to paragraph  
25 (2)”;

1 (2) by adding at the end the following:

2 “(B) CERTIFICATION.—The certification of  
3 a product pursuant to this paragraph shall be  
4 stayed pending a determination by the Commis-  
5 sion upon the request of the Securities and Ex-  
6 change Commission or its Chairman that the  
7 Commission issue a determination as to wheth-  
8 er the product that is the subject of such cer-  
9 tification is a contract of sale of a commodity  
10 for future delivery, an option on such a con-  
11 tract, or an option on a commodity pursuant to  
12 section 718 of the Wall Street Transparency  
13 and Accountability Act of 2010.”.

14 **SEC. 718. DETERMINING STATUS OF NOVEL DERIVATIVE**  
15 **PRODUCTS.**

16 (a) PROCESS FOR DETERMINING THE STATUS OF A  
17 NOVEL DERIVATIVE PRODUCT.—

18 (1) NOTICE.—

19 (A) IN GENERAL.—Any person filing a  
20 proposal to list or trade a novel derivative prod-  
21 uct that may have elements of both securities  
22 and contracts of sale of a commodity for future  
23 delivery (or options on such contracts or options  
24 on commodities) may concurrently provide no-  
25 tice and furnish a copy of such filing with the

1 Securities and Exchange Commission and the  
2 Commodity Futures Trading Commission. Any  
3 such notice shall state that notice has been  
4 made with both Commissions.

5 (B) NOTIFICATION.—If no concurrent no-  
6 tice is made pursuant to subparagraph (A),  
7 within 5 business days after determining that a  
8 proposal that seeks to list or trade a novel de-  
9 rivative product may have elements of both se-  
10 curities and contracts of sale of a commodity  
11 for future delivery (or options on such contracts  
12 or options on commodities), the Securities and  
13 Exchange Commission or the Commodity Fu-  
14 tures Trading Commission, as applicable, shall  
15 notify the other Commission and provide a copy  
16 of such filing to the other Commission.

17 (2) REQUEST FOR DETERMINATION.—

18 (A) IN GENERAL.—No later than 21 days  
19 after receipt of a notice under paragraph (1), or  
20 upon its own initiative if no such notice is re-  
21 ceived, the Commodity Futures Trading Com-  
22 mission may request that the Securities and  
23 Exchange Commission issue a determination as  
24 to whether a product is a security, as defined

1 in section 3(a)(10) of the Securities Exchange  
2 Act of 1934 (15 U.S.C. 78c(a)(10)).

3 (B) REQUEST.—No later than 21 days  
4 after receipt of a notice under paragraph (1), or  
5 upon its own initiative if no such notice is re-  
6 ceived, the Securities and Exchange Commis-  
7 sion may request that the Commodity Futures  
8 Trading Commission issue a determination as  
9 to whether a product is a contract of sale of a  
10 commodity for future delivery, an option on  
11 such a contract, or an option on a commodity  
12 subject to the Commodity Futures Trading  
13 Commission’s exclusive jurisdiction under sec-  
14 tion 2(a)(1)(A) of the Commodity Exchange  
15 Act (7 U.S.C. 2(a)(1)(A)).

16 (C) REQUIREMENT RELATING TO RE-  
17 QUEST.—A request under subparagraph (A) or  
18 (B) shall be made by submitting such request,  
19 in writing, to the Securities and Exchange  
20 Commission or the Commodity Futures Trading  
21 Commission, as applicable.

22 (D) EFFECT.—Nothing in this paragraph  
23 shall be construed to prevent—

24 (i) the Commodity Futures Trading  
25 Commission from requesting that the Se-

1 securities and Exchange Commission grant  
2 an exemption pursuant to section 36(a)(1)  
3 of the Securities Exchange Act of 1934  
4 (15 U.S.C. 78mm(a)(1)) with respect to a  
5 product that is the subject of a filing  
6 under paragraph (1); or

7 (ii) the Securities and Exchange Com-  
8 mission from requesting that the Com-  
9modity Futures Trading Commission grant  
10 an exemption pursuant to section 4(e)(1)  
11 of the Commodity Exchange Act (7 U.S.C.  
12 6(c)(1)) with respect to a product that is  
13 the subject of a filing under paragraph (1),  
14 *Provided*, however, that nothing in this sub-  
15 paragraph shall be construed to require the  
16 Commodity Futures Trading Commission or the  
17 Securities and Exchange Commission to issue  
18 an exemption requested pursuant to this sub-  
19 paragraph; *provided further*, That an order  
20 granting or denying an exemption described in  
21 this subparagraph and issued under paragraph  
22 (3)(B) shall not be subject to judicial review  
23 pursuant to subsection (b).

24 (E) WITHDRAWAL OF REQUEST.—A re-  
25 quest under subparagraph (A) or (B) may be

1            withdrawn by the Commission making the re-  
2            quest at any time prior to a determination  
3            being made pursuant to paragraph (3) for any  
4            reason by providing written notice to the head  
5            of the other Commission.

6            (3) DETERMINATION.—Notwithstanding any  
7            other provision of law, no later than 120 days after  
8            the date of receipt of a request—

9                    (A) under subparagraph (A) or (B) of  
10                    paragraph (2), unless such request has been  
11                    withdrawn pursuant to paragraph (2)(E), the  
12                    Securities and Exchange Commission or the  
13                    Commodity Futures Trading Commission, as  
14                    applicable, shall, by order, issue the determina-  
15                    tion requested in subparagraph (A) or (B) of  
16                    paragraph (2), as applicable, and the reasons  
17                    therefor; or

18                    (B) under paragraph (2)(D), unless such  
19                    request has been withdrawn, the Securities and  
20                    Exchange Commission or the Commodity Fu-  
21                    tures Trading Commission, as applicable, shall  
22                    grant an exemption or provide reasons for not  
23                    granting such exemption, provided that any de-  
24                    cision by the Securities and Exchange Commis-  
25                    sion not to grant such exemption shall not be

1           reviewable under section 25 of the Securities  
2           Exchange Act of 1934 (15 U.S.C. 78y).

3           (b) JUDICIAL RESOLUTION.—

4           (1) IN GENERAL.—The Commodity Futures  
5           Trading Commission or the Securities and Exchange  
6           Commission may petition the United States Court of  
7           Appeals for the District of Columbia Circuit for re-  
8           view of a final order of the other Commission issued  
9           pursuant to subsection (a)(3)(A), with respect to a  
10          novel derivative product that may have elements of  
11          both securities and contracts of sale of a commodity  
12          for future delivery (or options on such contracts or  
13          options on commodities) that it believes affects its  
14          statutory jurisdiction within 60 days after the date  
15          of entry of such order, a written petition requesting  
16          a review of the order. Any such proceeding shall be  
17          expedited by the Court of Appeals.

18          (2) TRANSMITTAL OF PETITION AND  
19          RECORD.—A copy of a petition described in para-  
20          graph (1) shall be transmitted not later than 1 busi-  
21          ness day after filing by the complaining Commission  
22          to the responding Commission. On receipt of the pe-  
23          tition, the responding Commission shall file with the  
24          court a copy of the order under review and any doc-



1           uments referred to therein, and any other materials  
2           prescribed by the court.

3           (3) STANDARD OF REVIEW.—The court, in con-  
4           sidering a petition filed pursuant to paragraph (1),  
5           shall give no deference to, or presumption in favor  
6           of, the views of either Commission.

7           (4) JUDICIAL STAY.—The filing of a petition by  
8           the complaining Commission pursuant to paragraph  
9           (1) shall operate as a stay of the order, until the  
10          date on which the determination of the court is final  
11          (including any appeal of the determination).

12 **SEC. 719. STUDIES.**

13          (a) STUDY ON EFFECTS OF POSITION LIMITS ON  
14          TRADING ON EXCHANGES IN THE UNITED STATES.—

15               (1) STUDY.—The Commodity Futures Trading  
16          Commission, in consultation with each entity that is  
17          a designated contract market under the Commodity  
18          Exchange Act, shall conduct a study of the effects  
19          (if any) of the position limits imposed pursuant to  
20          the other provisions of this title on excessive specula-  
21          tion and on the movement of transactions from ex-  
22          changes in the United States to trading venues out-  
23          side the United States.

24               (2) REPORT TO THE CONGRESS.—Within 12  
25          months after the imposition of position limits pursu-

1       ant to the other provisions of this title, the Com-  
2       modity Futures Trading Commission, in consultation  
3       with each entity that is a designated contract mar-  
4       ket under the Commodity Exchange Act, shall sub-  
5       mit to the Congress a report on the matters de-  
6       scribed in paragraph (1).

7           (3) REQUIRED HEARING.—Within 30 legislative  
8       days after the submission to the Congress of the re-  
9       port described in paragraph (2), the Committee on  
10      Agriculture of the House of Representatives shall  
11      hold a hearing examining the findings of the report.

12          (4) BIENNIAL REPORTING.—In addition to the  
13      study required in paragraph (1), the Chairman of  
14      the Commodity Futures Trading Commission shall  
15      prepare and submit to the Congress biennial reports  
16      on the growth or decline of the derivatives markets  
17      in the United States and abroad, which shall include  
18      assessments of the causes of any such growth or de-  
19      cline, the effectiveness of regulatory regimes in man-  
20      aging systemic risk, a comparison of the costs of  
21      compliance at the time of the report for market par-  
22      ticipants subject to regulation by the United States  
23      with the costs of compliance in December 2008 for  
24      the market participants, and the quality of the avail-  
25      able data. In preparing the report, the Chairman

1 shall solicit the views of, consult with, and address  
2 the concerns raised by, market participants, regu-  
3 lators, legislators, and other interested parties.

4 (b) STUDY ON FEASIBILITY OF REQUIRING USE OF  
5 STANDARDIZED ALGORITHMIC DESCRIPTIONS FOR FI-  
6 NANCIAL DERIVATIVES.—

7 (1) IN GENERAL.—The Securities and Ex-  
8 change Commission and the Commodity Futures  
9 Trading Commission shall conduct a joint study of  
10 the feasibility of requiring the derivatives industry to  
11 adopt standardized computer-readable algorithmic  
12 descriptions which may be used to describe complex  
13 and standardized financial derivatives.

14 (2) GOALS.—The algorithmic descriptions de-  
15 fined in the study shall be designed to facilitate com-  
16 puterized analysis of individual derivative contracts  
17 and to calculate net exposures to complex deriva-  
18 tives. The algorithmic descriptions shall be optimized  
19 for simultaneous use by—

20 (A) commercial users and traders of de-  
21 rivatives;

22 (B) derivative clearing houses, exchanges  
23 and electronic trading platforms;

24 (C) trade repositories and regulator inves-  
25 tigations of market activities; and

1 (D) systemic risk regulators.

2 The study will also examine the extent to which the  
3 algorithmic description, together with standardized  
4 and extensible legal definitions, may serve as the  
5 binding legal definition of derivative contracts. The  
6 study will examine the logistics of possible imple-  
7 mentations of standardized algorithmic descriptions  
8 for derivatives contracts. The study shall be limited  
9 to electronic formats for exchange of derivative con-  
10 tract descriptions and will not contemplate disclo-  
11 sure of proprietary valuation models.

12 (3) INTERNATIONAL COORDINATION.—In con-  
13 ducting the study, the Securities and Exchange  
14 Commission and the Commodity Futures Trading  
15 Commission shall coordinate the study with inter-  
16 national financial institutions and regulators as ap-  
17 propriate and practical.

18 (4) REPORT.—Within 8 months after the date  
19 of the enactment of this Act, the Securities and Ex-  
20 change Commission and the Commodity Futures  
21 Trading Commission shall jointly submit to the  
22 Committees on Agriculture and on Financial Serv-  
23 ices of the House of Representatives and the Com-  
24 mittees on Agriculture, Nutrition, and Forestry and  
25 on Banking, Housing, and Urban Affairs of the Sen-

1       ate a written report which contains the results of the  
2       study required by paragraphs (1) through (3).

3       (c) INTERNATIONAL SWAP REGULATION.—

4           (1) IN GENERAL.—The Commodity Futures  
5       Trading Commission and the Securities and Ex-  
6       change Commission shall jointly conduct a study—

7           (A) relating to—

8               (i) swap regulation in the United  
9               States, Asia, and Europe; and

10               (ii) clearing house and clearing agency  
11               regulation in the United States, Asia, and  
12               Europe; and

13           (B) that identifies areas of regulation that  
14           are similar in the United States, Asia and Eu-  
15           rope and other areas of regulation that could be  
16           harmonized

17       (2) REPORT.—Not later than 18 months after  
18       the date of enactment of this Act, the Commodity  
19       Futures Trading Commission and the Securities and  
20       Exchange Commission shall submit to the Com-  
21       mittee on Agriculture, Nutrition, and Forestry and  
22       the Committee on Banking, Housing, and Urban Af-  
23       fairs of the Senate and the Committee on Agri-  
24       culture and the Committee on Financial Services of  
25       the House of Representatives a report that includes

1 a description of the results of the study under sub-  
2 section (a), including—

3 (A) identification of the major exchanges  
4 and their regulator in each geographic area for  
5 the trading of swaps and security-based swaps  
6 including a listing of the major contracts and  
7 their trading volumes and notional values as  
8 well as identification of the major swap dealers  
9 participating in such markets;

10 (B) identification of the major clearing  
11 houses and clearing agencies and their regu-  
12 lator in each geographic area for the clearing of  
13 swaps and security-based swaps, including a  
14 listing of the major contracts and the clearing  
15 volumes and notional values as well as identi-  
16 fication of the major clearing members of such  
17 clearing houses and clearing agencies in such  
18 markets;

19 (C) a description of the comparative meth-  
20 ods of clearing swaps in the United States,  
21 Asia, and Europe; and

22 (D) a description of the various systems  
23 used for establishing margin on individual  
24 swaps, security-based swaps, and swap port-  
25 folios.

1 (d) STABLE VALUE CONTRACTS.—

2 (1) DETERMINATION.—

3 (A) STATUS.—Not later than 15 months  
4 after the date of the enactment of this Act, the  
5 Securities and Exchange Commission and the  
6 Commodity Futures Trading Commission shall,  
7 jointly, conduct a study to determine whether  
8 stable value contracts fall within the definition  
9 of a swap. In making the determination re-  
10 quired under this subparagraph, the Commis-  
11 sions jointly shall consult with the Department  
12 of Labor, the Department of the Treasury, and  
13 the State entities that regulate the issuers of  
14 stable value contracts.

15 (B) REGULATIONS.—If the Commissions  
16 determine that stable value contracts fall within  
17 the definition of a swap, the Commissions joint-  
18 ly shall determine if an exemption for stable  
19 value contracts from the definition of swap is  
20 appropriate and in the public interest. The  
21 Commissions shall issue regulations imple-  
22 menting the determinations required under this  
23 paragraph. Until the effective date of such reg-  
24 ulations, and notwithstanding any other provi-

1           sion of this title, the requirements of this title  
2           shall not apply to stable value contracts.

3           (C) LEGAL CERTAINTY.—Stable value con-  
4           tracts in effect prior to the effective date of the  
5           regulations described in subparagraph (B) shall  
6           not be considered swaps.

7           (2) DEFINITION.—For purposes of this sub-  
8           section, the term “stable value contract” means any  
9           contract, agreement, or transaction that provides a  
10          crediting interest rate and guaranty or financial as-  
11          surance of liquidity at contract or book value prior  
12          to maturity offered by a bank, insurance company,  
13          or other State or federally regulated financial insti-  
14          tution for the benefit of any individual or commin-  
15          gled fund available as an investment in an employee  
16          benefit plan (as defined in section 3(3) of the Em-  
17          ployee Retirement Income Security Act of 1974, in-  
18          cluding plans described in section 3(32) of such Act)  
19          subject to participant direction, an eligible deferred  
20          compensation plan (as defined in section 457(b) of  
21          the Internal Revenue Code of 1986) that is main-  
22          tained by an eligible employer described in section  
23          457(e)(1)(A) of such Code, an arrangement de-  
24          scribed in section 403(b) of such Code, or a qualified



1       tuition program (as defined in section 529 of such  
2       Code).

3       **SEC. 720. MEMORANDUM.**

4       (a)(1) The Commodity Futures Trading Commission  
5       and the Federal Energy Regulatory Commission shall, not  
6       later than 180 days after the date of the enactment of  
7       this Act, negotiate a memorandum of understanding to es-  
8       tablish procedures for—

9               (A) applying their respective authorities in a  
10       manner so as to ensure effective and efficient regula-  
11       tion in the public interest;

12               (B) resolving conflicts concerning overlapping  
13       jurisdiction between the 2 agencies; and

14               (C) avoiding, to the extent possible, conflicting  
15       or duplicative regulation.

16       (2) Such memorandum and any subsequent amend-  
17       ments to the memorandum shall be promptly submitted  
18       to the appropriate committees of Congress.

19       (b) The Commodity Futures Trading Commission  
20       and the Federal Energy Regulatory Commission shall, not  
21       later than 180 days after the date of the enactment of  
22       this section, negotiate a memorandum of understanding  
23       to share information that may be requested where either  
24       Commission is conducting an investigation into potential  
25       manipulation, fraud, or market power abuse in markets

1 subject to such Commission's regulation or oversight.  
2 Shared information shall remain subject to the same re-  
3 strictions on disclosure applicable to the Commission ini-  
4 tially holding the information.

5 **PART II—REGULATION OF SWAP MARKETS**

6 **SEC. 721. DEFINITIONS.**

7 (a) IN GENERAL.—Section 1a of the Commodity Ex-  
8 change Act (7 U.S.C. 1a) is amended—

9 (1) by redesignating paragraphs (2), (3) and  
10 (4), (5) through (17), (18) through (23), (24)  
11 through (28), (29), (30), (31) through (33), and  
12 (34) as paragraphs (6), (8) and (9), (11) through  
13 (23), (26) through (31), (34) through (38), (40),  
14 (41), (44) through (46), and (51), respectively;

15 (2) by inserting after paragraph (1) the fol-  
16 lowing:

17 “(2) APPROPRIATE FEDERAL BANKING AGEN-  
18 CY.—The term ‘appropriate Federal banking agen-  
19 cy’—

20 “(A) has the meaning given the term in  
21 section 3 of the Federal Deposit Insurance Act  
22 (12 U.S.C. 1813);

23 “(B) means the Board in the case of a  
24 noninsured State bank; and

1           “(C) is the Farm Credit Administration  
2           for farm credit system institutions.

3           “(3) ASSOCIATED PERSON OF A SECURITY-  
4           BASED SWAP DEALER OR MAJOR SECURITY-BASED  
5           SWAP PARTICIPANT.—The term ‘associated person of  
6           a security-based swap dealer or major security-based  
7           swap participant’ has the meaning given the term in  
8           section 3(a) of the Securities Exchange Act of 1934  
9           (15 U.S.C. 78c(a)).

10           “(4) ASSOCIATED PERSON OF A SWAP DEALER  
11           OR MAJOR SWAP PARTICIPANT.—

12           “(A) IN GENERAL.—The term ‘associated  
13           person of a swap dealer or major swap partici-  
14           pant’ means a person who is associated with a  
15           swap dealer or major swap participant as a  
16           partner, officer, employee, or agent (or any per-  
17           son occupying a similar status or performing  
18           similar functions), in any capacity that in-  
19           volves—

20           “(i) the solicitation or acceptance of  
21           swaps; or

22           “(ii) the supervision of any person or  
23           persons so engaged.

24           “(B) EXCLUSION.—Other than for pur-  
25           poses of section 4s(b)(6), the term ‘associated

1 person of a swap dealer or major swap partici-  
2 pant' does not include any person associated  
3 with a swap dealer or major swap participant  
4 the functions of which are solely clerical or min-  
5 isterial.

6 “(5) BOARD.—The term ‘Board’ means the  
7 Board of Governors of the Federal Reserve Sys-  
8 tem.”;

9 (3) by inserting after paragraph (6) (as redesign-  
10 nated by paragraph (1)) the following:

11 “(7) CLEARED SWAP.—The term ‘cleared swap’  
12 means any swap that is, directly or indirectly, sub-  
13 mitted to and cleared by a derivatives clearing orga-  
14 nization registered with the Commission.”;

15 (4) in paragraph (9) (as redesignated by para-  
16 graph (1)), by striking “except onions” and all that  
17 follows through the period at the end and inserting  
18 the following: “except onions (as provided by the  
19 first section of Public Law 85–839 (7 U.S.C. 13–1))  
20 and motion picture box office receipts (or any index,  
21 measure, value, or data related to such receipts),  
22 and all services, rights, and interests (except motion  
23 picture box office receipts, or any index, measure,  
24 value or data related to such receipts) in which con-

1       tracts for future delivery are presently or in the fu-  
2       ture dealt in.”;

3           (5) by inserting after paragraph (9) (as redesign-  
4       nated by paragraph (1)) the following:

5           “(10) COMMODITY POOL.—

6           “(A) IN GENERAL.—The term ‘commodity  
7       pool’ means any investment trust, syndicate, or  
8       similar form of enterprise operated for the pur-  
9       pose of trading in commodity interests, includ-  
10      ing any—

11           “(i) commodity for future delivery, se-  
12      curity futures product, or swap;

13           “(ii) agreement, contract, or trans-  
14      action described in section 2(c)(2)(C)(i) or  
15      section 2(c)(2)(D)(i);

16           “(iii) commodity option authorized  
17      under section 4c; or

18           “(iv) leverage transaction authorized  
19      under section 19.

20           “(B) FURTHER DEFINITION.—The Com-  
21      mission, by rule or regulation, may include  
22      within, or exclude from, the term ‘commodity  
23      pool’ any investment trust, syndicate, or similar  
24      form of enterprise if the Commission deter-



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1                   “(IV) leverage transaction au-  
2                   thorized under section 19; or

3                   “(ii) who is registered with the Com-  
4                   mission as a commodity pool operator.

5                   “(B) FURTHER DEFINITION.—The Com-  
6                   mission, by rule or regulation, may include  
7                   within, or exclude from, the term ‘commodity  
8                   pool operator’ any person engaged in a business  
9                   that is of the nature of a commodity pool, in-  
10                  vestment trust, syndicate, or similar form of en-  
11                  terprise if the Commission determines that the  
12                  rule or regulation will effectuate the purposes of  
13                  this Act.”;

14                  (7) in paragraph (12) (as redesignated by para-  
15                  graph (1)), in subparagraph (A)—

16                   (A) in clause (i)—

17                   (i) in subclause (I), by striking “made  
18                   or to be made on or subject to the rules of  
19                   a contract market or derivatives trans-  
20                   action execution facility” and inserting “,  
21                   security futures product, or swap”;

22                   (ii) by redesignating subclauses (II)  
23                   and (III) as subclauses (III) and (IV);

24                   (iii) by inserting after subclause (I)  
25                   the following:

1 “(II) any agreement, contract, or  
2 transaction described in section  
3 2(c)(2)(C)(i) or section 2(c)(2)(D)(i)”;

4 and

5 (iv) in subclause (IV) (as so redesign-  
6 nated), by striking “or”;

7 (B) in clause (ii), by striking the period at  
8 the end and inserting a semicolon; and

9 (C) by adding at the end the following:

10 “(iii) is registered with the Commis-  
11 sion as a commodity trading advisor; or

12 “(iv) the Commission, by rule or regu-  
13 lation, may include if the Commission de-  
14 termines that the rule or regulation will ef-  
15 fectuate the purposes of this Act.”;

16 (8) in paragraph (17) (as redesignated by para-  
17 graph (1)), in subparagraph (A), in the matter pre-  
18 ceding clause (i), by striking “paragraph (12)(A)”  
19 and inserting “paragraph (18)(A)”;

20 (9) in paragraph (18) (as redesignated by para-  
21 graph (1))—

22 (A) in subparagraph (A)—

23 (i) in the matter following clause

24 (vii)(III)—



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1 (I) by striking “section 1a  
2 (11)(A)” and inserting “paragraph  
3 (17)(A)”; and

4 (II) by striking “\$25,000,000”  
5 and inserting “\$50,000,000”; and

6 (ii) in clause (xi), in the matter pre-  
7 ceding subclause (I), by striking “total as-  
8 sets in an amount” and inserting  
9 “amounts invested on a discretionary  
10 basis, the aggregate of which is”;

11 (10) by striking paragraph (22) (as redesign-  
12 ated by paragraph (1)) and inserting the following:

13 “(22) FLOOR BROKER.—

14 “(A) IN GENERAL.—The term ‘floor  
15 broker’ means any person—

16 “(i) who, in or surrounding any pit,  
17 ring, post, or other place provided by a  
18 contract market for the meeting of persons  
19 similarly engaged, shall purchase or sell for  
20 any other person—

21 “(I) any commodity for future  
22 delivery, security futures product, or  
23 swap; or

24 “(II) any commodity option au-  
25 thorized under section 4c; or

1                   “(ii) who is registered with the Com-  
2                   mission as a floor broker.

3                   “(B) FURTHER DEFINITION.—The Com-  
4                   mission, by rule or regulation, may include  
5                   within, or exclude from, the term ‘floor broker’  
6                   any person in or surrounding any pit, ring,  
7                   post, or other place provided by a contract mar-  
8                   ket for the meeting of persons similarly engaged  
9                   who trades for any other person if the Commis-  
10                  sion determines that the rule or regulation will  
11                  effectuate the purposes of this Act.”;

12                  (11) by striking paragraph (23) (as redesign-  
13                  nated by paragraph (1)) and inserting the following:

14                  “(23) FLOOR TRADER.—

15                         “(A) IN GENERAL.—The term ‘floor trad-  
16                         er’ means any person—

17                                 “(i) who, in or surrounding any pit,  
18                                 ring, post, or other place provided by a  
19                                 contract market for the meeting of persons  
20                                 similarly engaged, purchases, or sells solely  
21                                 for such person’s own account—

22   “(I) any commodity for future  
23   delivery, security futures product, or  
24   swap; or

1                   “(II) any commodity option au-  
2                   thorized under section 4e; or

3                   “(ii) who is registered with the Com-  
4                   mission as a floor trader.

5                   “(B) FURTHER DEFINITION.—The Com-  
6                   mission, by rule or regulation, may include  
7                   within, or exclude from, the term ‘floor trader’  
8                   any person in or surrounding any pit, ring,  
9                   post, or other place provided by a contract mar-  
10                  ket for the meeting of persons similarly engaged  
11                  who trades solely for such person’s own account  
12                  if the Commission determines that the rule or  
13                  regulation will effectuate the purposes of this  
14                  Act.”;

15                  (12) by inserting after paragraph (23) (as re-  
16                  designated by paragraph (1)) the following:

17                  “(24) FOREIGN EXCHANGE FORWARD.—The  
18                  term ‘foreign exchange forward’ means a transaction  
19                  that solely involves the exchange of 2 different cur-  
20                  rencies on a specific future date at a fixed rate  
21                  agreed upon on the inception of the contract cov-  
22                  ering the exchange.

23                  “(25) FOREIGN EXCHANGE SWAP.—The term  
24                  ‘foreign exchange swap’ means a transaction that  
25                  solely involves—



1                   “(DD) any agreement,  
2                   contract, or transaction de-  
3                   scribed in section  
4                   2(c)(2)(C)(i) or section  
5                   2(c)(2)(D)(i);

6                   “(EE) any commodity  
7                   option authorized under sec-  
8                   tion 4c; or

9                   “(FF) any leverage  
10                  transaction authorized under  
11                  section 19; or

12                  “(bb) acting as a  
13                  counterparty in any agreement,  
14                  contract, or transaction described  
15                  in section 2(c)(2)(C)(i) or section  
16                  2(c)(2)(D)(i); and

17                  “(II) in or in connection with the  
18                  activities described in items (aa) or  
19                  (bb) of subclause (I), accepts any  
20                  money, securities, or property (or ex-  
21                  tends credit in lieu thereof) to margin,  
22                  guarantee, or secure any trades or  
23                  contracts that result or may result  
24                  therefrom; or

1                   “(ii) that is registered with the Com-  
2                   mission as a futures commission merchant.

3                   “(B) FURTHER DEFINITION.—The Com-  
4                   mission, by rule or regulation, may include  
5                   within, or exclude from, the term ‘futures com-  
6                   mission merchant’ any person who engages in  
7                   soliciting or accepting orders for, or acting as  
8                   a counterparty in, any agreement, contract, or  
9                   transaction subject to this Act, and who accepts  
10                  any money, securities, or property (or extends  
11                  credit in lieu thereof) to margin, guarantee, or  
12                  secure any trades or contracts that result or  
13                  may result therefrom, if the Commission deter-  
14                  mines that the rule or regulation will effectuate  
15                  the purposes of this Act.”;

16                  (14) in paragraph (30) (as redesignated by  
17                  paragraph (1)), in subparagraph (B), by striking  
18                  “state” and inserting “State”;

19                  (15) by striking paragraph (31) (as redesign-  
20                  ated by paragraph (1)) and inserting the following:

21                  “(31) INTRODUCING BROKER.—

22                         “(A) IN GENERAL.—The term ‘introducing  
23                         broker’ means any person (except an individual  
24                         who elects to be and is registered as an associ-

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1           ated person of a futures commission mer-  
2           chant)—

3                   “(i) who—

4                           “(I) is engaged in soliciting or in  
5                           accepting orders for—

6                                   “(aa) the purchase or sale of  
7                                   any commodity for future deliv-  
8                                   ery, security futures product, or  
9                                   swap;

10                                   “(bb) any agreement, con-  
11                                   tract, or transaction described in  
12                                   section 2(c)(2)(C)(i) or section  
13                                   2(c)(2)(D)(i);

14                                   “(cc) any commodity option  
15                                   authorized under section 4c; or

16                                   “(dd) any leverage trans-  
17                                   action authorized under section  
18                                   19; and

19                                   “(II) does not accept any money,  
20                                   securities, or property (or extend cred-  
21                                   it in lieu thereof) to margin, guar-  
22                                   antee, or secure any trades or con-  
23                                   tracts that result or may result there-  
24                                   from; or

1                   “(ii) who is registered with the Com-  
2                   mission as an introducing broker.

3                   “(B) FURTHER DEFINITION.—The Com-  
4                   mission, by rule or regulation, may include  
5                   within, or exclude from, the term ‘introducing  
6                   broker’ any person who engages in soliciting or  
7                   accepting orders for any agreement, contract,  
8                   or transaction subject to this Act, and who does  
9                   not accept any money, securities, or property  
10                  (or extend credit in lieu thereof) to margin,  
11                  guarantee, or secure any trades or contracts  
12                  that result or may result therefrom, if the Com-  
13                  mission determines that the rule or regulation  
14                  will effectuate the purposes of this Act.”;

15                  (16) by inserting after paragraph (31) (as re-  
16                  designated by paragraph (1)) the following:

17                  “(32) MAJOR SECURITY-BASED SWAP PARTICI-  
18                  PANT.—The term ‘major security-based swap partici-  
19                  pant’ has the meaning given the term in section  
20                  3(a) of the Securities Exchange Act of 1934 (15  
21                  U.S.C. 78c(a)).

22                  “(33) MAJOR SWAP PARTICIPANT.—

23                  “(A) IN GENERAL.—The term ‘major swap  
24                  participant’ means any person who is not a  
25                  swap dealer, and—



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1 “(i) maintains a substantial position  
2 in swaps for any of the major swap cat-  
3 egories as determined by the Commission,  
4 excluding—

5 “(I) positions held for hedging or  
6 mitigating commercial risk; and

7 “(II) positions maintained by any  
8 employee benefit plan (or any contract  
9 held by such a plan) as defined in  
10 paragraphs (3) and (32) of section 3  
11 of the Employee Retirement Income  
12 Security Act of 1974 (29 U.S.C.  
13 1002) for the primary purpose of  
14 hedging or mitigating any risk directly  
15 associated with the operation of the  
16 plan;

17 “(ii) whose outstanding swaps create  
18 substantial counterparty exposure that  
19 could have serious adverse effects on the  
20 financial stability of the United States  
21 banking system or financial markets; or

22 “(iii)(I) is a financial entity that is  
23 highly leveraged relative to the amount of  
24 capital it holds and that is not subject to

1 capital requirements established by an ap-  
2 propriate Federal banking agency; and

3 “(II) maintains a substantial position  
4 in outstanding swaps in any major swap  
5 category as determined by the Commission.

6 “(B) DEFINITION OF SUBSTANTIAL POSI-  
7 TION.—For purposes of subparagraph (A), the  
8 Commission shall define by rule or regulation  
9 the term ‘substantial position’ at the threshold  
10 that the Commission determines to be prudent  
11 for the effective monitoring, management, and  
12 oversight of entities that are systemically im-  
13 portant or can significantly impact the financial  
14 system of the United States. In setting the defi-  
15 nition under this subparagraph, the Commis-  
16 sion shall consider the person’s relative position  
17 in uncleared as opposed to cleared swaps and  
18 may take into consideration the value and qual-  
19 ity of collateral held against counterparty expo-  
20 sures.

21 “(C) SCOPE OF DESIGNATION.—For pur-  
22 poses of subparagraph (A), a person may be  
23 designated as a major swap participant for 1 or  
24 more categories of swaps without being classi-

1           fied as a major swap participant for all classes  
2           of swaps.

3           “(D) EXCLUSIONS.—The definition under  
4           this paragraph shall not include an entity whose  
5           primary business is providing financing, and  
6           uses derivatives for the purpose of hedging un-  
7           derlying commercial risks related to interest  
8           rate and foreign currency exposures, 90 percent  
9           or more of which arise from financing that fa-  
10          cilitates the purchase or lease of products, 90  
11          percent or more of which are manufactured by  
12          the parent company or another subsidiary of  
13          the parent company.”;

14          (17) by inserting after paragraph (38) (as re-  
15          designated by paragraph (1)) the following:

16          “(39) PRUDENTIAL REGULATOR.—The term  
17          ‘prudential regulator’ means—

18                  “(A) the Board in the case of a swap deal-  
19                  er, major swap participant, security-based swap  
20                  dealer, or major security-based swap participant  
21                  that is—

22                          “(i) a State-chartered bank that is a  
23                          member of the Federal Reserve System;

24                          “(ii) a State-chartered branch or  
25                          agency of a foreign bank;

1                   “(iii) any foreign bank which does not  
2                   operate an insured branch;

3                   “(iv) any organization operating  
4                   under section 25A of the Federal Reserve  
5                   Act or having an agreement with the  
6                   Board under section 225 of the Federal  
7                   Reserve Act;

8                   “(v) any bank holding company (as  
9                   defined in section 2 of the Bank Holding  
10                  Company Act of 1965 (12 U.S.C. 1841)),  
11                  any foreign bank (as defined in section  
12                  1(b)(7) of the International Banking Act  
13                  of 1978 (12 U.S.C. 3101(b)(7)) that is  
14                  treated as a bank holding company under  
15                  section 8(a) of the International Banking  
16                  Act of 1978 (12 U.S.C. 3106(a)), and any  
17                  subsidiary of such a company or foreign  
18                  bank (other than a subsidiary that is de-  
19                  scribed in subparagraph (A) or (B) or that  
20                  is required to be registered with the Com-  
21                  mission as a swap dealer or major swap  
22                  participant under this Act or with the Se-  
23                  curities and Exchange Commission as a se-  
24                  curity-based swap dealer or major security-  
25                  based swap participant);

1           “(vi) after the transfer date (as de-  
2           fined in section 311 of the Dodd-Frank  
3           Wall Street Reform and Consumer Protec-  
4           tion Act), any savings and loan holding  
5           company (as defined in section 10 of the  
6           Home Owners’ Loan Act (12 U.S.C.  
7           1467a)) and any subsidiary of such com-  
8           pany (other than a subsidiary that is de-  
9           scribed in subparagraph (A) or (B) or that  
10          is required to be registered as a swap deal-  
11          er or major swap participant with the  
12          Commission under this Act or with the Se-  
13          curities and Exchange Commission as a se-  
14          curity-based swap dealer or major security-  
15          based swap participant); or

16          “(vii) any organization operating  
17          under section 25A of the Federal Reserve  
18          Act (12U.S.C. 611 et seq.) or having an  
19          agreement with the Board under section  
20          25 of the Federal Reserve Act (12 U.S.C.  
21          601 et seq.);

22          “(B) the Office of the Comptroller of the  
23          Currency in the case of a swap dealer, major  
24          swap participant, security-based swap dealer, or  
25          major security-based swap participant that is—

1 “(i) a national bank;

2 “(ii) a federally chartered branch or  
3 agency of a foreign bank; or

4 “(iii) any Federal savings association;

5 “(C) the Federal Deposit Insurance Cor-  
6 poration in the case of a swap dealer, major  
7 swap participant, security-based swap dealer, or  
8 major security-based swap participant that is—

9 “(i) a State-chartered bank that is not  
10 a member of the Federal Reserve System;

11 or

12 “(ii) any State savings association;

13 “(D) the Farm Credit Administration, in  
14 the case of a swap dealer, major swap partici-  
15 pant, security-based swap dealer, or major secu-  
16 rity-based swap participant that is an institu-  
17 tion chartered under the Farm Credit Act of  
18 1971 (12 U.S.C. 2001 et seq.); and

19 “(E) the Federal Housing Finance Agency  
20 in the case of a swap dealer, major swap partici-  
21 pant, security-based swap dealer, or major se-  
22 curity-based swap participant that is a regu-  
23 lated entity (as such term is defined in section  
24 1303 of the Federal Housing Enterprises Fi-  
25 nancial Safety and Soundness Act of 1992).”;

1           (18) in paragraph (40) (as redesignated by  
2 paragraph (1))—

3           (A) by striking subparagraph (B);

4           (B) by redesignating subparagraphs (C),  
5 (D), and (E) as subparagraphs (B), (C), and  
6 (F), respectively;

7           (C) in subparagraph (C) (as so redesign-  
8 ated), by striking “and”; and

9           (D) by inserting after subparagraph (C)  
10 (as so redesignated) the following:

11           “(D) a swap execution facility registered  
12 under section 5h;

13           “(E) a swap data repository registered  
14 under section 21; and”;

15           (19) by inserting after paragraph (41) (as re-  
16 designating by paragraph (1)) the following:

17           “(42) SECURITY-BASED SWAP.—The term ‘se-  
18 curity-based swap’ has the meaning given the term  
19 in section 3(a) of the Securities Exchange Act of  
20 1934 (15 U.S.C. 78c(a)).

21           “(43) SECURITY-BASED SWAP DEALER.—The  
22 term ‘security-based swap dealer’ has the meaning  
23 given the term in section 3(a) of the Securities Ex-  
24 change Act of 1934 (15 U.S.C. 78c(a)).”;

1           (20) in paragraph (46) (as redesignated by  
2 paragraph (1)), by striking “subject to section  
3 2(h)(7)” and inserting “subject to section 2(h)(5)”;

4           (21) by inserting after paragraph (46) (as re-  
5 designated by paragraph (1)) the following:

6           “(47) SWAP.—

7           “(A) IN GENERAL.—Except as provided in  
8 subparagraph (B), the term ‘swap’ means any  
9 agreement, contract, or transaction—

10           “(i) that is a put, call, cap, floor, col-  
11 lar, or similar option of any kind that is  
12 for the purchase or sale, or based on the  
13 value, of 1 or more interest or other rates,  
14 currencies, commodities, securities, instru-  
15 ments of indebtedness, indices, quantitative  
16 measures, or other financial or economic  
17 interests or property of any kind;

18           “(ii) that provides for any purchase,  
19 sale, payment, or delivery (other than a  
20 dividend on an equity security) that is de-  
21 pendent on the occurrence, nonoccurrence,  
22 or the extent of the occurrence of an event  
23 or contingency associated with a potential  
24 financial, economic, or commercial con-  
25 sequence;



1           “(iii) that provides on an executory  
2           basis for the exchange, on a fixed or con-  
3           tingent basis, of 1 or more payments based  
4           on the value or level of 1 or more interest  
5           or other rates, currencies, commodities, se-  
6           curities, instruments of indebtedness, indi-  
7           ces, quantitative measures, or other finan-  
8           cial or economic interests or property of  
9           any kind, or any interest therein or based  
10          on the value thereof, and that transfers, as  
11          between the parties to the transaction, in  
12          whole or in part, the financial risk associ-  
13          ated with a future change in any such  
14          value or level without also conveying a cur-  
15          rent or future direct or indirect ownership  
16          interest in an asset (including any enter-  
17          prise or investment pool) or liability that  
18          incorporates the financial risk so trans-  
19          ferred, including any agreement, contract,  
20          or transaction commonly known as—

21                   “(I) an interest rate swap;

22                   “(II) a rate floor;

23                   “(III) a rate cap;

24                   “(IV) a rate collar;

25                   “(V) a cross-currency rate swap;

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- 1 “(VI) a basis swap;
- 2 “(VII) a currency swap;
- 3 “(VIII) a foreign exchange swap;
- 4 “(IX) a total return swap;
- 5 “(X) an equity index swap;
- 6 “(XI) an equity swap;
- 7 “(XII) a debt index swap;
- 8 “(XIII) a debt swap;
- 9 “(XIV) a credit spread;
- 10 “(XV) a credit default swap;
- 11 “(XVI) a credit swap;
- 12 “(XVII) a weather swap;
- 13 “(XVIII) an energy swap;
- 14 “(XIX) a metal swap;
- 15 “(XX) an agricultural swap;
- 16 “(XXI) an emissions swap; and
- 17 “(XXII) a commodity swap;

18 “(iv) that is an agreement, contract,  
19 or transaction that is, or in the future be-  
20 comes, commonly known to the trade as a  
21 swap;

22 “(v) including any security-based  
23 swap agreement which meets the definition  
24 of ‘swap agreement’ as defined in section  
25 206A of the Gramm-Leach-Bliley Act (15

1 U.S.C. 78c note) of which a material term  
2 is based on the price, yield, value, or vola-  
3 tility of any security or any group or index  
4 of securities, or any interest therein; or

5 “(vi) that is any combination or per-  
6 mutation of, or option on, any agreement,  
7 contract, or transaction described in any of  
8 clauses (i) through (v).

9 “(B) EXCLUSIONS.—The term ‘swap’ does  
10 not include—

11 “(i) any contract of sale of a com-  
12 modity for future delivery (or option on  
13 such a contract), leverage contract author-  
14 ized under section 19, security futures  
15 product, or agreement, contract, or trans-  
16 action described in section 2(c)(2)(C)(i) or  
17 section 2(e)(2)(D)(i);

18 “(ii) any sale of a nonfinancial com-  
19 modity or security for deferred shipment or  
20 delivery, so long as the transaction is in-  
21 tended to be physically settled;

22 “(iii) any put, call, straddle, option, or  
23 privilege on any security, certificate of de-  
24 posit, or group or index of securities, in-

1 cluding any interest therein or based on  
2 the value thereof, that is subject to—

3 “(I) the Securities Act of 1933  
4 (15 U.S.C. 77a et seq.); and

5 “(II) the Securities Exchange  
6 Act of 1934 (15 U.S.C. 78a et seq.);

7 “(iv) any put, call, straddle, option, or  
8 privilege relating to a foreign currency en-  
9 tered into on a national securities exchange  
10 registered pursuant to section 6(a) of the  
11 Securities Exchange Act of 1934 (15  
12 U.S.C. 78f(a));

13 “(v) any agreement, contract, or  
14 transaction providing for the purchase or  
15 sale of 1 or more securities on a fixed basis  
16 that is subject to—

17 “(I) the Securities Act of 1933  
18 (15 U.S.C. 77a et seq.); and

19 “(II) the Securities Exchange  
20 Act of 1934 (15 U.S.C. 78a et seq.);

21 “(vi) any agreement, contract, or  
22 transaction providing for the purchase or  
23 sale of 1 or more securities on a contingent  
24 basis that is subject to the Securities Act  
25 of 1933 (15 U.S.C. 77a et seq.) and the

1 Securities Exchange Act of 1934 (15  
2 U.S.C. 78a et seq.), unless the agreement,  
3 contract, or transaction predicates the pur-  
4 chase or sale on the occurrence of a bona  
5 fide contingency that might reasonably be  
6 expected to affect or be affected by the  
7 creditworthiness of a party other than a  
8 party to the agreement, contract, or trans-  
9 action;

10 “(vii) any note, bond, or evidence of  
11 indebtedness that is a security, as defined  
12 in section 2(a)(1) of the Securities Act of  
13 1933 (15 U.S.C. 77b(a)(1));

14 “(viii) any agreement, contract, or  
15 transaction that is—

16 “(I) based on a security; and

17 “(II) entered into directly or  
18 through an underwriter (as defined in  
19 section 2(a)(11) of the Securities Act  
20 of 1933 (15 U.S.C. 77b(a)(11)) by  
21 the issuer of such security for the  
22 purposes of raising capital, unless the  
23 agreement, contract, or transaction is  
24 entered into to manage a risk associ-  
25 ated with capital raising;

1           “(ix) any agreement, contract, or  
2           transaction a counterparty of which is a  
3           Federal Reserve bank, the Federal Govern-  
4           ment, or a Federal agency that is expressly  
5           backed by the full faith and credit of the  
6           United States; and

7           “(x) any security-based swap, other  
8           than a security-based swap as described in  
9           subparagraph (D).

10           “(C) RULE OF CONSTRUCTION REGARDING  
11           MASTER AGREEMENTS.—

12           “(i) IN GENERAL.—Except as pro-  
13           vided in clause (ii), the term ‘swap’ in-  
14           cludes a master agreement that provides  
15           for an agreement, contract, or transaction  
16           that is a swap under subparagraph (A), to-  
17           gether with each supplement to any master  
18           agreement, without regard to whether the  
19           master agreement contains an agreement,  
20           contract, or transaction that is not a swap  
21           pursuant to subparagraph (A).

22           “(ii) EXCEPTION.—For purposes of  
23           clause (i), the master agreement shall be  
24           considered to be a swap only with respect  
25           to each agreement, contract, or transaction

1 covered by the master agreement that is a  
2 swap pursuant to subparagraph (A).

3 “(D) MIXED SWAP.—The term ‘security-  
4 based swap’ includes any agreement, contract,  
5 or transaction that is as described in section  
6 3(a)(68)(A) of the Securities Exchange Act of  
7 1934 (15 U.S.C. 78c(a)(68)(A)) and also is  
8 based on the value of 1 or more interest or  
9 other rates, currencies, commodities, instru-  
10 ments of indebtedness, indices, quantitative  
11 measures, other financial or economic interest  
12 or property of any kind (other than a single se-  
13 curity or a narrow-based security index), or the  
14 occurrence, non-occurrence, or the extent of the  
15 occurrence of an event or contingency associ-  
16 ated with a potential financial, economic, or  
17 commercial consequence (other than an event  
18 described in subparagraph (A)(iii)).

19 “(E) TREATMENT OF FOREIGN EXCHANGE  
20 SWAPS AND FORWARDS.—

21 “(i) IN GENERAL.—Foreign exchange  
22 swaps and foreign exchange forwards shall  
23 be considered swaps under this paragraph  
24 unless the Secretary makes a written de-  
25 termination under section 1b that either

1 foreign exchange swaps or foreign ex-  
2 change forwards or both—

3 “(I) should be not be regulated  
4 as swaps under this Act; and

5 “(II) are not structured to evade  
6 the Dodd-Frank Wall Street Reform  
7 and Consumer Protection Act in viola-  
8 tion of any rule promulgated by the  
9 Commission pursuant to section  
10 721(c) of that Act.

11 “(ii) CONGRESSIONAL NOTICE; EFFEC-  
12 TIVENESS.—The Secretary shall submit  
13 any written determination under clause (i)  
14 to the appropriate committees of Congress,  
15 including the Committee on Agriculture,  
16 Nutrition, and Forestry of the Senate and  
17 the Committee on Agriculture of the House  
18 of Representatives. Any such written deter-  
19 mination by the Secretary shall not be ef-  
20 fective until it is submitted to the appro-  
21 priate committees of Congress.

22 “(iii) REPORTING.—Notwithstanding  
23 a written determination by the Secretary  
24 under clause (i), all foreign exchange  
25 swaps and foreign exchange forwards shall



1 be reported to either a swap data reposi-  
2 tory, or, if there is no swap data repository  
3 that would accept such swaps or forwards,  
4 to the Commission pursuant to section 4r  
5 within such time period as the Commission  
6 may by rule or regulation prescribe.

7 “(iv) BUSINESS STANDARDS.—Not-  
8 withstanding a written determination by  
9 the Secretary pursuant to clause (i), any  
10 party to a foreign exchange swap or for-  
11 ward that is a swap dealer or major swap  
12 participant shall conform to the business  
13 conduct standards contained in section  
14 4s(h).

15 “(v) SECRETARY.—For purposes of  
16 this subparagraph, the term ‘Secretary’  
17 means the Secretary of the Treasury.

18 “(F) EXCEPTION FOR CERTAIN FOREIGN  
19 EXCHANGE SWAPS AND FORWARDS.—

20 “(i) REGISTERED ENTITIES.—Any  
21 foreign exchange swap and any foreign ex-  
22 change forward that is listed and traded on  
23 or subject to the rules of a designated con-  
24 tract market or a swap execution facility,  
25 or that is cleared by a derivatives clearing

1 organization, shall not be exempt from any  
2 provision of this Act or amendments made  
3 by the Wall Street Transparency and Ac-  
4 countability Act of 2010 prohibiting fraud  
5 or manipulation.

6 “(ii) RETAIL TRANSACTIONS.—Noth-  
7 ing in subparagraph (E) shall affect, or be  
8 construed to affect, the applicability of this  
9 Act or the jurisdiction of the Commission  
10 with respect to agreements, contracts, or  
11 transactions in foreign currency pursuant  
12 to section 2(c)(2).

13 “(48) SWAP DATA REPOSITORY.—The term  
14 ‘swap data repository’ means any person that col-  
15 lects and maintains information or records with re-  
16 spect to transactions or positions in, or the terms  
17 and conditions of, swaps entered into by third par-  
18 ties for the purpose of providing a centralized rec-  
19 ordkeeping facility for swaps.

20 “(49) SWAP DEALER.—

21 “(A) IN GENERAL.—The term ‘swap deal-  
22 er’ means any person who—

23 “(i) holds itself out as a dealer in  
24 swaps;

25 “(ii) makes a market in swaps;

1           “(iii) regularly enters into swaps with  
2           counterparties as an ordinary course of  
3           business for its own account; or

4           “(iv) engages in any activity causing  
5           the person to be commonly known in the  
6           trade as a dealer or market maker in  
7           swaps,

8           provided however, in no event shall an insured  
9           depository institution be considered to be a  
10          swap dealer to the extent it offers to enter into  
11          a swap with a customer in connection with origi-  
12          nating a loan with that customer.

13          “(B) INCLUSION.—A person may be des-  
14          ignated as a swap dealer for a single type or  
15          single class or category of swap or activities and  
16          considered not to be a swap dealer for other  
17          types, classes, or categories of swaps or activi-  
18          ties.

19          “(C) EXCEPTION.—The term ‘swap dealer’  
20          does not include a person that enters into  
21          swaps for such person’s own account, either in-  
22          dividually or in a fiduciary capacity, but not as  
23          a part of a regular business.

24          “(D) DE MINIMIS EXCEPTION.—The Com-  
25          mission shall exempt from designation as a

1 swap dealer an entity that engages in a de  
2 minimis quantity of swap dealing in connection  
3 with transactions with or on behalf of its cus-  
4 tomers. The Commission shall promulgate regu-  
5 lations to establish factors with respect to the  
6 making of this determination to exempt.

7 “(50) SWAP EXECUTION FACILITY.—The term  
8 ‘swap execution facility’ means a trading system or  
9 platform in which multiple participants have the  
10 ability to execute or trade swaps by accepting bids  
11 and offers made by multiple participants in the facil-  
12 ity or system, through any means of interstate com-  
13 merce, including any trading facility, that—

14 “(A) facilitates the execution of swaps be-  
15 tween persons; and

16 “(B) is not a designated contract mar-  
17 ket.”.

18 (22) in paragraph (51) (as redesignated by  
19 paragraph (1)), in subparagraph (A)(i), by striking  
20 “partipants” and inserting “participants”.

21 (b) AUTHORITY TO DEFINE TERMS.—The Com-  
22 modity Futures Trading Commission may adopt a rule to  
23 define—

24 (1) the term “commercial risk”; and



1 2(c)(1)(D), 4a(a), 4a(b), 4d(c), 4d(d), 4r,  
2 4s, 5b(a), 5b(b), 5(d), 5(g), 5(h), 5b(c),  
3 5b(i), 8e, and 21; and

4 “(II) section 206(e) of the Gramm-  
5 Leach-Bliley Act (Public Law 106–102; 15  
6 U.S.C. 78c note); and

7 “(ii) in sections 721(e) and 742 of the  
8 Dodd-Frank Wall Street Reform and Consumer  
9 Protection Act; and

10 “(B) the Commission and the Securities and  
11 Exchange Commission may by rule, regulation, or  
12 order jointly exclude any agreement, contract, or  
13 transaction from section 2(a)(1)(D)) if the Commis-  
14 sions determine that the exemption would be con-  
15 sistent with the public interest.”.

16 (e) CONFORMING AMENDMENTS.—

17 (1) Section 2(c)(2)(B)(i)(II) of the Commodity  
18 Exchange Act (7 U.S.C. 2(c)(2)(B)(i)(II)) is amend-  
19 ed—

20 (A) in item (cc)—

21 (i) in subitem (AA), by striking “sec-  
22 tion 1a(20)” and inserting “section 1a”;  
23 and

1 (ii) in subitem (BB), by striking “sec-  
2 tion 1a(20)” and inserting “section 1a”;  
3 and

4 (B) in item (dd), by striking “section  
5 1a(12)(A)(ii)” and inserting “section  
6 1a(18)(A)(ii)”.

7 (2) Section 4m(3) of the Commodity Exchange  
8 Act (7 U.S.C. 6m(3)) is amended by striking “sec-  
9 tion 1a(6)” and inserting “section 1a”.

10 (3) Section 4q(a)(1) of the Commodity Ex-  
11 change Act (7 U.S.C. 6o-1(a)(1)) is amended by  
12 striking “section 1a(4)” and inserting “section  
13 1a(9)”.

14 (4) Section 5(e)(1) of the Commodity Exchange  
15 Act (7 U.S.C. 7(e)(1)) is amended by striking “sec-  
16 tion 1a(4)” and inserting “section 1a(9)”.

17 (5) Section 5a(b)(2)(F) of the Commodity Ex-  
18 change Act (7 U.S.C. 7a(b)(2)(F)) is amended by  
19 striking “section 1a(4)” and inserting “section  
20 1a(9)”.

21 (6) Section 5b(a) of the Commodity Exchange  
22 Act (7 U.S.C. 7a-1(a)) is amended, in the matter  
23 preceding paragraph (1), by striking “section 1a(9)”  
24 and inserting “section 1a”.

1           (7) Section 5c(e)(2)(B) of the Commodity Ex-  
2           change Act (7 U.S.C. 7a-2(e)(2)(B)) is amended by  
3           striking “section 1a(4)” and inserting “section  
4           1a(9)”.

5           (8) Section 6(g)(5)(B)(i) of the Securities Ex-  
6           change Act of 1934 (15 U.S.C. 78f(g)(5)(B)(i)) is  
7           amended—

8                   (A) in subclause (I), by striking “section  
9                   1a(12)(B)(ii)” and inserting “section  
10                   1a(18)(B)(ii)”; and

11                   (B) in subclause (II), by striking “section  
12                   1a(12)” and inserting “section 1a(18)”.

13           (9) Section 402 of the Legal Certainty for  
14           Bank Products Act of 2000 (7 U.S.C. 27 et seq.) is  
15           amended—

16                   (A) in subsection (a)(7), by striking “sec-  
17                   tion 1a(20)” and inserting “section 1a”;

18                   (B) in subsection (b)(2), by striking “sec-  
19                   tion 1a(12)” and inserting “section 1a”; and

20                   (C) in subsection (c), by striking “section  
21                   1a(4)” and inserting “section 1a”.

22           (10) The first section of Public Law 85-839 (7  
23           U.S.C. 13-1) is amended in subsection (a), in the  
24           first sentence, by inserting “motion picture box of-



1        fice receipts (or any index, measure, value, or data  
2        related to such receipts) or” after “sale of”.

3        (f) EFFECTIVE DATE.—Notwithstanding any other  
4        provision of this Act, the amendments made by subsection  
5        (a)(4) shall take effect on June 1, 2010.

6        **SEC. 722. JURISDICTION.**

7        (a) EXCLUSIVE JURISDICTION.—Section 2(a)(1) of  
8        the Commodity Exchange Act (7 U.S.C. 2(a)(1)) is  
9        amended—

10            (1) in subparagraph (A), in the first sentence—

11                    (A) by inserting “the Wall Street Trans-  
12                    parency and Accountability Act of 2010 (includ-  
13                    ing an amendment made by that Act) and”  
14                    after “otherwise provided in”;

15                    (B) by striking “(C) and (D)” and insert-  
16                    ing “(C), (D), and (I)”;

17                    (C) by striking “(e) through (i) of this sec-  
18                    tion” and inserting “(e) and (f)”;

19                    (D) by striking “contracts of sale” and in-  
20                    serting “swaps or contracts of sale”; and

21                    (E) by striking “or derivatives transaction  
22                    execution facility registered pursuant to section  
23                    5 or 5a” and inserting “pursuant to section 5  
24                    or a swap execution facility pursuant to section  
25                    5h”; and

1 (2) by adding at the end the following:

2 “(G)(i) Nothing in this paragraph shall  
3 limit the jurisdiction conferred on the Securities  
4 and Exchange Commission by the Wall Street  
5 Transparency and Accountability Act of 2010  
6 with regard to security-based swap agreements  
7 as defined pursuant to section 3(a)(78) of the  
8 Securities Exchange Act of 1934, and security-  
9 based swaps.

10 “(ii) In addition to the authority of the Se-  
11 curities and Exchange Commission described in  
12 clause (i), nothing in this subparagraph shall  
13 limit or affect any statutory authority of the  
14 Commission with respect to an agreement, con-  
15 tract, or transaction described in clause (i).

16 “(H) Notwithstanding any other provision  
17 of law, the Wall Street Transparency and Ac-  
18 countability Act of 2010 shall not apply to, and  
19 the Commodity Futures Trading Commission  
20 shall have no jurisdiction under such Act (or  
21 any amendments to the Commodity Exchange  
22 Act made by such Act) with respect to, any se-  
23 curity other than a security-based swap.”.

24 (b) REGULATION OF SWAPS UNDER FEDERAL AND  
25 STATE LAW.—Section 12 of the Commodity Exchange Act

1 (7 U.S.C. 16) is amended by adding at the end the fol-  
2 lowing:

3 “(h) REGULATION OF SWAPS AS INSURANCE UNDER  
4 STATE LAW.—A swap—

5 “(1) shall not be considered to be insurance;  
6 and

7 “(2) may not be regulated as an insurance con-  
8 tract under the law of any State.”.

9 (c) AGREEMENTS, CONTRACTS, AND TRANSACTIONS  
10 TRADED ON AN ORGANIZED EXCHANGE.—Section  
11 2(c)(2)(A) of the Commodity Exchange Act (7 U.S.C.  
12 2(c)(2)(A)) is amended—

13 (1) in clause (i), by striking “or” at the end;

14 (2) by redesignating clause (ii) as clause (iii);

15 and

16 (3) by inserting after clause (i) the following:

17 “(ii) a swap; or”.

18 (d) APPLICABILITY.—Section 2 of the Commodity  
19 Exchange Act (7 U.S.C. 2) (as amended by section  
20 723(a)(3)) is amended by adding at the end the following:

21 “(i) APPLICABILITY.—The provisions of this Act re-  
22 lating to swaps that were enacted by the Wall Street  
23 Transparency and Accountability Act of 2010 (including  
24 any rule prescribed or regulation promulgated under that

1 Act), shall not apply to activities outside the United States  
2 unless those activities—

3 “(1) have a direct and significant connection  
4 with activities in, or effect on, commerce of the  
5 United States; or

6 “(2) contravene such rules or regulations as the  
7 Commission may prescribe or promulgate as are nec-  
8 essary or appropriate to prevent the evasion of any  
9 provision of this Act that was enacted by the Wall  
10 Street Transparency and Accountability Act of  
11 2010.”.

12 (e) FEDERAL ENERGY REGULATORY COMMISSION.—  
13 Section 2(a)(1) of the Commodity Exchange Act (7 U.S.C.  
14 2(a)(1)) is amended by adding at the end the following:

15 “(I)(i) Nothing in this Act shall limit or  
16 affect any statutory authority of the Federal  
17 Energy Regulatory Commission or a State reg-  
18 ulatory authority (as defined in section 3(21) of  
19 the Federal Power Act (16 U.S.C. 796(21))  
20 with respect to an agreement, contract, or  
21 transaction that is entered into pursuant to a  
22 tariff or rate schedule approved by the Federal  
23 Energy Regulatory Commission or a State reg-  
24 ulatory authority and is—

1 “(I) not executed, traded, or cleared  
2 on a registered entity or trading facility; or

3 “(II) executed, traded, or cleared on a  
4 registered entity or trading facility owned  
5 or operated by a regional transmission or-  
6 ganization or independent system operator.

7 “(ii) In addition to the authority of the  
8 Federal Energy Regulatory Commission or a  
9 State regulatory authority described in clause  
10 (i), nothing in this subparagraph shall limit or  
11 affect—

12 “(I) any statutory authority of the  
13 Commission with respect to an agreement,  
14 contract, or transaction described in clause  
15 (i); or

16 “(II) the jurisdiction of the Commis-  
17 sion under subparagraph (A) with respect  
18 to an agreement, contract, or transaction  
19 that is executed, traded, or cleared on a  
20 registered entity or trading facility that is  
21 not owned or operated by a regional trans-  
22 mission organization or independent sys-  
23 tem operator (as defined by sections 3(27)  
24 and (28) of the Federal Power Act (16  
25 U.S.C. 796(27), 796(28)).”.

1 (f) PUBLIC INTEREST WAIVER.—Section 4(c) of the  
2 Commodity Exchange Act (7 U.S.C. 6(c)) (as amended  
3 by section 721(d)) is amended by adding at the end the  
4 following:

5 “(6) If the Commission determines that the ex-  
6 emption would be consistent with the public interest  
7 and the purposes of this Act, the Commission shall,  
8 in accordance with paragraphs (1) and (2), exempt  
9 from the requirements of this Act an agreement,  
10 contract, or transaction that is entered into—

11 “(A) pursuant to a tariff or rate schedule  
12 approved or permitted to take effect by the  
13 Federal Energy Regulatory Commission;

14 “(B) pursuant to a tariff or rate schedule  
15 establishing rates or charges for, or protocols  
16 governing, the sale of electric energy approved  
17 or permitted to take effect by the regulatory au-  
18 thority of the State or municipality having ju-  
19 risdiction to regulate rates and charges for the  
20 sale of electric energy within the State or mu-  
21 nicipality; or

22 “(C) between entities described in section  
23 201(f) of the Federal Power Act (16 U.S.C.  
24 824(f)).”.

1 (g) AUTHORITY OF FERC.—Nothing in the Wall  
2 Street Transparency and Accountability Act of 2010 or  
3 the amendments to the Commodity Exchange Act made  
4 by such Act shall limit or affect any statutory enforcement  
5 authority of the Federal Energy Regulatory Commission  
6 pursuant to section 222 of the Federal Power Act and sec-  
7 tion 4A of the Natural Gas Act that existed prior to the  
8 date of enactment of the Wall Street Transparency and  
9 Accountability Act of 2010.

10 (h) DETERMINATION.—The Commodity Exchange  
11 Act is amended by inserting after section 1a (7 U.S.C.  
12 1a) the following:

13 **“SEC. 1b. REQUIREMENTS OF SECRETARY OF THE TREAS-**  
14 **URY REGARDING EXEMPTION OF FOREIGN**  
15 **EXCHANGE SWAPS AND FOREIGN EXCHANGE**  
16 **FORWARDS FROM DEFINITION OF THE TERM**  
17 **‘SWAP’.**

18 “(a) REQUIRED CONSIDERATIONS.—In determining  
19 whether to exempt foreign exchange swaps and foreign ex-  
20 change forwards from the definition of the term ‘swap’,  
21 the Secretary of the Treasury (referred to in this section  
22 as the ‘Secretary’) shall consider—

23 “(1) whether the required trading and clearing  
24 of foreign exchange swaps and foreign exchange for-  
25 wards would create systemic risk, lower trans-

1       parency, or threaten the financial stability of the  
2       United States;

3           “(2) whether foreign exchange swaps and for-  
4       foreign exchange forwards are already subject to a reg-  
5       ulatory scheme that is materially comparable to that  
6       established by this Act for other classes of swaps;

7           “(3) the extent to which bank regulators of par-  
8       ticipants in the foreign exchange market provide  
9       adequate supervision, including capital and margin  
10      requirements;

11          “(4) the extent of adequate payment and settle-  
12      ment systems; and

13          “(5) the use of a potential exemption of foreign  
14      exchange swaps and foreign exchange forwards to  
15      evade otherwise applicable regulatory requirements.

16      “(b) DETERMINATION.—If the Secretary makes a de-  
17      termination to exempt foreign exchange swaps and foreign  
18      exchange forwards from the definition of the term ‘swap’,  
19      the Secretary shall submit to the appropriate committees  
20      of Congress a determination that contains—

21          “(1) an explanation regarding why foreign ex-  
22      change swaps and foreign exchange forwards are  
23      qualitatively different from other classes of swaps in  
24      a way that would make the foreign exchange swaps



1 and foreign exchange forwards ill-suited for regula-  
2 tion as swaps; and

3 “(2) an identification of the objective dif-  
4 ferences of foreign exchange swaps and foreign ex-  
5 change forwards with respect to standard swaps that  
6 warrant an exempted status.

7 “(c) EFFECT OF DETERMINATION.—A determination  
8 by the Secretary under subsection (b) shall not exempt  
9 any foreign exchange swaps and foreign exchange for-  
10 wards traded on a designated contract market or swap  
11 execution facility from any applicable antifraud and  
12 antimanipulation provision under this title.”.

13 **SEC. 723. CLEARING.**

14 (a) CLEARING REQUIREMENT.—

15 (1) IN GENERAL.—Section 2 of the Commodity  
16 Exchange Act (7 U.S.C. 2) is amended—

17 (A) by striking subsections (d), (e), (g),  
18 and (h); and

19 (B) by redesignating subsection (i) as sub-  
20 section (g).

21 (2) SWAPS; LIMITATION ON PARTICIPATION.—

22 Section 2 of the Commodity Exchange Act (7 U.S.C.  
23 2) (as amended by paragraph (1)) is amended by in-  
24 serting after subsection (c) the following:

1           “(d) SWAPS.—Nothing in this Act (other than sub-  
2 paragraphs (A), (B), (C), (D), (G), and (H) of subsection  
3 (a)(1), subsections (f) and (g), sections 1a, 2(a)(13),  
4 2(c)(2)(A)(ii), 2(e), 2(h), 4(c), 4a, 4b, and 4b–1, sub-  
5 sections (a), (b), and (g) of section 4c, sections 4d, 4e,  
6 4f, 4g, 4h, 4i, 4j, 4k, 4l, 4m, 4n, 4o, 4p, 4r, 4s, 4t, 5,  
7 5b, 5c, 5e, and 5h, subsections (c) and (d) of section 6,  
8 sections 6c, 6d, 8, 8a, and 9, subsections (e)(2), (f), and  
9 (h) of section 12, subsections (a) and (b) of section 13,  
10 sections 17, 20, 21, and 22(a)(4), and any other provision  
11 of this Act that is applicable to registered entities or Com-  
12 mission registrants) governs or applies to a swap.

13           “(e) LIMITATION ON PARTICIPATION.—It shall be  
14 unlawful for any person, other than an eligible contract  
15 participant, to enter into a swap unless the swap is en-  
16 tered into on, or subject to the rules of, a board of trade  
17 designated as a contract market under section 5.”.

18           (3) MANDATORY CLEARING OF SWAPS.—Section  
19 2 of the Commodity Exchange Act (7 U.S.C. 2) is  
20 amended by inserting after subsection (g) (as redес-  
21 igned by paragraph (1)(B)) the following:

22           “(h) CLEARING REQUIREMENT.—

23                   “(1) IN GENERAL.—

24                           “(A) STANDARD FOR CLEARING.—It shall  
25 be unlawful for any person to engage in a swap

1           unless that person submits such swap for clear-  
2           ing to a derivatives clearing organization that is  
3           registered under this Act or a derivatives clear-  
4           ing organization that is exempt from registra-  
5           tion under this Act if the swap is required to  
6           be cleared.

7                   “(B) OPEN ACCESS.—The rules of a de-  
8           rivatives clearing organization described in sub-  
9           paragraph (A) shall—

10                   “(i) prescribe that all swaps (but not  
11           contracts of sale of a commodity for future  
12           delivery or options on such contracts) sub-  
13           mitted to the derivatives clearing organiza-  
14           tion with the same terms and conditions  
15           are economically equivalent within the de-  
16           rivatives clearing organization and may be  
17           offset with each other within the deriva-  
18           tives clearing organization; and

19                   “(ii) provide for non-discriminatory  
20           clearing of a swap (but not a contract of  
21           sale of a commodity for future delivery or  
22           option on such contract) executed bilat-  
23           erally or on or through the rules of an un-  
24           affiliated designated contract market or  
25           swap execution facility.

1           “(2) COMMISSION REVIEW.—

2           “(A) COMMISSION-INITIATED REVIEW.—

3           “(i) The Commission on an ongoing  
4 basis shall review each swap, or any group,  
5 category, type, or class of swaps to make  
6 a determination as to whether the swap or  
7 group, category, type, or class of swaps  
8 should be required to be cleared.

9           “(ii) The Commission shall provide at  
10 least a 30-day public comment period re-  
11 garding any determination made under  
12 clause (i).

13           “(B) SWAP SUBMISSIONS.—

14           “(i) A derivatives clearing organiza-  
15 tion shall submit to the Commission each  
16 swap, or any group, category, type, or class  
17 of swaps that it plans to accept for clear-  
18 ing, and provide notice to its members (in  
19 a manner to be determined by the Com-  
20 mission) of the submission.

21           “(ii) Any swap or group, category,  
22 type, or class of swaps listed for clearing  
23 by a derivative clearing organization as of  
24 the date of enactment of this subsection

1 shall be considered submitted to the Com-  
2 mission.

3 “(iii) The Commission shall—

4 “(I) make available to the public  
5 submissions received under clauses (i)  
6 and (ii);

7 “(II) review each submission  
8 made under clauses (i) and (ii), and  
9 determine whether the swap, or group,  
10 category, type, or class of swaps de-  
11 scribed in the submission is required  
12 to be cleared; and

13 “(III) provide at least a 30-day  
14 public comment period regarding its  
15 determination as to whether the clear-  
16 ing requirement under paragraph  
17 (1)(A) shall apply to the submission.

18 “(C) DEADLINE.—The Commission shall  
19 make its determination under subparagraph  
20 (B)(iii) not later than 90 days after receiving a  
21 submission made under subparagraphs (B)(i)  
22 and (B)(ii), unless the submitting derivatives  
23 clearing organization agrees to an extension for  
24 the time limitation established under this sub-  
25 paragraph.

1 “(D) DETERMINATION.—

2 “(i) In reviewing a submission made  
3 under subparagraph (B), the Commission  
4 shall review whether the submission is con-  
5 sistent with section 5b(c)(2).

6 “(ii) In reviewing a swap, group of  
7 swaps, or class of swaps pursuant to sub-  
8 paragraph (A) or a submission made under  
9 subparagraph (B), the Commission shall  
10 take into account the following factors:

11 “(I) The existence of significant  
12 outstanding notional exposures, trad-  
13 ing liquidity, and adequate pricing  
14 data.

15 “(II) The availability of rule  
16 framework, capacity, operational ex-  
17 pertise and resources, and credit sup-  
18 port infrastructure to clear the con-  
19 tract on terms that are consistent  
20 with the material terms and trading  
21 conventions on which the contract is  
22 then traded.

23 “(III) The effect on the mitiga-  
24 tion of systemic risk, taking into ac-  
25 count the size of the market for such

1 contract and the resources of the de-  
2 rivatives clearing organization avail-  
3 able to clear the contract.

4 “(IV) The effect on competition,  
5 including appropriate fees and charges  
6 applied to clearing.

7 “(V) The existence of reasonable  
8 legal certainty in the event of the in-  
9 solvency of the relevant derivatives  
10 clearing organization or 1 or more of  
11 its clearing members with regard to  
12 the treatment of customer and swap  
13 counterparty positions, funds, and  
14 property.

15 “(iii) In making a determination  
16 under subparagraph (A) or (B)(iii) that  
17 the clearing requirement shall apply, the  
18 Commission may require such terms and  
19 conditions to the requirement as the Com-  
20 mission determines to be appropriate.

21 “(E) RULES.—Not later than 1 year after  
22 the date of the enactment of this subsection,  
23 the Commission shall adopt rules for a deriva-  
24 tives clearing organization’s submission for re-  
25 view, pursuant to this paragraph, of a swap, or

1 a group, category, type, or class of swaps, that  
2 it seeks to accept for clearing. Nothing in this  
3 subparagraph limits the Commission from mak-  
4 ing a determination under subparagraph  
5 (B)(iii) for swaps described in subparagraph  
6 (B)(ii).

7 “(3) STAY OF CLEARING REQUIREMENT.—

8 “(A) IN GENERAL.—After making a deter-  
9 mination pursuant to paragraph (2)(B), the  
10 Commission, on application of a counterparty to  
11 a swap or on its own initiative, may stay the  
12 clearing requirement of paragraph (1) until the  
13 Commission completes a review of the terms of  
14 the swap (or the group, category, type, or class  
15 of swaps) and the clearing arrangement.

16 “(B) DEADLINE.—The Commission shall  
17 complete a review undertaken pursuant to sub-  
18 paragraph (A) not later than 90 days after  
19 issuance of the stay, unless the derivatives  
20 clearing organization that clears the swap, or  
21 group, category, type, or class of swaps agrees  
22 to an extension of the time limitation estab-  
23 lished under this subparagraph.



1           “(C) DETERMINATION.—Upon completion  
2 of the review undertaken pursuant to subpara-  
3 graph (A), the Commission may—

4           “(i) determine, unconditionally or sub-  
5 ject to such terms and conditions as the  
6 Commission determines to be appropriate,  
7 that the swap, or group, category, type, or  
8 class of swaps must be cleared pursuant to  
9 this subsection if it finds that such clear-  
10 ing is consistent with paragraph (2)(D); or

11           “(ii) determine that the clearing re-  
12 quirement of paragraph (1) shall not apply  
13 to the swap, or group, category, type, or  
14 class of swaps.

15           “(D) RULES.—Not later than 1 year after  
16 the date of the enactment of the Wall Street  
17 Transparency and Accountability Act of 2010,  
18 the Commission shall adopt rules for reviewing,  
19 pursuant to this paragraph, a derivatives clear-  
20 ing organization’s clearing of a swap, or a  
21 group, category, type, or class of swaps, that it  
22 has accepted for clearing.

23           “(4) PREVENTION OF EVASION.—

24           “(A) IN GENERAL.—The Commission shall  
25 prescribe rules under this subsection (and issue

1 interpretations of rules prescribed under this  
2 subsection) as determined by the Commission to  
3 be necessary to prevent evasions of the manda-  
4 tory clearing requirements under this Act.

5 “(B) DUTY OF COMMISSION TO INVES-  
6 TIGATE AND TAKE CERTAIN ACTIONS.—To the  
7 extent the Commission finds that a particular  
8 swap, group, category, type, or class of swaps  
9 would otherwise be subject to mandatory clear-  
10 ing but no derivatives clearing organization has  
11 listed the swap, group, category, type, or class  
12 of swaps for clearing, the Commission shall—

13 “(i) investigate the relevant facts and  
14 circumstances;

15 “(ii) within 30 days issue a public re-  
16 port containing the results of the investiga-  
17 tion; and

18 “(iii) take such actions as the Com-  
19 mission determines to be necessary and in  
20 the public interest, which may include re-  
21 quiring the retaining of adequate margin  
22 or capital by parties to the swap, group,  
23 category, type, or class of swaps.

24 “(C) EFFECT ON AUTHORITY.—Nothing in  
25 this paragraph—

1           “(i) authorizes the Commission to  
2           adopt rules requiring a derivatives clearing  
3           organization to list for clearing a swap,  
4           group, category, type, or class of swaps if  
5           the clearing of the swap, group, category,  
6           type, or class of swaps would threaten the  
7           financial integrity of the derivatives clear-  
8           ing organization; and

9           “(ii) affects the authority of the Com-  
10          mission to enforce the open access provi-  
11          sions of paragraph (1)(B) with respect to  
12          a swap, group, category, type, or class of  
13          swaps that is listed for clearing by a de-  
14          rivatives clearing organization.

15          “(5) REPORTING TRANSITION RULES.—Rules  
16          adopted by the Commission under this section shall  
17          provide for the reporting of data, as follows:

18                 “(A) Swaps entered into before the date of  
19                 the enactment of this subsection shall be re-  
20                 ported to a registered swap data repository or  
21                 the Commission no later than 180 days after  
22                 the effective date of this subsection.

23                 “(B) Swaps entered into on or after such  
24                 date of enactment shall be reported to a reg-

1           istered swap data repository or the Commission  
2           no later than the later of—

3                   “(i) 90 days after such effective date;

4                   or

5                   “(ii) such other time after entering  
6                   into the swap as the Commission may pre-  
7                   scribe by rule or regulation.

8           “(6) CLEARING TRANSITION RULES.—

9                   “(A) Swaps entered into before the date of  
10                   the enactment of this subsection are exempt  
11                   from the clearing requirements of this sub-  
12                   section if reported pursuant to paragraph  
13                   (5)(A).

14                   “(B) Swaps entered into before application  
15                   of the clearing requirement pursuant to this  
16                   subsection are exempt from the clearing re-  
17                   quirements of this subsection if reported pursu-  
18                   ant to paragraph (5)(B).

19           “(7) EXCEPTIONS.—

20                   “(A) IN GENERAL.—The requirements of  
21                   paragraph (1)(A) shall not apply to a swap if  
22                   1 of the counterparties to the swap—

23                           “(i) is not a financial entity;

24                           “(ii) is using swaps to hedge or miti-  
25                           gate commercial risk; and

1           “(iii) notifies the Commission, in a  
2           manner set forth by the Commission, how  
3           it generally meets its financial obligations  
4           associated with entering into non-cleared  
5           swaps.

6           “(B) OPTION TO CLEAR.—The application  
7           of the clearing exception in subparagraph (A) is  
8           solely at the discretion of the counterparty to  
9           the swap that meets the conditions of clauses  
10          (i) through (iii) of subparagraph (A).

11          “(C) FINANCIAL ENTITY DEFINITION.—

12           “(i) IN GENERAL.—For the purposes  
13           of this paragraph, the term ‘financial enti-  
14           ty’ means—

15                   “(I) a swap dealer;

16                   “(II) a security-based swap deal-  
17                   er;

18                   “(III) a major swap participant;

19                   “(IV) a major security-based  
20                   swap participant;

21                   “(V) a commodity pool;

22                   “(VI) a private fund as defined  
23                   in section 202(a) of the Investment  
24                   Advisers Act of 1940 (15 U.S.C. 80-  
25                   b-2(a));

1           “(VII) an employee benefit plan  
2           as defined in paragraphs (3) and (32)  
3           of section 3 of the Employee Retirement  
4           Income Security Act of 1974  
5           (29 U.S.C. 1002);

6           “(VIII) a person predominantly  
7           engaged in activities that are in the  
8           business of banking, or in activities  
9           that are financial in nature, as de-  
10          fined in section 4(k) of the Bank  
11          Holding Company Act of 1956.

12          “(ii) EXCLUSION.—The Commission  
13          shall consider whether to exempt small  
14          banks, savings associations, farm credit  
15          system institutions, and credit unions, in-  
16          cluding—

17                 “(I) depository institutions with  
18                 total assets of \$10,000,000,000 or  
19                 less;

20                 “(II) farm credit system institu-  
21                 tions with total assets of  
22                 \$10,000,000,000 or less; or

23                 “(III) credit unions with total as-  
24                 sets of \$10,000,000,000 or less.

1                   “(iii) LIMITATION.—Such definition  
2                   shall not include an entity whose primary  
3                   business is providing financing, and uses  
4                   derivatives for the purpose of hedging un-  
5                   derlying commercial risks related to inter-  
6                   est rate and foreign currency exposures, 90  
7                   percent or more of which arise from fi-  
8                   nancing that facilitates the purchase or  
9                   lease of products, 90 percent or more of  
10                  which are manufactured by the parent  
11                  company or another subsidiary of the par-  
12                  ent company.

13                  “(D) TREATMENT OF AFFILIATES.—

14                  “(i) IN GENERAL.—An affiliate of a  
15                  person that qualifies for an exception  
16                  under subparagraph (A) (including affiliate  
17                  entities predominantly engaged in pro-  
18                  viding financing for the purchase of the  
19                  merchandise or manufactured goods of the  
20                  person) may qualify for the exception only  
21                  if the affiliate, acting on behalf of the per-  
22                  son and as an agent, uses the swap to  
23                  hedge or mitigate the commercial risk of  
24                  the person or other affiliate of the person  
25                  that is not a financial entity.

1                   “(ii) PROHIBITION RELATING TO CER-  
2                   TAIN AFFILIATES.—The exception in  
3                   clause (i) shall not apply if the affiliate  
4                   is—

5                                 “(I) a swap dealer;

6                                 “(II) a security-based swap deal-  
7                   er;

8                                 “(III) a major swap participant;

9                                 “(IV) a major security-based  
10                  swap participant;

11                                “(V) an issuer that would be an  
12                  investment company, as defined in  
13                  section 3 of the Investment Company  
14                  Act of 1940 (15 U.S.C. 80a–3), but  
15                  for paragraph (1) or (7) of subsection  
16                  (c) of that Act (15 U.S.C. 80a–3(c));

17                                “(VI) a commodity pool; or

18                                “(VII) a bank holding company  
19                  with over \$50,000,000,000 in consoli-  
20                  dated assets.

21                   “(iii) TRANSITION RULE FOR AFFILI-  
22                  ATES.—An affiliate, subsidiary, or a wholly  
23                  owned entity of a person that qualifies for  
24                  an exception under subparagraph (A) and  
25                  is predominantly engaged in providing fi-



1           nancing for the purchase or lease of mer-  
2           chandise or manufactured goods of the  
3           person shall be exempt from the margin re-  
4           quirement described in section 4s(e) and  
5           the clearing requirement described in para-  
6           graph (1) with regard to swaps entered  
7           into to mitigate the risk of the financing  
8           activities for not less than a 2-year period  
9           beginning on the date of enactment of this  
10          clause.

11          “(E) ELECTION OF COUNTERPARTY.—

12                 “(i) SWAPS REQUIRED TO BE  
13                 CLEARED.—With respect to any swap that  
14                 is subject to the mandatory clearing re-  
15                 quirement under this subsection and en-  
16                 tered into by a swap dealer or a major  
17                 swap participant with a counterparty that  
18                 is not a swap dealer, major swap partici-  
19                 pant, security-based swap dealer, or major  
20                 security-based swap participant, the  
21                 counterparty shall have the sole right to  
22                 select the derivatives clearing organization  
23                 at which the swap will be cleared.

24                 “(ii) SWAPS NOT REQUIRED TO BE  
25                 CLEARED.—With respect to any swap that

1 is not subject to the mandatory clearing  
2 requirement under this subsection and en-  
3 tered into by a swap dealer or a major  
4 swap participant with a counterparty that  
5 is not a swap dealer, major swap partici-  
6 pant, security-based swap dealer, or major  
7 security-based swap participant, the  
8 counterparty—

9 “(I) may elect to require clearing  
10 of the swap; and

11 “(II) shall have the sole right to  
12 select the derivatives clearing organi-  
13 zation at which the swap will be  
14 cleared.

15 “(F) ABUSE OF EXCEPTION.—The Com-  
16 mission may prescribe such rules or issue inter-  
17 pretations of the rules as the Commission deter-  
18 mines to be necessary to prevent abuse of the  
19 exceptions described in this paragraph. The  
20 Commission may also request information from  
21 those persons claiming the clearing exception as  
22 necessary to prevent abuse of the exceptions de-  
23 scribed in this paragraph.

24 “(8) TRADE EXECUTION.—

1           “(A) IN GENERAL.—With respect to trans-  
2           actions involving swaps subject to the clearing  
3           requirement of paragraph (1), counterparties  
4           shall—

5                   “(i) execute the transaction on a  
6                   board of trade designated as a contract  
7                   market under section 5; or

8                   “(ii) execute the transaction on a  
9                   swap execution facility registered under 5h  
10                  or a swap execution facility that is exempt  
11                  from registration under section 5h(f) of  
12                  this Act.

13           “(B) EXCEPTION.—The requirements of  
14           clauses (i) and (ii) of subparagraph (A) shall  
15           not apply if no board of trade or swap execution  
16           facility makes the swap available to trade or for  
17           swap transactions subject to the clearing excep-  
18           tion under paragraph (7).”.

19           (b) COMMODITY EXCHANGE ACT.—Section 2 of the  
20           Commodity Exchange Act (7 U.S.C. 2) is amended by  
21           adding at the end the following:

22                   “(j) COMMITTEE APPROVAL BY BOARD.—Exemp-  
23                   tions from the requirements of subsection (h)(1) to clear  
24                   a swap and subsection (h)(8) to execute a swap through  
25                   a board of trade or swap execution facility shall be avail-

1 able to a counterparty that is an issuer of securities that  
2 are registered under section 12 of the Securities Exchange  
3 Act of 1934 (15 U.S.C. 78l) or that is required to file  
4 reports pursuant to section 15(d) of the Securities Ex-  
5 change Act of 1934 (15 U.S.C. 78o) only if an appropriate  
6 committee of the issuer's board or governing body has re-  
7 viewed and approved its decision to enter into swaps that  
8 are subject to such exemptions.”.

9 (c) GRANDFATHER PROVISIONS.—

10 (1) LEGAL CERTAINTY FOR CERTAIN TRANS-  
11 ACTIONS IN EXEMPT COMMODITIES.—Not later than  
12 60 days after the date of enactment of this Act, a  
13 person may submit to the Commodity Futures Trad-  
14 ing Commission a petition to remain subject to sec-  
15 tion 2(h) of the Commodity Exchange Act (7 U.S.C.  
16 2(h)) (as in effect on the day before the date of en-  
17 actment of this Act).

18 (2) CONSIDERATION; AUTHORITY OF COM-  
19 MODITY FUTURES TRADING COMMISSION.—The  
20 Commodity Futures Trading Commission—

21 (A) shall consider any petition submitted  
22 under subparagraph (A) in a prompt manner;  
23 and

24 (B) may allow a person to continue oper-  
25 ating subject to section 2(h) of the Commodity

1 Exchange Act (7 U.S.C. 2(h)) (as in effect on  
2 the day before the date of enactment of this  
3 Act) for not longer than a 1-year period.

4 (3) AGRICULTURAL SWAPS.—

5 (A) IN GENERAL.—Except as provided in  
6 subparagraph (B), no person shall offer to  
7 enter into, enter into, or confirm the execution  
8 of, any swap in an agricultural commodity (as  
9 defined by the Commodity Futures Trading  
10 Commission).

11 (B) EXCEPTION.—Notwithstanding sub-  
12 paragraph (A), a person may offer to enter  
13 into, enter into, or confirm the execution of,  
14 any swap in an agricultural commodity pursu-  
15 ant to section 4(c) of the Commodity Exchange  
16 Act (7 U.S.C. 6(c)) or any rule, regulation, or  
17 order issued thereunder (including any rule,  
18 regulation, or order in effect as of the date of  
19 enactment of this Act) by the Commodity Fu-  
20 tures Trading Commission to allow swaps under  
21 such terms and conditions as the Commission  
22 shall prescribe.

23 (4) REQUIRED REPORTING.—If the exception  
24 described in section 2(h)(8)(B) of the Commodity  
25 Exchange Act applies, the counterparties shall com-

1           ply with any recordkeeping and transaction report-  
2           ing requirements that may be prescribed by the  
3           Commission with respect to swaps subject to section  
4           2(h)(8)(B) of the Commodity Exchange Act.

5   **SEC. 724. SWAPS; SEGREGATION AND BANKRUPTCY TREAT-**  
6                                   **MENT.**

7           (a) **SEGREGATION REQUIREMENTS FOR CLEARED**  
8   **SWAPS.**—Section 4d of the Commodity Exchange Act (7  
9   U.S.C. 6d) (as amended by section 732) is amended by  
10   adding at the end the following:

11           “(f) **SWAPS.**—

12                   “(1) **REGISTRATION REQUIREMENT.**—It shall  
13           be unlawful for any person to accept any money, se-  
14           curities, or property (or to extend any credit in lieu  
15           of money, securities, or property) from, for, or on  
16           behalf of a swaps customer to margin, guarantee, or  
17           secure a swap cleared by or through a derivatives  
18           clearing organization (including money, securities, or  
19           property accruing to the customer as the result of  
20           such a swap), unless the person shall have registered  
21           under this Act with the Commission as a futures  
22           commission merchant, and the registration shall not  
23           have expired nor been suspended nor revoked.

24                   “(2) **CLEARED SWAPS.**—

1           “(A) SEGREGATION REQUIRED.—A futures  
2           commission merchant shall treat and deal with  
3           all money, securities, and property of any swaps  
4           customer received to margin, guarantee, or se-  
5           cure a swap cleared by or through a derivatives  
6           clearing organization (including money, securi-  
7           ties, or property accruing to the swaps cus-  
8           tomer as the result of such a swap) as belong-  
9           ing to the swaps customer.

10           “(B) COMMINGLING PROHIBITED.—Money,  
11           securities, and property of a swaps customer  
12           described in subparagraph (A) shall be sepa-  
13           rately accounted for and shall not be commin-  
14           gled with the funds of the futures commission  
15           merchant or be used to margin, secure, or guar-  
16           antee any trades or contracts of any swaps cus-  
17           tomer or person other than the person for  
18           whom the same are held.

19           “(3) EXCEPTIONS.—

20           “(A) USE OF FUNDS.—

21           “(i) IN GENERAL.—Notwithstanding  
22           paragraph (2), money, securities, and  
23           property of swap customers of a futures  
24           commission merchant described in para-  
25           graph (2) may, for convenience, be com-

1 mingled and deposited in the same account  
2 or accounts with any bank or trust com-  
3 pany or with a derivatives clearing organi-  
4 zation.

5 “(ii) WITHDRAWAL.—Notwithstanding  
6 paragraph (2), such share of the money,  
7 securities, and property described in clause  
8 (i) as in the normal course of business  
9 shall be necessary to margin, guarantee,  
10 secure, transfer, adjust, or settle a cleared  
11 swap with a derivatives clearing organiza-  
12 tion, or with any member of the derivatives  
13 clearing organization, may be withdrawn  
14 and applied to such purposes, including the  
15 payment of commissions, brokerage, inter-  
16 est, taxes, storage, and other charges, law-  
17 fully accruing in connection with the  
18 cleared swap.

19 “(B) COMMISSION ACTION.—Notwith-  
20 standing paragraph (2), in accordance with  
21 such terms and conditions as the Commission  
22 may prescribe by rule, regulation, or order, any  
23 money, securities, or property of the swaps cus-  
24 tomers of a futures commission merchant de-  
25 scribed in paragraph (2) may be commingled



1           and deposited in customer accounts with any  
2           other money, securities, or property received by  
3           the futures commission merchant and required  
4           by the Commission to be separately accounted  
5           for and treated and dealt with as belonging to  
6           the swaps customer of the futures commission  
7           merchant.

8           “(4) PERMITTED INVESTMENTS.—Money de-  
9           scribed in paragraph (2) may be invested in obliga-  
10          tions of the United States, in general obligations of  
11          any State or of any political subdivision of a State,  
12          and in obligations fully guaranteed as to principal  
13          and interest by the United States, or in any other  
14          investment that the Commission may by rule or reg-  
15          ulation prescribe, and such investments shall be  
16          made in accordance with such rules and regulations  
17          and subject to such conditions as the Commission  
18          may prescribe.

19          “(5) COMMODITY CONTRACT.—A swap cleared  
20          by or through a derivatives clearing organization  
21          shall be considered to be a commodity contract as  
22          such term is defined in section 761 of title 11,  
23          United States Code, with regard to all money, secu-  
24          rities, and property of any swaps customer received  
25          by a futures commission merchant or a derivatives

1 clearing organization to margin, guarantee, or se-  
2 cure the swap (including money, securities, or prop-  
3 erty accruing to the customer as the result of the  
4 swap).

5 “(6) PROHIBITION.—It shall be unlawful for  
6 any person, including any derivatives clearing orga-  
7 nization and any depository institution, that has re-  
8 ceived any money, securities, or property for deposit  
9 in a separate account or accounts as provided in  
10 paragraph (2) to hold, dispose of, or use any such  
11 money, securities, or property as belonging to the  
12 depositing futures commission merchant or any per-  
13 son other than the swaps customer of the futures  
14 commission merchant.”.

15 (b) BANKRUPTCY TREATMENT OF CLEARED  
16 SWAPS.—Section 761 of title 11, United States Code, is  
17 amended—

18 (1) in paragraph (4), by striking subparagraph  
19 (F) and inserting the following:

20 “(F)(i) any other contract, option, agree-  
21 ment, or transaction that is similar to a con-  
22 tract, option, agreement, or transaction referred  
23 to in this paragraph; and

24 “(ii) with respect to a futures commission  
25 merchant or a clearing organization, any other

1 contract, option, agreement, or transaction, in  
2 each case, that is cleared by a clearing organi-  
3 zation;” and

4 (2) in paragraph (9)(A)(i), by striking “the  
5 commodity futures account” and inserting “a com-  
6 modity contract account”.

7 (c) SEGREGATION REQUIREMENTS FOR UNCLEARED  
8 SWAPS.—Section 4s of the Commodity Exchange Act (as  
9 added by section 731) is amended by adding at the end  
10 the following:

11 “(1) SEGREGATION REQUIREMENTS.—

12 “(1) SEGREGATION OF ASSETS HELD AS COL-  
13 LATERAL IN UNCLEARED SWAP TRANSACTIONS.—

14 “(A) NOTIFICATION.—A swap dealer or  
15 major swap participant shall be required to no-  
16 tify the counterparty of the swap dealer or  
17 major swap participant at the beginning of a  
18 swap transaction that the counterparty has the  
19 right to require segregation of the funds or  
20 other property supplied to margin, guarantee,  
21 or secure the obligations of the counterparty.

22 “(B) SEGREGATION AND MAINTENANCE OF  
23 FUNDS.—At the request of a counterparty to a  
24 swap that provides funds or other property to  
25 a swap dealer or major swap participant to

1 margin, guarantee, or secure the obligations of  
2 the counterparty, the swap dealer or major  
3 swap participant shall—

4 “(i) segregate the funds or other  
5 property for the benefit of the  
6 counterparty; and

7 “(ii) in accordance with such rules  
8 and regulations as the Commission may  
9 promulgate, maintain the funds or other  
10 property in a segregated account separate  
11 from the assets and other interests of the  
12 swap dealer or major swap participant.

13 “(2) APPLICABILITY.—The requirements de-  
14 scribed in paragraph (1) shall—

15 “(A) apply only to a swap between a  
16 counterparty and a swap dealer or major swap  
17 participant that is not submitted for clearing to  
18 a derivatives clearing organization; and

19 “(B)(i) not apply to variation margin pay-  
20 ments; or

21 “(ii) not preclude any commercial arrange-  
22 ment regarding—

23 “(I) the investment of segregated  
24 funds or other property that may only be  
25 invested in such investments as the Com-

1 mission may permit by rule or regulation;

2 and

3 “(II) the related allocation of gains

4 and losses resulting from any investment

5 of the segregated funds or other property.

6 “(3) USE OF INDEPENDENT THIRD-PARTY

7 CUSTODIANS.—The segregated account described in

8 paragraph (1) shall be—

9 “(A) carried by an independent third-party

10 custodian; and

11 “(B) designated as a segregated account

12 for and on behalf of the counterparty.

13 “(4) REPORTING REQUIREMENT.—If the

14 counterparty does not choose to require segregation

15 of the funds or other property supplied to margin,

16 guarantee, or secure the obligations of the

17 counterparty, the swap dealer or major swap partici-

18 pant shall report to the counterparty of the swap

19 dealer or major swap participant on a quarterly

20 basis that the back office procedures of the swap

21 dealer or major swap participant relating to margin

22 and collateral requirements are in compliance with

23 the agreement of the counterparties.”.

1 **SEC. 725. DERIVATIVES CLEARING ORGANIZATIONS.**

2 (a) REGISTRATION REQUIREMENT.—Section 5b of  
3 the Commodity Exchange Act (7 U.S.C. 7a–1) is amended  
4 by striking subsections (a) and (b) and inserting the fol-  
5 lowing:

6 “(a) REGISTRATION REQUIREMENT.—

7 “(1) IN GENERAL.—Except as provided in para-  
8 graph (2), it shall be unlawful for a derivatives  
9 clearing organization, directly or indirectly, to make  
10 use of the mails or any means or instrumentality of  
11 interstate commerce to perform the functions of a  
12 derivatives clearing organization with respect to—

13 “(A) a contract of sale of a commodity for  
14 future delivery (or an option on the contract of  
15 sale) or option on a commodity, in each case,  
16 unless the contract or option is—

17 “(i) excluded from this Act by sub-  
18 section (a)(1)(C)(i), (c), or (f) of section 2;  
19 or

20 “(ii) a security futures product  
21 cleared by a clearing agency registered  
22 with the Securities and Exchange Commis-  
23 sion under the Securities Exchange Act of  
24 1934 (15 U.S.C. 78a et seq.); or

25 “(B) a swap.

1           “(2) EXCEPTION.—Paragraph (1) shall not  
2           apply to a derivatives clearing organization that is  
3           registered with the Commission.

4           “(b) VOLUNTARY REGISTRATION.—A person that  
5           clears 1 or more agreements, contracts, or transactions  
6           that are not required to be cleared under this Act may  
7           register with the Commission as a derivatives clearing or-  
8           ganization.”.

9           (b) REGISTRATION FOR DEPOSITORY INSTITUTIONS  
10          AND CLEARING AGENCIES; EXEMPTIONS; COMPLIANCE  
11          OFFICER; ANNUAL REPORTS.—Section 5b of the Com-  
12          modity Exchange Act (7 U.S.C. 7a–1) is amended by add-  
13          ing at the end the following:

14          “(g) EXISTING DEPOSITORY INSTITUTIONS AND  
15          CLEARING AGENCIES.—

16                 “(1) IN GENERAL.—A depository institution or  
17                 clearing agency registered with the Securities and  
18                 Exchange Commission under the Securities Ex-  
19                 change Act of 1934 (15 U.S.C. 78a et seq.) that is  
20                 required to be registered as a derivatives clearing or-  
21                 ganization under this section is deemed to be reg-  
22                 istered under this section to the extent that, before  
23                 the date of enactment of this subsection—

24                         “(A) the depository institution cleared  
25                         swaps as a multilateral clearing organization; or

1                   “(B) the clearing agency cleared swaps.

2                   “(2) CONVERSION OF DEPOSITORY INSTITU-  
3                   TIONS.—A depository institution to which this sub-  
4                   section applies may, by the vote of the shareholders  
5                   owning not less than 51 percent of the voting inter-  
6                   ests of the depository institution, be converted into  
7                   a State corporation, partnership, limited liability  
8                   company, or similar legal form pursuant to a plan  
9                   of conversion, if the conversion is not in contraven-  
10                  tion of applicable State law.

11                  “(3) SHARING OF INFORMATION.—The Securi-  
12                  ties and Exchange Commission shall make available  
13                  to the Commission, upon request, all information de-  
14                  termined to be relevant by the Securities and Ex-  
15                  change Commission regarding a clearing agency  
16                  deemed to be registered with the Commission under  
17                  paragraph (1).

18                  “(h) EXEMPTIONS.—The Commission may exempt,  
19                  conditionally or unconditionally, a derivatives clearing or-  
20                  ganization from registration under this section for the  
21                  clearing of swaps if the Commission determines that the  
22                  derivatives clearing organization is subject to comparable,  
23                  comprehensive supervision and regulation by the Securi-  
24                  ties and Exchange Commission or the appropriate govern-  
25                  ment authorities in the home country of the organization.



1 Such conditions may include, but are not limited to, re-  
2 quiring that the derivatives clearing organization be avail-  
3 able for inspection by the Commission and make available  
4 all information requested by the Commission.

5 “(i) DESIGNATION OF CHIEF COMPLIANCE OFFI-  
6 CER.—

7 “(1) IN GENERAL.—Each derivatives clearing  
8 organization shall designate an individual to serve as  
9 a chief compliance officer.

10 “(2) DUTIES.—The chief compliance officer  
11 shall—

12 “(A) report directly to the board or to the  
13 senior officer of the derivatives clearing organi-  
14 zation;

15 “(B) review the compliance of the deriva-  
16 tives clearing organization with respect to the  
17 core principles described in subsection (c)(2);

18 “(C) in consultation with the board of the  
19 derivatives clearing organization, a body per-  
20 forming a function similar to the board of the  
21 derivatives clearing organization, or the senior  
22 officer of the derivatives clearing organization,  
23 resolve any conflicts of interest that may arise;

1           “(D) be responsible for administering each  
2 policy and procedure that is required to be es-  
3 tablished pursuant to this section;

4           “(E) ensure compliance with this Act (in-  
5 cluding regulations) relating to agreements,  
6 contracts, or transactions, including each rule  
7 prescribed by the Commission under this sec-  
8 tion;

9           “(F) establish procedures for the remedi-  
10 ation of noncompliance issues identified by the  
11 compliance officer through any—

12                   “(i) compliance office review;

13                   “(ii) look-back;

14                   “(iii) internal or external audit find-  
15 ing;

16                   “(iv) self-reported error; or

17                   “(v) validated complaint; and

18           “(G) establish and follow appropriate pro-  
19 cedures for the handling, management response,  
20 remediation, retesting, and closing of non-  
21 compliance issues.

22           “(3) ANNUAL REPORTS.—

23           “(A) IN GENERAL.—In accordance with  
24 rules prescribed by the Commission, the chief

1 compliance officer shall annually prepare and  
2 sign a report that contains a description of—

3 “(i) the compliance of the derivatives  
4 clearing organization of the compliance of-  
5 ficer with respect to this Act (including  
6 regulations); and

7 “(ii) each policy and procedure of the  
8 derivatives clearing organization of the  
9 compliance officer (including the code of  
10 ethics and conflict of interest policies of  
11 the derivatives clearing organization).

12 “(B) REQUIREMENTS.—A compliance re-  
13 port under subparagraph (A) shall—

14 “(i) accompany each appropriate fi-  
15 nancial report of the derivatives clearing  
16 organization that is required to be fur-  
17 nished to the Commission pursuant to this  
18 section; and

19 “(ii) include a certification that, under  
20 penalty of law, the compliance report is ac-  
21 curate and complete.”.

22 (c) CORE PRINCIPLES FOR DERIVATIVES CLEARING  
23 ORGANIZATIONS.—Section 5b(c) of the Commodity Ex-  
24 change Act (7 U.S.C. 7a-1(c)) is amended by striking  
25 paragraph (2) and inserting the following:

1           “(2) CORE PRINCIPLES FOR DERIVATIVES  
2 CLEARING ORGANIZATIONS.—

3           “(A) COMPLIANCE.—

4                   “(i) IN GENERAL.—To be registered  
5 and to maintain registration as a deriva-  
6 tives clearing organization, a derivatives  
7 clearing organization shall comply with  
8 each core principle described in this para-  
9 graph and any requirement that the Com-  
10 mission may impose by rule or regulation  
11 pursuant to section 8a(5).

12                   “(ii) DISCRETION OF DERIVATIVES  
13 CLEARING ORGANIZATION.—Subject to any  
14 rule or regulation prescribed by the Com-  
15 mission, a derivatives clearing organization  
16 shall have reasonable discretion in estab-  
17 lishing the manner by which the derivatives  
18 clearing organization complies with each  
19 core principle described in this paragraph.

20           “(B) FINANCIAL RESOURCES.—

21                   “(i) IN GENERAL.—Each derivatives  
22 clearing organization shall have adequate  
23 financial, operational, and managerial re-  
24 sources, as determined by the Commission,

1 to discharge each responsibility of the de-  
2 rivatives clearing organization.

3 “(ii) MINIMUM AMOUNT OF FINAN-  
4 CIAL RESOURCES.—Each derivatives clear-  
5 ing organization shall possess financial re-  
6 sources that, at a minimum, exceed the  
7 total amount that would—

8 “(I) enable the organization to  
9 meet its financial obligations to its  
10 members and participants notwith-  
11 standing a default by the member or  
12 participant creating the largest finan-  
13 cial exposure for that organization in  
14 extreme but plausible market condi-  
15 tions; and

16 “(II) enable the derivatives clear-  
17 ing organization to cover the oper-  
18 ating costs of the derivatives clearing  
19 organization for a period of 1 year (as  
20 calculated on a rolling basis).

21 “(C) PARTICIPANT AND PRODUCT ELIGI-  
22 BILITY.—

23 “(i) IN GENERAL.—Each derivatives  
24 clearing organization shall establish—

1                   “(I) appropriate admission and  
2                   continuing eligibility standards (in-  
3                   cluding sufficient financial resources  
4                   and operational capacity to meet obli-  
5                   gations arising from participation in  
6                   the derivatives clearing organization)  
7                   for members of, and participants in,  
8                   the derivatives clearing organization;  
9                   and

10                   “(II) appropriate standards for  
11                   determining the eligibility of agree-  
12                   ments, contracts, or transactions sub-  
13                   mitted to the derivatives clearing or-  
14                   ganization for clearing.

15                   “(ii) REQUIRED PROCEDURES.—Each  
16                   derivatives clearing organization shall es-  
17                   tablish and implement procedures to verify,  
18                   on an ongoing basis, the compliance of  
19                   each participation and membership re-  
20                   quirement of the derivatives clearing orga-  
21                   nization.

22                   “(iii) REQUIREMENTS.—The partici-  
23                   pation and membership requirements of  
24                   each derivatives clearing organization  
25                   shall—

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1 “(I) be objective;  
2 “(II) be publicly disclosed; and  
3 “(III) permit fair and open ac-  
4 cess.

5 “(D) RISK MANAGEMENT.—

6 “(i) IN GENERAL.—Each derivatives  
7 clearing organization shall ensure that the  
8 derivatives clearing organization possesses  
9 the ability to manage the risks associated  
10 with discharging the responsibilities of the  
11 derivatives clearing organization through  
12 the use of appropriate tools and proce-  
13 dures.

14 “(ii) MEASUREMENT OF CREDIT EX-  
15 POSURE.—Each derivatives clearing orga-  
16 nization shall—

17 “(I) not less than once during  
18 each business day of the derivatives  
19 clearing organization, measure the  
20 credit exposures of the derivatives  
21 clearing organization to each member  
22 and participant of the derivatives  
23 clearing organization; and

24 “(II) monitor each exposure de-  
25 scribed in subclause (I) periodically







1 netting or offset arrangement with any  
2 other clearing organization;

3 “(vi) regarding physical settlements,  
4 establish rules that clearly state each obli-  
5 gation of the derivatives clearing organiza-  
6 tion with respect to physical deliveries; and

7 “(vii) ensure that each risk arising  
8 from an obligation described in clause (vi)  
9 is identified and managed.

10 “(F) TREATMENT OF FUNDS.—

11 “(i) REQUIRED STANDARDS AND PRO-  
12 CEDURES.—Each derivatives clearing orga-  
13 nization shall establish standards and pro-  
14 cedures that are designed to protect and  
15 ensure the safety of member and partici-  
16 pant funds and assets.

17 “(ii) HOLDING OF FUNDS AND AS-  
18 SETS.—Each derivatives clearing organiza-  
19 tion shall hold member and participant  
20 funds and assets in a manner by which to  
21 minimize the risk of loss or of delay in the  
22 access by the derivatives clearing organiza-  
23 tion to the assets and funds.

24 “(iii) PERMISSIBLE INVESTMENTS.—  
25 Funds and assets invested by a derivatives

1 clearing organization shall be held in in-  
2 struments with minimal credit, market,  
3 and liquidity risks.

4 “(G) DEFAULT RULES AND PROCE-  
5 DURES.—

6 “(i) IN GENERAL.—Each derivatives  
7 clearing organization shall have rules and  
8 procedures designed to allow for the effi-  
9 cient, fair, and safe management of events  
10 during which members or participants—

11 “(I) become insolvent; or

12 “(II) otherwise default on the ob-  
13 ligations of the members or partici-  
14 pants to the derivatives clearing orga-  
15 nization.

16 “(ii) DEFAULT PROCEDURES.—Each  
17 derivatives clearing organization shall—

18 “(I) clearly state the default pro-  
19 cedures of the derivatives clearing or-  
20 ganization;

21 “(II) make publicly available the  
22 default rules of the derivatives clear-  
23 ing organization; and

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1 “(III) ensure that the derivatives  
2 clearing organization may take timely  
3 action—

4 “(aa) to contain losses and  
5 liquidity pressures; and

6 “(bb) to continue meeting  
7 each obligation of the derivatives  
8 clearing organization.

9 “(H) RULE ENFORCEMENT.—Each deriva-  
10 tives clearing organization shall—

11 “(i) maintain adequate arrangements  
12 and resources for—

13 “(I) the effective monitoring and  
14 enforcement of compliance with the  
15 rules of the derivatives clearing orga-  
16 nization; and

17 “(II) the resolution of disputes;

18 “(ii) have the authority and ability to  
19 discipline, limit, suspend, or terminate the  
20 activities of a member or participant due  
21 to a violation by the member or participant  
22 of any rule of the derivatives clearing orga-  
23 nization; and

24 “(iii) report to the Commission re-  
25 garding rule enforcement activities and

1 sanctions imposed against members and  
2 participants as provided in clause (ii).

3 “(I) SYSTEM SAFEGUARDS.—Each deriva-  
4 tives clearing organization shall—

5 “(i) establish and maintain a program  
6 of risk analysis and oversight to identify  
7 and minimize sources of operational risk  
8 through the development of appropriate  
9 controls and procedures, and automated  
10 systems, that are reliable, secure, and have  
11 adequate scalable capacity;

12 “(ii) establish and maintain emer-  
13 gency procedures, backup facilities, and a  
14 plan for disaster recovery that allows for—

15 “(I) the timely recovery and re-  
16 sumption of operations of the deriva-  
17 tives clearing organization; and

18 “(II) the fulfillment of each obli-  
19 gation and responsibility of the de-  
20 rivatives clearing organization; and

21 “(iii) periodically conduct tests to  
22 verify that the backup resources of the de-  
23 rivatives clearing organization are suffi-  
24 cient to ensure daily processing, clearing,  
25 and settlement.

1           “(J) REPORTING.—Each derivatives clear-  
2           ing organization shall provide to the Commis-  
3           sion all information that the Commission deter-  
4           mines to be necessary to conduct oversight of  
5           the derivatives clearing organization.

6           “(K) RECORDKEEPING.—Each derivatives  
7           clearing organization shall maintain records of  
8           all activities related to the business of the de-  
9           rivatives clearing organization as a derivatives  
10          clearing organization—

11                   “(i) in a form and manner that is ac-  
12                   ceptable to the Commission; and

13                   “(ii) for a period of not less than 5  
14                   years.

15          “(L) PUBLIC INFORMATION.—

16                   “(i) IN GENERAL.—Each derivatives  
17                   clearing organization shall provide to mar-  
18                   ket participants sufficient information to  
19                   enable the market participants to identify  
20                   and evaluate accurately the risks and costs  
21                   associated with using the services of the  
22                   derivatives clearing organization.

23                   “(ii) AVAILABILITY OF INFORMA-  
24                   TION.—Each derivatives clearing organiza-  
25                   tion shall make information concerning the

1 rules and operating and default procedures  
2 governing the clearing and settlement sys-  
3 tems of the derivatives clearing organiza-  
4 tion available to market participants.

5 “(iii) PUBLIC DISCLOSURE.—Each de-  
6 rivatives clearing organization shall dis-  
7 close publicly and to the Commission infor-  
8 mation concerning—

9 “(I) the terms and conditions of  
10 each contract, agreement, and trans-  
11 action cleared and settled by the de-  
12 rivatives clearing organization;

13 “(II) each clearing and other fee  
14 that the derivatives clearing organiza-  
15 tion charges the members and partici-  
16 pants of the derivatives clearing orga-  
17 nization;

18 “(III) the margin-setting method-  
19 ology, and the size and composition,  
20 of the financial resource package of  
21 the derivatives clearing organization;

22 “(IV) daily settlement prices, vol-  
23 ume, and open interest for each con-  
24 tract settled or cleared by the deriva-  
25 tives clearing organization; and

1                   “(V) any other matter relevant to  
2                   participation in the settlement and  
3                   clearing activities of the derivatives  
4                   clearing organization.

5                   “(M) INFORMATION-SHARING.—Each de-  
6                   rivatives clearing organization shall—

7                   “(i) enter into, and abide by the terms  
8                   of, each appropriate and applicable domes-  
9                   tic and international information-sharing  
10                  agreement; and

11                  “(ii) use relevant information obtained  
12                  from each agreement described in clause  
13                  (i) in carrying out the risk management  
14                  program of the derivatives clearing organi-  
15                  zation.

16                  “(N) ANTITRUST CONSIDERATIONS.—Un-  
17                  less necessary or appropriate to achieve the  
18                  purposes of this Act, a derivatives clearing or-  
19                  ganization shall not—

20                  “(i) adopt any rule or take any action  
21                  that results in any unreasonable restraint  
22                  of trade; or

23                  “(ii) impose any material anticompeti-  
24                  tive burden.



1                   “(O) GOVERNANCE FITNESS STAND-  
2 ARDS.—

3                   “(i) GOVERNANCE ARRANGEMENTS.—  
4 Each derivatives clearing organization shall  
5 establish governance arrangements that  
6 are transparent—

7                   “(I) to fulfill public interest re-  
8 quirements; and

9                   “(II) to permit the consideration  
10 of the views of owners and partici-  
11 pants.

12                   “(ii) FITNESS STANDARDS.—Each de-  
13 rivatives clearing organization shall estab-  
14 lish and enforce appropriate fitness stand-  
15 ards for—

16                   “(I) directors;

17                   “(II) members of any disciplinary  
18 committee;

19                   “(III) members of the derivatives  
20 clearing organization;

21                   “(IV) any other individual or en-  
22 tity with direct access to the settle-  
23 ment or clearing activities of the de-  
24 rivatives clearing organization; and

1                   “(V) any party affiliated with  
2                   any individual or entity described in  
3                   this clause.

4                   “(P) CONFLICTS OF INTEREST.—Each de-  
5                   rivatives clearing organization shall—

6                   “(i) establish and enforce rules to  
7                   minimize conflicts of interest in the deci-  
8                   sion-making process of the derivatives  
9                   clearing organization; and

10                  “(ii) establish a process for resolving  
11                  conflicts of interest described in clause (i).

12                  “(Q) COMPOSITION OF GOVERNING  
13                  BOARDS.—Each derivatives clearing organiza-  
14                  tion shall ensure that the composition of the  
15                  governing board or committee of the derivatives  
16                  clearing organization includes market partici-  
17                  pants.

18                  “(R) LEGAL RISK.—Each derivatives clear-  
19                  ing organization shall have a well-founded,  
20                  transparent, and enforceable legal framework  
21                  for each aspect of the activities of the deriva-  
22                  tives clearing organization.”.

23                  (d) CONFLICTS OF INTEREST.—The Commodity Fu-  
24                  tures Trading Commission shall adopt rules mitigating  
25                  conflicts of interest in connection with the conduct of busi-

1 ness by a swap dealer or a major swap participant with  
2 a derivatives clearing organization, board of trade, or a  
3 swap execution facility that clears or trades swaps in  
4 which the swap dealer or major swap participant has a  
5 material debt or material equity investment.

6 (e) REPORTING REQUIREMENTS.—Section 5b of the  
7 Commodity Exchange Act (7 U.S.C. 7a–1) (as amended  
8 by subsection (b)) is amended by adding at the end the  
9 following:

10 “(k) REPORTING REQUIREMENTS.—

11 “(1) DUTY OF DERIVATIVES CLEARING ORGANI-  
12 ZATIONS.—Each derivatives clearing organization  
13 that clears swaps shall provide to the Commission all  
14 information that is determined by the Commission to  
15 be necessary to perform each responsibility of the  
16 Commission under this Act.

17 “(2) DATA COLLECTION AND MAINTENANCE  
18 REQUIREMENTS.—The Commission shall adopt data  
19 collection and maintenance requirements for swaps  
20 cleared by derivatives clearing organizations that are  
21 comparable to the corresponding requirements for—

22 “(A) swaps data reported to swap data re-  
23 positories; and

24 “(B) swaps traded on swap execution fa-  
25 cilities.

1           “(3) REPORTS ON SECURITY-BASED SWAP  
2 AGREEMENTS TO BE SHARED WITH THE SECURITIES  
3 AND EXCHANGE COMMISSION.—

4           “(A) IN GENERAL.—A derivatives clearing  
5 organization that clears security-based swap  
6 agreements (as defined in section 1a(47)(A)(v))  
7 shall, upon request, open to inspection and ex-  
8 amination to the Securities and Exchange Com-  
9 mission all books and records relating to such  
10 security-based swap agreements, consistent with  
11 the confidentiality and disclosure requirements  
12 of section 8.

13           “(B) JURISDICTION.—Nothing in this  
14 paragraph shall affect the exclusive jurisdiction  
15 of the Commission to prescribe recordkeeping  
16 and reporting requirements for a derivatives  
17 clearing organization that is registered with the  
18 Commission.

19           “(4) INFORMATION SHARING.—Subject to sec-  
20 tion 8, and upon request, the Commission shall  
21 share information collected under paragraph (2)  
22 with—

23           “(A) the Board;

24           “(B) the Securities and Exchange Commis-  
25 sion;

1 “(C) each appropriate prudential regulator;

2 “(D) the Financial Stability Oversight  
3 Council;

4 “(E) the Department of Justice; and

5 “(F) any other person that the Commis-  
6 sion determines to be appropriate, including—

7 “(i) foreign financial supervisors (in-  
8 cluding foreign futures authorities);

9 “(ii) foreign central banks; and

10 “(iii) foreign ministries.

11 “(5) CONFIDENTIALITY AND INDEMNIFICATION  
12 AGREEMENT.—Before the Commission may share in-  
13 formation with any entity described in paragraph  
14 (4)—

15 “(A) the Commission shall receive a writ-  
16 ten agreement from each entity stating that the  
17 entity shall abide by the confidentiality require-  
18 ments described in section 8 relating to the in-  
19 formation on swap transactions that is pro-  
20 vided; and

21 “(B) each entity shall agree to indemnify  
22 the Commission for any expenses arising from  
23 litigation relating to the information provided  
24 under section 8.

1           “(6) PUBLIC INFORMATION.—Each derivatives  
2 clearing organization that clears swaps shall provide  
3 to the Commission (including any designee of the  
4 Commission) information under paragraph (2) in  
5 such form and at such frequency as is required by  
6 the Commission to comply with the public reporting  
7 requirements contained in section 2(a)(13).”.

8           (f) PUBLIC DISCLOSURE.—Section 8(e) of the Com-  
9 modify Exchange Act (7 U.S.C. 12(e)) is amended in the  
10 last sentence—

11           (1) by inserting “, central bank and min-  
12 istries,” after “department” each place it appears;  
13 and

14           (2) by striking “. is a party.” and inserting “,  
15 is a party.”.

16           (g) LEGAL CERTAINTY FOR IDENTIFIED BANKING  
17 PRODUCTS.—

18           (1) REPEALS.—The Legal Certainty for Bank  
19 Products Act of 2000 (7 U.S.C. 27 et seq.) is  
20 amended—

21           (A) by striking sections 404 and 407 (7  
22 U.S.C. 27b, 27e);

23           (B) in section 402 (7 U.S.C. 27), by strik-  
24 ing subsection (d); and

25           (C) in section 408 (7 U.S.C. 27f)—

- 1 (i) in subsection (c)—
- 2 (I) by striking “in the case” and
- 3 all that follows through “a hybrid”
- 4 and inserting “in the case of a hy-
- 5 brid”;
- 6 (II) by striking “; or” and insert-
- 7 ing a period; and
- 8 (III) by striking paragraph (2);
- 9 (ii) by striking subsection (b); and
- 10 (iii) by redesignating subsection (c) as
- 11 subsection (b).

12 (2) LEGAL CERTAINTY FOR BANK PRODUCTS

13 ACT OF 2000.—Section 403 of the Legal Certainty

14 for Bank Products Act of 2000 (7 U.S.C. 27a) is

15 amended to read as follows:

16 **“SEC. 403. EXCLUSION OF IDENTIFIED BANKING PRODUCT.**

17 “(a) EXCLUSION.—Except as provided in subsection

18 (b) or (c)—

19 “(1) the Commodity Exchange Act (7 U.S.C. 1

20 et seq.) shall not apply to, and the Commodity Fu-

21 tures Trading Commission shall not exercise regu-

22 latory authority under the Commodity Exchange Act

23 (7 U.S.C. 1 et seq.) with respect to, an identified

24 banking product; and

1           “(2) the definitions of ‘security-based swap’ in  
2           section 3(a)(68) of the Securities Exchange Act of  
3           1934 and ‘security-based swap agreement’ in section  
4           1a(47)(A)(v) of the Commodity Exchange Act and  
5           section 3(a)(78) of the Securities Exchange Act of  
6           1934 do not include any identified bank product.

7           “(b) EXCEPTION.—An appropriate Federal banking  
8           agency may except an identified banking product of a  
9           bank under its regulatory jurisdiction from the exclusion  
10          in subsection (a) if the agency determines, in consultation  
11          with the Commodity Futures Trading Commission and the  
12          Securities and Exchange Commission, that the product—

13           “(1) would meet the definition of a ‘swap’  
14           under section 1a(47) of the Commodity Exchange  
15           Act (7 U.S.C. 1a) or a ‘security-based swap’ under  
16           that section 3(a)(68) of the Securities Exchange Act  
17           of 1934; and

18           “(2) has become known to the trade as a swap  
19           or security-based swap, or otherwise has been struc-  
20           tured as an identified banking product for the pur-  
21           pose of evading the provisions of the Commodity Ex-  
22           change Act (7 U.S.C. 1 et seq.), the Securities Act  
23           of 1933 (15 U.S.C. 77a et seq.), or the Securities  
24           Exchange Act of 1934 (15 U.S.C. 78a et seq.).



1           “(c) EXCEPTION.—The exclusions in subsection (a)  
2 shall not apply to an identified bank product that—

3           “(1) is a product of a bank that is not under  
4 the regulatory jurisdiction of an appropriate Federal  
5 banking agency;

6           “(2) meets the definition of swap in section  
7 1a(47) of the Commodity Exchange Act or security-  
8 based swap in section 3(a)(68) of the Securities Ex-  
9 change Act of 1934; and

10           “(3) has become known to the trade as a swap  
11 or security-based swap, or otherwise has been struc-  
12 tured as an identified banking product for the pur-  
13 pose of evading the provisions of the Commodity Ex-  
14 change Act (7 U.S.C. 1 et seq.), the Securities Act  
15 of 1933 (15 U.S.C. 77a et seq.), or the Securities  
16 Exchange Act of 1934 (15 U.S.C. 78a et seq.).”.

17           (h) REDUCING CLEARING SYSTEMIC RISK.—Section  
18 5b(f)(1) of the Commodity Exchange Act (7 U.S.C. 7a-  
19 1(F)(i)) is amended by adding at the end the following:  
20 “In order to minimize systemic risk, under no cir-  
21 cumstances shall a derivatives clearing organization be  
22 compelled to accept the counterparty credit risk of another  
23 clearing organization.”.

1 **SEC. 726. RULEMAKING ON CONFLICT OF INTEREST.**

2 (a) IN GENERAL.—In order to mitigate conflicts of  
3 interest, not later than 180 days after the date of enact-  
4 ment of the Wall Street Transparency and Accountability  
5 Act of 2010, the Commodity Futures Trading Commission  
6 shall adopt rules which may include numerical limits on  
7 the control of, or the voting rights with respect to, any  
8 derivatives clearing organization that clears swaps, or  
9 swap execution facility or board of trade designated as a  
10 contract market that posts swaps or makes swaps avail-  
11 able for trading, by a bank holding company (as defined  
12 in section 2 of the Bank Holding Company Act of 1956  
13 (12 U.S.C. 1841)) with total consolidated assets of  
14 \$50,000,000,000 or more, a nonbank financial company  
15 (as defined in section 102) supervised by the Board, an  
16 affiliate of such a bank holding company or nonbank fi-  
17 nancial company, a swap dealer, major swap participant,  
18 or associated person of a swap dealer or major swap par-  
19 ticipant.

20 (b) PURPOSES.—The Commission shall adopt rules if  
21 it determines, after the review described in subsection (a),  
22 that such rules are necessary or appropriate to improve  
23 the governance of, or to mitigate systemic risk, promote  
24 competition, or mitigate conflicts of interest in connection  
25 with a swap dealer or major swap participant's conduct  
26 of business with, a derivatives clearing organization, con-

1 tract market, or swap execution facility that clears or  
2 posts swaps or makes swaps available for trading and in  
3 which such swap dealer or major swap participant has a  
4 material debt or equity investment.

5 (c) CONSIDERATIONS.—In adopting rules pursuant to  
6 this section, the Commodity Futures Trading Commission  
7 shall consider any conflicts of interest arising from the  
8 amount of equity owned by a single investor, the ability  
9 to vote, cause the vote of, or withhold votes entitled to  
10 be cast on any matters by the holders of the ownership  
11 interest, and the governance arrangements of any deriva-  
12 tives clearing organization that clears swaps, or swap exe-  
13 cution facility or board of trade designated as a contract  
14 market that posts swaps or makes swaps available for  
15 trading.

16 **SEC. 727. PUBLIC REPORTING OF SWAP TRANSACTION**  
17 **DATA.**

18 Section 2(a) of the Commodity Exchange Act (7  
19 U.S.C. 2(a)) is amended by adding at the end the fol-  
20 lowing:

21 “(13) PUBLIC AVAILABILITY OF SWAP TRANS-  
22 ACTION DATA.—

23 “(A) DEFINITION OF REAL-TIME PUBLIC  
24 REPORTING.—In this paragraph, the term ‘real-  
25 time public reporting’ means to report data re-

1           lating to a swap transaction, including price  
2           and volume, as soon as technologically prac-  
3           ticable after the time at which the swap trans-  
4           action has been executed.

5           “(B) PURPOSE.—The purpose of this sec-  
6           tion is to authorize the Commission to make  
7           swap transaction and pricing data available to  
8           the public in such form and at such times as  
9           the Commission determines appropriate to en-  
10          hance price discovery.

11          “(C) GENERAL RULE.—The Commission is  
12          authorized and required to provide by rule for  
13          the public availability of swap transaction and  
14          pricing data as follows:

15                 “(i) With respect to those swaps that  
16                 are subject to the mandatory clearing re-  
17                 quirement described in subsection (h)(1)  
18                 (including those swaps that are excepted  
19                 from the requirement pursuant to sub-  
20                 section (h)(7)), the Commission shall re-  
21                 quire real-time public reporting for such  
22                 transactions.

23                 “(ii) With respect to those swaps that  
24                 are not subject to the mandatory clearing  
25                 requirement described in subsection (h)(1),

1 but are cleared at a registered derivatives  
2 clearing organization, the Commission  
3 shall require real-time public reporting for  
4 such transactions.

5 “(iii) With respect to swaps that are  
6 not cleared at a registered derivatives  
7 clearing organization and which are re-  
8 ported to a swap data repository or the  
9 Commission under subsection (h)(6), the  
10 Commission shall require real-time public  
11 reporting for such transactions, in a man-  
12 ner that does not disclose the business  
13 transactions and market positions of any  
14 person.

15 “(iv) With respect to swaps that are  
16 determined to be required to be cleared  
17 under subsection (h)(2) but are not  
18 cleared, the Commission shall require real-  
19 time public reporting for such transactions.

20 “(D) REGISTERED ENTITIES AND PUBLIC  
21 REPORTING.—The Commission may require  
22 registered entities to publicly disseminate the  
23 swap transaction and pricing data required to  
24 be reported under this paragraph.

1           “(E) RULEMAKING REQUIRED.—With re-  
2           spect to the rule providing for the public avail-  
3           ability of transaction and pricing data for  
4           swaps described in clauses (i) and (ii) of sub-  
5           paragraph (C), the rule promulgated by the  
6           Commission shall contain provisions—

7                   “(i) to ensure such information does  
8                   not identify the participants;

9                   “(ii) to specify the criteria for deter-  
10                  mining what constitutes a large notional  
11                  swap transaction (block trade) for par-  
12                  ticular markets and contracts;

13                  “(iii) to specify the appropriate time  
14                  delay for reporting large notional swap  
15                  transactions (block trades) to the public;  
16                  and

17                  “(iv) that take into account whether  
18                  the public disclosure will materially reduce  
19                  market liquidity.

20           “(F) TIMELINESS OF REPORTING.—Par-  
21           ties to a swap (including agents of the parties  
22           to a swap) shall be responsible for reporting  
23           swap transaction information to the appropriate  
24           registered entity in a timely manner as may be  
25           prescribed by the Commission.

1           “(G) REPORTING OF SWAPS TO REG-  
2           ISTERED SWAP DATA REPOSITORIES.—Each  
3           swap (whether cleared or uncleared) shall be re-  
4           ported to a registered swap data repository.

5           “(14) SEMIANNUAL AND ANNUAL PUBLIC RE-  
6           PORTING OF AGGREGATE SWAP DATA.—

7           “(A) IN GENERAL.—In accordance with  
8           subparagraph (B), the Commission shall issue a  
9           written report on a semiannual and annual  
10          basis to make available to the public informa-  
11          tion relating to—

12                   “(i) the trading and clearing in the  
13                   major swap categories; and

14                   “(ii) the market participants and de-  
15                   velopments in new products.

16          “(B) USE; CONSULTATION.—In preparing  
17          a report under subparagraph (A), the Commis-  
18          sion shall—

19                   “(i) use information from swap data  
20                   repositories and derivatives clearing orga-  
21                   nizations; and

22                   “(ii) consult with the Office of the  
23                   Comptroller of the Currency, the Bank for  
24                   International Settlements, and such other  
25                   regulatory bodies as may be necessary.

1           “(C) AUTHORITY OF THE COMMISSION.—  
2           The Commission may, by rule, regulation, or  
3           order, delegate the public reporting responsibil-  
4           ities of the Commission under this paragraph in  
5           accordance with such terms and conditions as  
6           the Commission determines to be appropriate  
7           and in the public interest.”.

8   **SEC. 728. SWAP DATA REPOSITORIES.**

9           The Commodity Exchange Act is amended by insert-  
10          ing after section 20 (7 U.S.C. 24) the following:

11   **“SEC. 21. SWAP DATA REPOSITORIES.**

12          “(a) REGISTRATION REQUIREMENT.—

13                 “(1) REQUIREMENT; AUTHORITY OF DERIVA-  
14                 TIVES CLEARING ORGANIZATION.—

15                         “(A) IN GENERAL.—It shall be unlawful  
16                         for any person, unless registered with the Com-  
17                         mission, directly or indirectly to make use of  
18                         the mails or any means or instrumentality of  
19                         interstate commerce to perform the functions of  
20                         a swap data repository.

21                         “(B) REGISTRATION OF DERIVATIVES  
22                         CLEARING ORGANIZATIONS.—A derivatives  
23                         clearing organization may register as a swap  
24                         data repository.



1           “(2) INSPECTION AND EXAMINATION.—Each  
2 registered swap data repository shall be subject to  
3 inspection and examination by any representative of  
4 the Commission.

5           “(3) COMPLIANCE WITH CORE PRINCIPLES.—

6           “(A) IN GENERAL.—To be registered, and  
7 maintain registration, as a swap data reposi-  
8 tory, the swap data repository shall comply  
9 with—

10           “(i) the requirements and core prin-  
11 ciples described in this section; and

12           “(ii) any requirement that the Com-  
13 mission may impose by rule or regulation  
14 pursuant to section 8a(5).

15           “(B) REASONABLE DISCRETION OF SWAP  
16 DATA REPOSITORY.—Unless otherwise deter-  
17 mined by the Commission by rule or regulation,  
18 a swap data repository described in subpara-  
19 graph (A) shall have reasonable discretion in  
20 establishing the manner in which the swap data  
21 repository complies with the core principles de-  
22 scribed in this section.

23           “(b) STANDARD SETTING.—

24           “(1) DATA IDENTIFICATION.—

1           “(A) IN GENERAL.—In accordance with  
2           subparagraph (B), the Commission shall pre-  
3           scribe standards that specify the data elements  
4           for each swap that shall be collected and main-  
5           tained by each registered swap data repository.

6           “(B) REQUIREMENT.—In carrying out  
7           subparagraph (A), the Commission shall pre-  
8           scribe consistent data element standards appli-  
9           cable to registered entities and reporting  
10          counterparties.

11          “(2) DATA COLLECTION AND MAINTENANCE.—  
12          The Commission shall prescribe data collection and  
13          data maintenance standards for swap data reposi-  
14          tories.

15          “(3) COMPARABILITY.—The standards pre-  
16          scribed by the Commission under this subsection  
17          shall be comparable to the data standards imposed  
18          by the Commission on derivatives clearing organiza-  
19          tions in connection with their clearing of swaps.

20          “(c) DUTIES.—A swap data repository shall—

21                 “(1) accept data prescribed by the Commission  
22                 for each swap under subsection (b);

23                 “(2) confirm with both counterparties to the  
24                 swap the accuracy of the data that was submitted;

1           “(3) maintain the data described in paragraph  
2 (1) in such form, in such manner, and for such pe-  
3 riod as may be required by the Commission;

4           “(4)(A) provide direct electronic access to the  
5 Commission (or any designee of the Commission, in-  
6 cluding another registered entity); and

7           “(B) provide the information described in para-  
8 graph (1) in such form and at such frequency as the  
9 Commission may require to comply with the public  
10 reporting requirements contained in section  
11 2(a)(13);

12           “(5) at the direction of the Commission, estab-  
13 lish automated systems for monitoring, screening,  
14 and analyzing swap data, including compliance and  
15 frequency of end user clearing exemption claims by  
16 individual and affiliated entities;

17           “(6) maintain the privacy of any and all swap  
18 transaction information that the swap data reposi-  
19 tory receives from a swap dealer, counterparty, or  
20 any other registered entity; and

21           “(7) on a confidential basis pursuant to section  
22 8, upon request, and after notifying the Commission  
23 of the request, make available all data obtained by  
24 the swap data repository, including individual  
25 counterparty trade and position data, to—

1 “(A) each appropriate prudential regulator;

2 “(B) the Financial Stability Oversight

3 Council;

4 “(C) the Securities and Exchange Commis-  
5 sion;

6 “(D) the Department of Justice; and

7 “(E) any other person that the Commis-  
8 sion determines to be appropriate, including—

9 “(i) foreign financial supervisors (in-  
10 cluding foreign futures authorities);

11 “(ii) foreign central banks; and

12 “(iii) foreign ministries; and

13 “(8) establish and maintain emergency proce-  
14 dures, backup facilities, and a plan for disaster re-  
15 covery that allows for the timely recovery and re-  
16 sumption of operations and the fulfillment of the re-  
17 sponsibilities and obligations of the organization.

18 “(d) CONFIDENTIALITY AND INDEMNIFICATION  
19 AGREEMENT.—Before the swap data repository may share  
20 information with any entity described in subsection  
21 (c)(7)—

22 “(1) the swap data repository shall receive a  
23 written agreement from each entity stating that the  
24 entity shall abide by the confidentiality requirements

1 described in section 8 relating to the information on  
2 swap transactions that is provided; and

3 “(2) each entity shall agree to indemnify the  
4 swap data repository and the Commission for any  
5 expenses arising from litigation relating to the infor-  
6 mation provided under section 8.

7 “(e) DESIGNATION OF CHIEF COMPLIANCE OFFI-  
8 CER.—

9 “(1) IN GENERAL.—Each swap data repository  
10 shall designate an individual to serve as a chief com-  
11 pliance officer.

12 “(2) DUTIES.—The chief compliance officer  
13 shall—

14 “(A) report directly to the board or to the  
15 senior officer of the swap data repository;

16 “(B) review the compliance of the swap  
17 data repository with respect to the requirements  
18 and core principles described in this section;

19 “(C) in consultation with the board of the  
20 swap data repository, a body performing a func-  
21 tion similar to the board of the swap data re-  
22 pository, or the senior officer of the swap data  
23 repository, resolve any conflicts of interest that  
24 may arise;

1           “(D) be responsible for administering each  
2 policy and procedure that is required to be es-  
3 tablished pursuant to this section;

4           “(E) ensure compliance with this Act (in-  
5 cluding regulations) relating to agreements,  
6 contracts, or transactions, including each rule  
7 prescribed by the Commission under this sec-  
8 tion;

9           “(F) establish procedures for the remedi-  
10 ation of noncompliance issues identified by the  
11 chief compliance officer through any—

12                   “(i) compliance office review;

13                   “(ii) look-back;

14                   “(iii) internal or external audit find-  
15 ing;

16                   “(iv) self-reported error; or

17                   “(v) validated complaint; and

18           “(G) establish and follow appropriate pro-  
19 cedures for the handling, management response,  
20 remediation, retesting, and closing of non-  
21 compliance issues.

22           “(3) ANNUAL REPORTS.—

23           “(A) IN GENERAL.—In accordance with  
24 rules prescribed by the Commission, the chief

1 compliance officer shall annually prepare and  
2 sign a report that contains a description of—

3 “(i) the compliance of the swap data  
4 repository of the chief compliance officer  
5 with respect to this Act (including regula-  
6 tions); and

7 “(ii) each policy and procedure of the  
8 swap data repository of the chief compli-  
9 ance officer (including the code of ethics  
10 and conflict of interest policies of the swap  
11 data repository).

12 “(B) REQUIREMENTS.—A compliance re-  
13 port under subparagraph (A) shall—

14 “(i) accompany each appropriate fi-  
15 nancial report of the swap data repository  
16 that is required to be furnished to the  
17 Commission pursuant to this section; and

18 “(ii) include a certification that, under  
19 penalty of law, the compliance report is ac-  
20 curate and complete.

21 “(f) CORE PRINCIPLES APPLICABLE TO SWAP DATA  
22 REPOSITORIES.—

23 “(1) ANTITRUST CONSIDERATIONS.—Unless  
24 necessary or appropriate to achieve the purposes of  
25 this Act, a swap data repository shall not—

1           “(A) adopt any rule or take any action  
2           that results in any unreasonable restraint of  
3           trade; or

4           “(B) impose any material anticompetitive  
5           burden on the trading, clearing, or reporting of  
6           transactions.

7           “(2) GOVERNANCE ARRANGEMENTS.—Each  
8           swap data repository shall establish governance ar-  
9           rangements that are transparent—

10           “(A) to fulfill public interest requirements;  
11           and

12           “(B) to support the objectives of the Fed-  
13           eral Government, owners, and participants.

14           “(3) CONFLICTS OF INTEREST.—Each swap  
15           data repository shall—

16           “(A) establish and enforce rules to mini-  
17           mize conflicts of interest in the decision-making  
18           process of the swap data repository; and

19           “(B) establish a process for resolving con-  
20           flicts of interest described in subparagraph (A).

21           “(4) ADDITIONAL DUTIES DEVELOPED BY COM-  
22           MISSION.—

23           “(A) IN GENERAL.—The Commission may  
24           develop 1 or more additional duties applicable  
25           to swap data repositories.



1           “(B) CONSIDERATION OF EVOLVING  
2 STANDARDS.—In developing additional duties  
3 under subparagraph (A), the Commission may  
4 take into consideration any evolving standard of  
5 the United States or the international commu-  
6 nity.

7           “(C) ADDITIONAL DUTIES FOR COMMIS-  
8 SION DESIGNEES.—The Commission shall es-  
9 tablish additional duties for any registrant de-  
10 scribed in section 1a(48) in order to minimize  
11 conflicts of interest, protect data, ensure com-  
12 pliance, and guarantee the safety and security  
13 of the swap data repository.

14           “(g) REQUIRED REGISTRATION FOR SWAP DATA RE-  
15 POSITORIES.—Any person that is required to be registered  
16 as a swap data repository under this section shall register  
17 with the Commission regardless of whether that person is  
18 also licensed as a bank or registered with the Securities  
19 and Exchange Commission as a swap data repository.

20           “(h) RULES.—The Commission shall adopt rules gov-  
21 erning persons that are registered under this section.”.

22 **SEC. 729. REPORTING AND RECORDKEEPING.**

23           The Commodity Exchange Act is amended by insert-  
24 ing after section 4q (7 U.S.C. 6o–1) the following:

1 **“SEC. 4r. REPORTING AND RECORDKEEPING FOR**  
2 **UNCLEARED SWAPS.**

3 “(a) REQUIRED REPORTING OF SWAPS NOT ACCEPT-  
4 ED BY ANY DERIVATIVES CLEARING ORGANIZATION.—

5 “(1) IN GENERAL.—Each swap that is not ac-  
6 cepted for clearing by any derivatives clearing orga-  
7 nization shall be reported to—

8 “(A) a swap data repository described in  
9 section 21; or

10 “(B) in the case in which there is no swap  
11 data repository that would accept the swap, to  
12 the Commission pursuant to this section within  
13 such time period as the Commission may by  
14 rule or regulation prescribe.

15 “(2) TRANSITION RULE FOR PREENACTMENT  
16 SWAPS.—

17 “(A) SWAPS ENTERED INTO BEFORE THE  
18 DATE OF ENACTMENT OF THE WALL STREET  
19 TRANSPARENCY AND ACCOUNTABILITY ACT OF  
20 2010.—Each swap entered into before the date  
21 of enactment of the Wall Street Transparency  
22 and Accountability Act of 2010, the terms of  
23 which have not expired as of the date of enact-  
24 ment of that Act, shall be reported to a reg-  
25 istered swap data repository or the Commission  
26 by a date that is not later than—

1 “(i) 30 days after issuance of the in-  
2 terim final rule; or

3 “(ii) such other period as the Com-  
4 mission determines to be appropriate.

5 “(B) COMMISSION RULEMAKING.—The  
6 Commission shall promulgate an interim final  
7 rule within 90 days of the date of enactment of  
8 this section providing for the reporting of each  
9 swap entered into before the date of enactment  
10 as referenced in subparagraph (A).

11 “(C) EFFECTIVE DATE.—The reporting  
12 provisions described in this section shall be ef-  
13 fective upon the enactment of this section.

14 “(3) REPORTING OBLIGATIONS.—

15 “(A) SWAPS IN WHICH ONLY 1  
16 COUNTERPARTY IS A SWAP DEALER OR MAJOR  
17 SWAP PARTICIPANT.—With respect to a swap in  
18 which only 1 counterparty is a swap dealer or  
19 major swap participant, the swap dealer or  
20 major swap participant shall report the swap as  
21 required under paragraphs (1) and (2).

22 “(B) SWAPS IN WHICH 1 COUNTERPARTY  
23 IS A SWAP DEALER AND THE OTHER A MAJOR  
24 SWAP PARTICIPANT.—With respect to a swap in  
25 which 1 counterparty is a swap dealer and the

1           other a major swap participant, the swap dealer  
2           shall report the swap as required under para-  
3           graphs (1) and (2).

4           “(C) OTHER SWAPS.—With respect to any  
5           other swap not described in subparagraph (A)  
6           or (B), the counterparties to the swap shall se-  
7           lect a counterparty to report the swap as re-  
8           quired under paragraphs (1) and (2).

9           “(b) DUTIES OF CERTAIN INDIVIDUALS.—Any indi-  
10          vidual or entity that enters into a swap shall meet each  
11          requirement described in subsection (c) if the individual  
12          or entity did not—

13           “(1) clear the swap in accordance with section  
14          2(h)(1); or

15           “(2) have the data regarding the swap accepted  
16          by a swap data repository in accordance with rules  
17          (including timeframes) adopted by the Commission  
18          under section 21.

19          “(c) REQUIREMENTS.—An individual or entity de-  
20          scribed in subsection (b) shall—

21           “(1) upon written request from the Commis-  
22          sion, provide reports regarding the swaps held by the  
23          individual or entity to the Commission in such form  
24          and in such manner as the Commission may request;  
25          and

1           “(2) maintain books and records pertaining to  
2           the swaps held by the individual or entity in such  
3           form, in such manner, and for such period as the  
4           Commission may require, which shall be open to in-  
5           spection by—

6                   “(A) any representative of the Commis-  
7                   sion;

8                   “(B) an appropriate prudential regulator;

9                   “(C) the Securities and Exchange Commis-  
10                  sion;

11                  “(D) the Financial Stability Oversight  
12                  Council; and

13                  “(E) the Department of Justice.

14           “(d) IDENTICAL DATA.—In prescribing rules under  
15           this section, the Commission shall require individuals and  
16           entities described in subsection (b) to submit to the Com-  
17           mission a report that contains data that is not less com-  
18           prehensive than the data required to be collected by swap  
19           data repositories under section 21.”.

20   **SEC. 730. LARGE SWAP TRADER REPORTING.**

21           The Commodity Exchange Act (7 U.S.C. 1 et seq.)  
22           is amended by adding after section 4s (as added by section  
23           731) the following:

24   **“SEC. 4t. LARGE SWAP TRADER REPORTING.**

25           “(a) PROHIBITION.—

1           “(1) IN GENERAL.—Except as provided in para-  
2 graph (2), it shall be unlawful for any person to  
3 enter into any swap that the Commission determines  
4 to perform a significant price discovery function with  
5 respect to registered entities if—

6           “(A) the person directly or indirectly en-  
7 ters into the swap during any 1 day in an  
8 amount equal to or in excess of such amount as  
9 shall be established periodically by the Commis-  
10 sion; and

11           “(B) the person directly or indirectly has  
12 or obtains a position in the swap equal to or in  
13 excess of such amount as shall be established  
14 periodically by the Commission.

15           “(2) EXCEPTION.—Paragraph (1) shall not  
16 apply if—

17           “(A) the person files or causes to be filed  
18 with the properly designated officer of the Com-  
19 mission such reports regarding any transactions  
20 or positions described in subparagraphs (A) and  
21 (B) of paragraph (1) as the Commission may  
22 require by rule or regulation; and

23           “(B) in accordance with the rules and reg-  
24 ulations of the Commission, the person keeps  
25 books and records of all such swaps and any

1 transactions and positions in any related com-  
2 modity traded on or subject to the rules of any  
3 designated contract market or swap execution  
4 facility, and of cash or spot transactions in, in-  
5 ventories of, and purchase and sale commit-  
6 ments of, such a commodity.

7 “(b) REQUIREMENTS.—

8 “(1) IN GENERAL.—Books and records de-  
9 scribed in subsection (a)(2)(B) shall—

10 “(A) show such complete details con-  
11 cerning all transactions and positions as the  
12 Commission may prescribe by rule or regula-  
13 tion;

14 “(B) be open at all times to inspection and  
15 examination by any representative of the Com-  
16 mission; and

17 “(C) be open at all times to inspection and  
18 examination by the Securities and Exchange  
19 Commission, to the extent such books and  
20 records relate to transactions in swaps (as that  
21 term is defined in section 1a(47)(A)(v)), and  
22 consistent with the confidentiality and disclo-  
23 sure requirements of section 8.

24 “(2) JURISDICTION.—Nothing in paragraph (1)  
25 shall affect the exclusive jurisdiction of the Commis-

1 sion to prescribe recordkeeping and reporting re-  
2 quirements for large swap traders under this section.

3 “(c) APPLICABILITY.—For purposes of this section,  
4 the swaps, futures, and cash or spot transactions and posi-  
5 tions of any person shall include the swaps, futures, and  
6 cash or spot transactions and positions of any persons di-  
7 rectly or indirectly controlled by the person.

8 “(d) SIGNIFICANT PRICE DISCOVERY FUNCTION.—  
9 In making a determination as to whether a swap performs  
10 or affects a significant price discovery function with re-  
11 spect to registered entities, the Commission shall consider  
12 the factors described in section 4a(a)(3).”.

13 **SEC. 731. REGISTRATION AND REGULATION OF SWAP DEAL-**  
14 **ERS AND MAJOR SWAP PARTICIPANTS.**

15 The Commodity Exchange Act (7 U.S.C. 1 et seq.)  
16 is amended by inserting after section 4r (as added by sec-  
17 tion 729) the following:

18 **“SEC. 4s. REGISTRATION AND REGULATION OF SWAP DEAL-**  
19 **ERS AND MAJOR SWAP PARTICIPANTS.**

20 “(a) REGISTRATION.—

21 “(1) SWAP DEALERS.—It shall be unlawful for  
22 any person to act as a swap dealer unless the person  
23 is registered as a swap dealer with the Commission.

24 “(2) MAJOR SWAP PARTICIPANTS.—It shall be  
25 unlawful for any person to act as a major swap par-



1        ticipant unless the person is registered as a major  
2        swap participant with the Commission.

3        “(b) REQUIREMENTS.—

4            “(1) IN GENERAL.—A person shall register as  
5        a swap dealer or major swap participant by filing a  
6        registration application with the Commission.

7        “(2) CONTENTS.—

8            “(A) IN GENERAL.—The application shall  
9        be made in such form and manner as prescribed  
10       by the Commission, and shall contain such in-  
11       formation, as the Commission considers nec-  
12       essary concerning the business in which the ap-  
13       plicant is or will be engaged.

14           “(B) CONTINUAL REPORTING.—A person  
15        that is registered as a swap dealer or major  
16        swap participant shall continue to submit to the  
17        Commission reports that contain such informa-  
18        tion pertaining to the business of the person as  
19        the Commission may require.

20           “(3) EXPIRATION.—Each registration under  
21        this section shall expire at such time as the Commis-  
22        sion may prescribe by rule or regulation.

23           “(4) RULES.—Except as provided in sub-  
24        sections (d) and (e), the Commission may prescribe  
25        rules applicable to swap dealers and major swap par-

1 participants, including rules that limit the activities of  
2 swap dealers and major swap participants.

3 “(5) TRANSITION.—Rules under this section  
4 shall provide for the registration of swap dealers and  
5 major swap participants not later than 1 year after  
6 the date of enactment of the Wall Street Trans-  
7 parency and Accountability Act of 2010.

8 “(6) STATUTORY DISQUALIFICATION.—Except  
9 to the extent otherwise specifically provided by rule,  
10 regulation, or order, it shall be unlawful for a swap  
11 dealer or a major swap participant to permit any  
12 person associated with a swap dealer or a major  
13 swap participant who is subject to a statutory dis-  
14 qualification to effect or be involved in effecting  
15 swaps on behalf of the swap dealer or major swap  
16 participant, if the swap dealer or major swap partici-  
17 pant knew, or in the exercise of reasonable care  
18 should have known, of the statutory disqualification.

19 “(c) DUAL REGISTRATION.—

20 “(1) SWAP DEALER.—Any person that is re-  
21 quired to be registered as a swap dealer under this  
22 section shall register with the Commission regardless  
23 of whether the person also is a depository institution  
24 or is registered with the Securities and Exchange  
25 Commission as a security-based swap dealer.

1           “(2) MAJOR SWAP PARTICIPANT.—Any person  
2           that is required to be registered as a major swap  
3           participant under this section shall register with the  
4           Commission regardless of whether the person also is  
5           a depository institution or is registered with the Se-  
6           curities and Exchange Commission as a major secu-  
7           rity-based swap participant.

8           “(d) RULEMAKINGS.—

9           “(1) IN GENERAL.—The Commission shall  
10          adopt rules for persons that are registered as swap  
11          dealers or major swap participants under this sec-  
12          tion.

13          “(2) EXCEPTION FOR PRUDENTIAL REQUIRE-  
14          MENTS.—

15                 “(A) IN GENERAL.—The Commission may  
16                 not prescribe rules imposing prudential require-  
17                 ments on swap dealers or major swap partici-  
18                 pants for which there is a prudential regulator.

19                 “(B) APPLICABILITY.—Subparagraph (A)  
20                 does not limit the authority of the Commission  
21                 to prescribe rules as directed under this section.

22          “(e) CAPITAL AND MARGIN REQUIREMENTS.—

23                 “(1) IN GENERAL.—

24                 “(A) SWAP DEALERS AND MAJOR SWAP  
25                 PARTICIPANTS THAT ARE BANKS.—Each reg-

1           istered swap dealer and major swap participant  
2           for which there is a prudential regulator shall  
3           meet such minimum capital requirements and  
4           minimum initial and variation margin require-  
5           ments as the prudential regulator shall by rule  
6           or regulation prescribe under paragraph (2)(A).

7           “(B) SWAP DEALERS AND MAJOR SWAP  
8           PARTICIPANTS THAT ARE NOT BANKS.—Each  
9           registered swap dealer and major swap partici-  
10          pant for which there is not a prudential regu-  
11          lator shall meet such minimum capital require-  
12          ments and minimum initial and variation mar-  
13          gin requirements as the Commission shall by  
14          rule or regulation prescribe under paragraph  
15          (2)(B).

16          “(2) RULES.—

17                 “(A) SWAP DEALERS AND MAJOR SWAP  
18                 PARTICIPANTS THAT ARE BANKS.—The pruden-  
19                 tial regulators, in consultation with the Com-  
20                 mission and the Securities and Exchange Com-  
21                 mission, shall jointly adopt rules for swap deal-  
22                 ers and major swap participants, with respect  
23                 to their activities as a swap dealer or major  
24                 swap participant, for which there is a pruden-  
25                 tial regulator imposing—

1 “(i) capital requirements; and

2 “(ii) both initial and variation margin  
3 requirements on all swaps that are not  
4 cleared by a registered derivatives clearing  
5 organization.

6 “(B) SWAP DEALERS AND MAJOR SWAP  
7 PARTICIPANTS THAT ARE NOT BANKS.—The  
8 Commission shall adopt rules for swap dealers  
9 and major swap participants, with respect to  
10 their activities as a swap dealer or major swap  
11 participant, for which there is not a prudential  
12 regulator imposing—

13 “(i) capital requirements; and

14 “(ii) both initial and variation margin  
15 requirements on all swaps that are not  
16 cleared by a registered derivatives clearing  
17 organization.

18 “(C) CAPITAL.—In setting capital require-  
19 ments for a person that is designated as a swap  
20 dealer or a major swap participant for a single  
21 type or single class or category of swap or ac-  
22 tivities, the prudential regulator and the Com-  
23 mission shall take into account the risks associ-  
24 ated with other types of swaps or classes of  
25 swaps or categories of swaps engaged in and

1 the other activities conducted by that person  
2 that are not otherwise subject to regulation ap-  
3 plicable to that person by virtue of the status  
4 of the person as a swap dealer or a major swap  
5 participant.

6 “(3) STANDARDS FOR CAPITAL AND MARGIN.—

7 “(A) IN GENERAL.—To offset the greater  
8 risk to the swap dealer or major swap partici-  
9 pant and the financial system arising from the  
10 use of swaps that are not cleared, the require-  
11 ments imposed under paragraph (2) shall—

12 “(i) help ensure the safety and sound-  
13 ness of the swap dealer or major swap par-  
14 ticipant; and

15 “(ii) be appropriate for the risk asso-  
16 ciated with the non-cleared swaps held as  
17 a swap dealer or major swap participant.

18 “(B) RULE OF CONSTRUCTION.—

19 “(i) IN GENERAL.—Nothing in this  
20 section shall limit, or be construed to limit,  
21 the authority—

22 “(I) of the Commission to set fi-  
23 nancial responsibility rules for a fu-  
24 tures commission merchant or intro-  
25 ducing broker registered pursuant to

1 section 4f(a) (except for section  
2 4f(a)(3)) in accordance with section  
3 4f(b); or

4 “(II) of the Securities and Ex-  
5 change Commission to set financial  
6 responsibility rules for a broker or  
7 dealer registered pursuant to section  
8 15(b) of the Securities Exchange Act  
9 of 1934 (15 U.S.C. 78o(b)) (except  
10 for section 15(b)(11) of that Act (15  
11 U.S.C. 78o(b)(11)) in accordance with  
12 section 15(c)(3) of the Securities Ex-  
13 change Act of 1934 (15 U.S.C.  
14 78o(c)(3)).

15 “(ii) FUTURES COMMISSION MER-  
16 CHANTS AND OTHER DEALERS.—A futures  
17 commission merchant, introducing broker,  
18 broker, or dealer shall maintain sufficient  
19 capital to comply with the stricter of any  
20 applicable capital requirements to which  
21 such futures commission merchant, intro-  
22 ducing broker, broker, or dealer is subject  
23 to under this Act or the Securities Ex-  
24 change Act of 1934 (15 U.S.C. 78a et  
25 seq.).

1           “(C) MARGIN REQUIREMENTS.—In pre-  
2           scribing margin requirements under this sub-  
3           section, the prudential regulator with respect to  
4           swap dealers and major swap participants for  
5           which it is the prudential regulator and the  
6           Commission with respect to swap dealers and  
7           major swap participants for which there is no  
8           prudential regulator shall permit the use of  
9           noncash collateral, as the regulator or the Com-  
10          mission determines to be consistent with—

11                   “(i) preserving the financial integrity  
12                   of markets trading swaps; and

13                   “(ii) preserving the stability of the  
14                   United States financial system.

15          “(D) COMPARABILITY OF CAPITAL AND  
16          MARGIN REQUIREMENTS.—

17                   “(i) IN GENERAL.—The prudential  
18                   regulators, the Commission, and the Secu-  
19                   rities and Exchange Commission shall peri-  
20                   odically (but not less frequently than annu-  
21                   ally) consult on minimum capital require-  
22                   ments and minimum initial and variation  
23                   margin requirements.

24                   “(ii) COMPARABILITY.—The entities  
25                   described in clause (i) shall, to the max-



1           imum extent practicable, establish and  
2           maintain comparable minimum capital re-  
3           quirements and minimum initial and vari-  
4           ation margin requirements, including the  
5           use of non cash collateral, for—

6                           “(I) swap dealers; and

7                           “(II) major swap participants.

8           “(f) REPORTING AND RECORDKEEPING.—

9                   “(1) IN GENERAL.—Each registered swap deal-  
10           er and major swap participant—

11                           “(A) shall make such reports as are re-  
12           quired by the Commission by rule or regulation  
13           regarding the transactions and positions and fi-  
14           nancial condition of the registered swap dealer  
15           or major swap participant;

16                           “(B)(i) for which there is a prudential reg-  
17           ulator, shall keep books and records of all ac-  
18           tivities related to the business as a swap dealer  
19           or major swap participant in such form and  
20           manner and for such period as may be pre-  
21           scribed by the Commission by rule or regula-  
22           tion; and

23                           “(ii) for which there is no prudential regu-  
24           lator, shall keep books and records in such form  
25           and manner and for such period as may be pre-

1           scribed by the Commission by rule or regula-  
2           tion;

3           “(C) shall keep books and records de-  
4           scribed in subparagraph (B) open to inspection  
5           and examination by any representative of the  
6           Commission; and

7           “(D) shall keep any such books and  
8           records relating to swaps defined in section  
9           1a(47)(A)(v) open to inspection and examina-  
10          tion by the Securities and Exchange Commis-  
11          sion.

12          “(2) RULES.—The Commission shall adopt  
13          rules governing reporting and recordkeeping for  
14          swap dealers and major swap participants.

15          “(g) DAILY TRADING RECORDS.—

16          “(1) IN GENERAL.—Each registered swap deal-  
17          er and major swap participant shall maintain daily  
18          trading records of the swaps of the registered swap  
19          dealer and major swap participant and all related  
20          records (including related cash or forward trans-  
21          actions) and recorded communications, including  
22          electronic mail, instant messages, and recordings of  
23          telephone calls, for such period as may be required  
24          by the Commission by rule or regulation.

1           “(2) INFORMATION REQUIREMENTS.—The daily  
2 trading records shall include such information as the  
3 Commission shall require by rule or regulation.

4           “(3) COUNTERPARTY RECORDS.—Each reg-  
5 istered swap dealer and major swap participant shall  
6 maintain daily trading records for each counterparty  
7 in a manner and form that is identifiable with each  
8 swap transaction.

9           “(4) AUDIT TRAIL.—Each registered swap deal-  
10 er and major swap participant shall maintain a com-  
11 plete audit trail for conducting comprehensive and  
12 accurate trade reconstructions.

13           “(5) RULES.—The Commission shall adopt  
14 rules governing daily trading records for swap deal-  
15 ers and major swap participants.

16           “(h) BUSINESS CONDUCT STANDARDS.—

17           “(1) IN GENERAL.—Each registered swap deal-  
18 er and major swap participant shall conform with  
19 such business conduct standards as prescribed in  
20 paragraph (3) and as may be prescribed by the  
21 Commission by rule or regulation that relate to—

22           “(A) fraud, manipulation, and other abu-  
23 sive practices involving swaps (including swaps  
24 that are offered but not entered into);

1           “(B) diligent supervision of the business of  
2 the registered swap dealer and major swap par-  
3 ticipant;

4           “(C) adherence to all applicable position  
5 limits; and

6           “(D) such other matters as the Commis-  
7 sion determines to be appropriate.

8           “(2) RESPONSIBILITIES WITH RESPECT TO SPE-  
9 CIAL ENTITIES.—

10           “(A) ADVISING SPECIAL ENTITIES.—A  
11 swap dealer or major swap participant that acts  
12 as an advisor to a special entity regarding a  
13 swap shall comply with the requirements of sub-  
14 paragraph (4) with respect to such Special En-  
15 tity.

16           “(B) ENTERING OF SWAPS WITH RESPECT  
17 TO SPECIAL ENTITIES.—A swap dealer that en-  
18 ters into or offers to enter into swap with a  
19 Special Entity shall comply with the require-  
20 ments of subparagraph (5) with respect to such  
21 Special Entity.

22           “(C) SPECIAL ENTITY DEFINED.—For  
23 purposes of this subsection, the term ‘special  
24 entity’ means—

25           “(i) a Federal agency;

1                   “(ii) a State, State agency, city, coun-  
2                   ty, municipality, or other political subdivi-  
3                   sion of a State;

4                   “(iii) any employee benefit plan, as  
5                   defined in section 3 of the Employee Re-  
6                   tirement Income Security Act of 1974 (29  
7                   U.S.C. 1002);

8                   “(iv) any governmental plan, as de-  
9                   fined in section 3 of the Employee Retire-  
10                  ment Income Security Act of 1974 (29  
11                  U.S.C. 1002); or

12                  “(v) any endowment, including an en-  
13                  dowment that is an organization described  
14                  in section 501(c)(3) of the Internal Rev-  
15                  enue Code of 1986.

16                  “(3) BUSINESS CONDUCT REQUIREMENTS.—  
17                  Business conduct requirements adopted by the Com-  
18                  mission shall—

19                  “(A) establish a duty for a swap dealer or  
20                  major swap participant to verify that any  
21                  counterparty meets the eligibility standards for  
22                  an eligible contract participant;

23                  “(B) require disclosure by the swap dealer  
24                  or major swap participant to any counterparty  
25                  to the transaction (other than a swap dealer,

1 major swap participant, security-based swap  
2 dealer, or major security-based swap partici-  
3 pant) of—

4 “(i) information about the material  
5 risks and characteristics of the swap;

6 “(ii) any material incentives or con-  
7 flicts of interest that the swap dealer or  
8 major swap participant may have in con-  
9 nection with the swap; and

10 “(iii)(I) for cleared swaps, upon the  
11 request of the counterparty, receipt of the  
12 daily mark of the transaction from the ap-  
13 propriate derivatives clearing organization;  
14 and

15 “(II) for uncleared swaps, receipt of  
16 the daily mark of the transaction from the  
17 swap dealer or the major swap participant;

18 “(C) establish a duty for a swap dealer or  
19 major swap participant to communicate in a  
20 fair and balanced manner based on principles of  
21 fair dealing and good faith; and

22 “(D) establish such other standards and  
23 requirements as the Commission may determine  
24 are appropriate in the public interest, for the

1 protection of investors, or otherwise in further-  
2 ance of the purposes of this Act.

3 “(4) SPECIAL REQUIREMENTS FOR SWAP DEAL-  
4 ERS ACTING AS ADVISORS.—

5 “(A) IN GENERAL.—It shall be unlawful  
6 for a swap dealer or major swap participant—

7 “(i) to employ any device, scheme, or  
8 artifice to defraud any Special Entity or  
9 prospective customer who is a Special En-  
10 tity;

11 “(ii) to engage in any transaction,  
12 practice, or course of business that oper-  
13 ates as a fraud or deceit on any Special  
14 Entity or prospective customer who is a  
15 Special Entity; or

16 “(iii) to engage in any act, practice,  
17 or course of business that is fraudulent,  
18 deceptive or manipulative.

19 “(B) DUTY.—Any swap dealer that acts as  
20 an advisor to a Special Entity shall have a duty  
21 to act in the best interests of the Special Enti-  
22 ty.

23 “(C) REASONABLE EFFORTS.—Any swap  
24 dealer that acts as an advisor to a Special Enti-  
25 ty shall make reasonable efforts to obtain such

1 information as is necessary to make a reason-  
2 able determination that any swap recommended  
3 by the swap dealer is in the best interests of the  
4 Special Entity, including information relating  
5 to—

6 “(i) the financial status of the Special  
7 Entity;

8 “(ii) the tax status of the Special En-  
9 tity;

10 “(iii) the investment or financing ob-  
11 jectives of the Special Entity; and

12 “(iv) any other information that the  
13 Commission may prescribe by rule or regu-  
14 lation.

15 “(5) SPECIAL REQUIREMENTS FOR SWAP DEAL-  
16 ERS AS COUNTERPARTIES TO SPECIAL ENTITIES.—

17 “(A) Any swap dealer or major swap par-  
18 ticipant that offers to enter or enters into a  
19 swap with a Special Entity shall—

20 “(i) comply with any duty established  
21 by the Commission for a swap dealer or  
22 major swap participant, with respect to a  
23 counterparty that is an eligible contract  
24 participant within the meaning of sub-  
25 clause (I) or (II) of clause (vii) of section





1                   tion 3 of that Act (29 U.S.C. 1002);

2                   and

3                   “(ii) before the initiation of the trans-  
4                   action, disclose to the Special Entity in  
5                   writing the capacity in which the swap  
6                   dealer is acting; and

7                   “(B) the Commission may establish such  
8                   other standards and requirements as the Com-  
9                   mission may determine are appropriate in the  
10                  public interest, for the protection of investors,  
11                  or otherwise in furtherance of the purposes of  
12                  this Act.

13                  “(6) RULES.—The Commission shall prescribe  
14                  rules under this subsection governing business con-  
15                  duct standards for swap dealers and major swap  
16                  participants.

17                  “(7) APPLICABILITY.—This section shall not  
18                  apply with respect to a transaction that is—

19                         “(A) initiated by a Special Entity on an  
20                         exchange or swap execution facility; and

21                         “(B) one in which the swap dealer or  
22                         major swap participant does not know the iden-  
23                         tity of the counterparty to the transaction.

24                  “(i) DOCUMENTATION STANDARDS.—

1           “(1) IN GENERAL.—Each registered swap deal-  
2           er and major swap participant shall conform with  
3           such standards as may be prescribed by the Com-  
4           mission by rule or regulation that relate to timely  
5           and accurate confirmation, processing, netting, docu-  
6           mentation, and valuation of all swaps.

7           “(2) RULES.—The Commission shall adopt  
8           rules governing documentation standards for swap  
9           dealers and major swap participants.

10          “(j) DUTIES.—Each registered swap dealer and  
11          major swap participant at all times shall comply with the  
12          following requirements:

13               “(1) MONITORING OF TRADING.—The swap  
14               dealer or major swap participant shall monitor its  
15               trading in swaps to prevent violations of applicable  
16               position limits.

17               “(2) RISK MANAGEMENT PROCEDURES.—The  
18               swap dealer or major swap participant shall estab-  
19               lish robust and professional risk management sys-  
20               tems adequate for managing the day-to-day business  
21               of the swap dealer or major swap participant.

22               “(3) DISCLOSURE OF GENERAL INFORMA-  
23               TION.—The swap dealer or major swap participant  
24               shall disclose to the Commission and to the pruden-

1            tial regulator for the swap dealer or major swap par-  
2            ticipant, as applicable, information concerning—

3                    “(A) terms and conditions of its swaps;

4                    “(B) swap trading operations, mechanisms,  
5            and practices;

6                    “(C) financial integrity protections relating  
7            to swaps; and

8                    “(D) other information relevant to its trad-  
9            ing in swaps.

10           “(4) ABILITY TO OBTAIN INFORMATION.—The  
11           swap dealer or major swap participant shall—

12                    “(A) establish and enforce internal systems  
13           and procedures to obtain any necessary infor-  
14           mation to perform any of the functions de-  
15           scribed in this section; and

16                    “(B) provide the information to the Com-  
17           mission and to the prudential regulator for the  
18           swap dealer or major swap participant, as ap-  
19           plicable, on request.

20           “(5) CONFLICTS OF INTEREST.—The swap  
21           dealer and major swap participant shall implement  
22           conflict-of-interest systems and procedures that—

23                    “(A) establish structural and institutional  
24           safeguards to ensure that the activities of any  
25           person within the firm relating to research or

1 analysis of the price or market for any com-  
2 modity or swap or acting in a role of providing  
3 clearing activities or making determinations as  
4 to accepting clearing customers are separated  
5 by appropriate informational partitions within  
6 the firm from the review, pressure, or oversight  
7 of persons whose involvement in pricing, trad-  
8 ing, or clearing activities might potentially bias  
9 their judgment or supervision and contravene  
10 the core principles of open access and the busi-  
11 ness conduct standards described in this Act;  
12 and

13 “(B) address such other issues as the  
14 Commission determines to be appropriate.

15 “(6) ANTITRUST CONSIDERATIONS.—Unless  
16 necessary or appropriate to achieve the purposes of  
17 this Act, a swap dealer or major swap participant  
18 shall not—

19 “(A) adopt any process or take any action  
20 that results in any unreasonable restraint of  
21 trade; or

22 “(B) impose any material anticompetitive  
23 burden on trading or clearing.

1           “(7) RULES.—The Commission shall prescribe  
2 rules under this subsection governing duties of swap  
3 dealers and major swap participants.

4           “(k) DESIGNATION OF CHIEF COMPLIANCE OFFI-  
5 CER.—

6           “(1) IN GENERAL.—Each swap dealer and  
7 major swap participant shall designate an individual  
8 to serve as a chief compliance officer.

9           “(2) DUTIES.—The chief compliance officer  
10 shall—

11           “(A) report directly to the board or to the  
12 senior officer of the swap dealer or major swap  
13 participant;

14           “(B) review the compliance of the swap  
15 dealer or major swap participant with respect to  
16 the swap dealer and major swap participant re-  
17 quirements described in this section;

18           “(C) in consultation with the board of di-  
19 rectors, a body performing a function similar to  
20 the board, or the senior officer of the organiza-  
21 tion, resolve any conflicts of interest that may  
22 arise;

23           “(D) be responsible for administering each  
24 policy and procedure that is required to be es-  
25 tablished pursuant to this section;

1           “(E) ensure compliance with this Act (in-  
2           cluding regulations) relating to swaps, including  
3           each rule prescribed by the Commission under  
4           this section;

5           “(F) establish procedures for the remedi-  
6           ation of noncompliance issues identified by the  
7           chief compliance officer through any—

8                   “(i) compliance office review;

9                   “(ii) look-back;

10                   “(iii) internal or external audit find-  
11           ing;

12                   “(iv) self-reported error; or

13                   “(v) validated complaint; and

14           “(G) establish and follow appropriate pro-  
15           cedures for the handling, management response,  
16           remediation, retesting, and closing of non-  
17           compliance issues.

18           “(3) ANNUAL REPORTS.—

19           “(A) IN GENERAL.—In accordance with  
20           rules prescribed by the Commission, the chief  
21           compliance officer shall annually prepare and  
22           sign a report that contains a description of—

23                   “(i) the compliance of the swap dealer  
24                   or major swap participant with respect to  
25                   this Act (including regulations); and

1           “(ii) each policy and procedure of the  
2           swap dealer or major swap participant of  
3           the chief compliance officer (including the  
4           code of ethics and conflict of interest poli-  
5           cies).

6           “(B) REQUIREMENTS.—A compliance re-  
7           port under subparagraph (A) shall—

8                   “(i) accompany each appropriate fi-  
9                   nancial report of the swap dealer or major  
10                  swap participant that is required to be fur-  
11                  nished to the Commission pursuant to this  
12                  section; and

13                   “(ii) include a certification that, under  
14                  penalty of law, the compliance report is ac-  
15                  curate and complete.”.

16 **SEC. 732. CONFLICTS OF INTEREST.**

17           Section 4d of the Commodity Exchange Act (7 U.S.C.  
18 6d) is amended—

19                   (1) by redesignating subsection (c) as sub-  
20                  section (e); and

21                   (2) by inserting after subsection (b) the fol-  
22                  lowing:

23           “(c) CONFLICTS OF INTEREST.—The Commission  
24 shall require that futures commission merchants and in-



1 introducing brokers implement conflict-of-interest systems  
2 and procedures that—

3 “(1) establish structural and institutional safe-  
4 guards to ensure that the activities of any person  
5 within the firm relating to research or analysis of  
6 the price or market for any commodity are separated  
7 by appropriate informational partitions within the  
8 firm from the review, pressure, or oversight of per-  
9 sons whose involvement in trading or clearing activi-  
10 ties might potentially bias the judgment or super-  
11 vision of the persons; and

12 “(2) address such other issues as the Commis-  
13 sion determines to be appropriate.

14 “(d) DESIGNATION OF CHIEF COMPLIANCE OFFI-  
15 CER.—Each futures commission merchant shall designate  
16 an individual to serve as its Chief Compliance Officer and  
17 perform such duties and responsibilities as shall be set  
18 forth in regulations to be adopted by the Commission or  
19 rules to be adopted by a futures association registered  
20 under section 17.”.

21 **SEC. 733. SWAP EXECUTION FACILITIES.**

22 The Commodity Exchange Act is amended by insert-  
23 ing after section 5g (7 U.S.C. 7b–2) the following:

24 **“SEC. 5h. SWAP EXECUTION FACILITIES.**

25 “(a) REGISTRATION.—

1           “(1) IN GENERAL.—No person may operate a  
2           facility for the trading or processing of swaps unless  
3           the facility is registered as a swap execution facility  
4           or as a designated contract market under this sec-  
5           tion.

6           “(2) DUAL REGISTRATION.—Any person that is  
7           registered as a swap execution facility under this  
8           section shall register with the Commission regardless  
9           of whether the person also is registered with the Se-  
10          curities and Exchange Commission as a swap execu-  
11          tion facility.

12          “(b) TRADING AND TRADE PROCESSING.—

13                 “(1) IN GENERAL.—Except as specified in  
14                 paragraph (2), a swap execution facility that is reg-  
15                 istered under subsection (a) may—

16                         “(A) make available for trading any swap;  
17                         and

18                         “(B) facilitate trade processing of any  
19                         swap.

20                 “(2) AGRICULTURAL SWAPS.—A swap execution  
21                 facility may not list for trading or confirm the exe-  
22                 cution of any swap in an agricultural commodity (as  
23                 defined by the Commission) except pursuant to a  
24                 rule or regulation of the Commission allowing the

1 swap under such terms and conditions as the Com-  
2 mission shall prescribe.

3 “(c) IDENTIFICATION OF FACILITY USED TO TRADE  
4 SWAPS BY CONTRACT MARKETS.—A board of trade that  
5 operates a contract market shall, to the extent that the  
6 board of trade also operates a swap execution facility and  
7 uses the same electronic trade execution system for listing  
8 and executing trades of swaps on or through the contract  
9 market and the swap execution facility, identify whether  
10 the electronic trading of such swaps is taking place on or  
11 through the contract market or the swap execution facil-  
12 ity.

13 “(d) RULE-WRITING.—

14 “(1) The Securities and Exchange Commission  
15 and Commodity Futures Trading Commission may  
16 promulgate rules defining the universe of swaps that  
17 can be executed on a swap execution facility. These  
18 rules shall take into account the price and nonprice  
19 requirements of the counterparties to a swap and  
20 the goal of this section as set forth in subsection (e).

21 “(2) For all swaps that are not required to be  
22 executed through a swap execution facility as de-  
23 fined in paragraph (1), such trades may be executed  
24 through any other available means of interstate com-  
25 merce.

1           “(3) The Securities and Exchange Commission  
2           and Commodity Futures Trading Commission shall  
3           update these rules as necessary to account for tech-  
4           nological and other innovation.

5           “(e) RULE OF CONSTRUCTION.—The goal of this sec-  
6           tion is to promote the trading of swaps on swap execution  
7           facilities and to promote pre-trade price transparency in  
8           the swaps market.

9           “(f) CORE PRINCIPLES FOR SWAP EXECUTION FA-  
10          CILITIES.—

11           “(1) COMPLIANCE WITH CORE PRINCIPLES.—

12           “(A) IN GENERAL.—To be registered, and  
13           maintain registration, as a swap execution facil-  
14           ity, the swap execution facility shall comply  
15           with—

16           “(i) the core principles described in  
17           this subsection; and

18           “(ii) any requirement that the Com-  
19           mission may impose by rule or regulation  
20           pursuant to section 8a(5).

21           “(B) REASONABLE DISCRETION OF SWAP  
22           EXECUTION FACILITY.—Unless otherwise deter-  
23           mined by the Commission by rule or regulation,  
24           a swap execution facility described in subpara-  
25           graph (A) shall have reasonable discretion in

1           establishing the manner in which the swap exe-  
2           cution facility complies with the core principles  
3           described in this subsection.

4           “(2) COMPLIANCE WITH RULES.—A swap exe-  
5           cution facility shall—

6                   “(A) establish and enforce compliance with  
7                   any rule of the swap execution facility, includ-  
8                   ing—

9                           “(i) the terms and conditions of the  
10                           swaps traded or processed on or through  
11                           the swap execution facility; and

12                           “(ii) any limitation on access to the  
13                           swap execution facility;

14                   “(B) establish and enforce trading, trade  
15                   processing, and participation rules that will  
16                   deter abuses and have the capacity to detect,  
17                   investigate, and enforce those rules, including  
18                   means—

19                           “(i) to provide market participants  
20                           with impartial access to the market; and

21                           “(ii) to capture information that may  
22                           be used in establishing whether rule viola-  
23                           tions have occurred;

24                   “(C) establish rules governing the oper-  
25                   ation of the facility, including rules specifying

1 trading procedures to be used in entering and  
2 executing orders traded or posted on the facil-  
3 ity, including block trades; and

4 “(D) provide by its rules that when a swap  
5 dealer or major swap participant enters into or  
6 facilitates a swap that is subject to the manda-  
7 tory clearing requirement of section 2(h), the  
8 swap dealer or major swap participant shall be  
9 responsible for compliance with the mandatory  
10 trading requirement under section 2(h)(8).

11 “(3) SWAPS NOT READILY SUSCEPTIBLE TO MA-  
12 NIPULATION.—The swap execution facility shall per-  
13 mit trading only in swaps that are not readily sus-  
14 ceptible to manipulation.

15 “(4) MONITORING OF TRADING AND TRADE  
16 PROCESSING.—The swap execution facility shall—

17 “(A) establish and enforce rules or terms  
18 and conditions defining, or specifications detail-  
19 ing—

20 “(i) trading procedures to be used in  
21 entering and executing orders traded on or  
22 through the facilities of the swap execution  
23 facility; and

1                   “(ii) procedures for trade processing  
2                   of swaps on or through the facilities of the  
3                   swap execution facility; and

4                   “(B) monitor trading in swaps to prevent  
5                   manipulation, price distortion, and disruptions  
6                   of the delivery or cash settlement process  
7                   through surveillance, compliance, and discipli-  
8                   nary practices and procedures, including meth-  
9                   ods for conducting real-time monitoring of trad-  
10                  ing and comprehensive and accurate trade re-  
11                  constructions.

12                  “(5) ABILITY TO OBTAIN INFORMATION.—The  
13                  swap execution facility shall—

14                  “(A) establish and enforce rules that will  
15                  allow the facility to obtain any necessary infor-  
16                  mation to perform any of the functions de-  
17                  scribed in this section;

18                  “(B) provide the information to the Com-  
19                  mission on request; and

20                  “(C) have the capacity to carry out such  
21                  international information-sharing agreements as  
22                  the Commission may require.

23                  “(6) POSITION LIMITS OR ACCOUNTABILITY.—

24                  “(A) IN GENERAL.—To reduce the poten-  
25                  tial threat of market manipulation or conges-

1           tion, especially during trading in the delivery  
2           month, a swap execution facility that is a trad-  
3           ing facility shall adopt for each of the contracts  
4           of the facility, as is necessary and appropriate,  
5           position limitations or position accountability  
6           for speculators.

7           “(B) POSITION LIMITS.—For any contract  
8           that is subject to a position limitation estab-  
9           lished by the Commission pursuant to section  
10          4a(a), the swap execution facility shall—

11           “(i) set its position limitation at a  
12           level no higher than the Commission limi-  
13           tation; and

14           “(ii) monitor positions established on  
15           or through the swap execution facility for  
16           compliance with the limit set by the Com-  
17           mission and the limit, if any, set by the  
18           swap execution facility.

19          “(7) FINANCIAL INTEGRITY OF TRANS-  
20          ACTIONS.—The swap execution facility shall estab-  
21          lish and enforce rules and procedures for ensuring  
22          the financial integrity of swaps entered on or  
23          through the facilities of the swap execution facility,  
24          including the clearance and settlement of the swaps  
25          pursuant to section 2(h)(1).



1           “(8) EMERGENCY AUTHORITY.—The swap exe-  
2           cution facility shall adopt rules to provide for the ex-  
3           ercise of emergency authority, in consultation or co-  
4           operation with the Commission, as is necessary and  
5           appropriate, including the authority to liquidate or  
6           transfer open positions in any swap or to suspend or  
7           curtail trading in a swap.

8           “(9) TIMELY PUBLICATION OF TRADING INFOR-  
9           MATION.—

10           “(A) IN GENERAL.—The swap execution  
11           facility shall make public timely information on  
12           price, trading volume, and other trading data  
13           on swaps to the extent prescribed by the Com-  
14           mission.

15           “(B) CAPACITY OF SWAP EXECUTION FA-  
16           CILITY.—The swap execution facility shall be  
17           required to have the capacity to electronically  
18           capture and transmit trade information with re-  
19           spect to transactions executed on the facility.

20           “(10) RECORDKEEPING AND REPORTING.—

21           “(A) IN GENERAL.—A swap execution fa-  
22           cility shall—

23                   “(i) maintain records of all activities  
24                   relating to the business of the facility, in-  
25                   cluding a complete audit trail, in a form

1 and manner acceptable to the Commission  
2 for a period of 5 years;

3 “(ii) report to the Commission, in a  
4 form and manner acceptable to the Com-  
5 mission, such information as the Commis-  
6 sion determines to be necessary or appro-  
7 priate for the Commission to perform the  
8 duties of the Commission under this Act;  
9 and

10 “(iii) shall keep any such records re-  
11 lating to swaps defined in section  
12 1a(47)(A)(v) open to inspection and exam-  
13 ination by the Securities and Exchange  
14 Commission.”

15 “(B) REQUIREMENTS.—The Commission  
16 shall adopt data collection and reporting re-  
17 quirements for swap execution facilities that are  
18 comparable to corresponding requirements for  
19 derivatives clearing organizations and swap  
20 data repositories.

21 “(11) ANTITRUST CONSIDERATIONS.—Unless  
22 necessary or appropriate to achieve the purposes of  
23 this Act, the swap execution facility shall not—

1           “(A) adopt any rules or taking any actions  
2           that result in any unreasonable restraint of  
3           trade; or

4           “(B) impose any material anticompetitive  
5           burden on trading or clearing.

6           “(12) CONFLICTS OF INTEREST.—The swap  
7           execution facility shall—

8           “(A) establish and enforce rules to mini-  
9           mize conflicts of interest in its decision-making  
10          process; and

11          “(B) establish a process for resolving the  
12          conflicts of interest.

13          “(13) FINANCIAL RESOURCES.—

14          “(A) IN GENERAL.—The swap execution  
15          facility shall have adequate financial, oper-  
16          ational, and managerial resources to discharge  
17          each responsibility of the swap execution facil-  
18          ity.

19          “(B) DETERMINATION OF RESOURCE ADE-  
20          QUACY.—The financial resources of a swap exe-  
21          cution facility shall be considered to be ade-  
22          quate if the value of the financial resources ex-  
23          ceeds the total amount that would enable the  
24          swap execution facility to cover the operating

1 costs of the swap execution facility for a 1-year  
2 period, as calculated on a rolling basis.

3 “(14) SYSTEM SAFEGUARDS.—The swap execu-  
4 tion facility shall—

5 “(A) establish and maintain a program of  
6 risk analysis and oversight to identify and mini-  
7 mize sources of operational risk, through the  
8 development of appropriate controls and proce-  
9 dures, and automated systems, that—

10 “(i) are reliable and secure; and

11 “(ii) have adequate scalable capacity;

12 “(B) establish and maintain emergency  
13 procedures, backup facilities, and a plan for dis-  
14 aster recovery that allow for—

15 “(i) the timely recovery and resump-  
16 tion of operations; and

17 “(ii) the fulfillment of the responsibil-  
18 ities and obligations of the swap execution  
19 facility; and

20 “(C) periodically conduct tests to verify  
21 that the backup resources of the swap execution  
22 facility are sufficient to ensure continued—

23 “(i) order processing and trade  
24 matching;

25 “(ii) price reporting;

1 “(iii) market surveillance and

2 “(iv) maintenance of a comprehensive  
3 and accurate audit trail.

4 “(15) DESIGNATION OF CHIEF COMPLIANCE  
5 OFFICER.—

6 “(A) IN GENERAL.—Each swap execution  
7 facility shall designate an individual to serve as  
8 a chief compliance officer.

9 “(B) DUTIES.—The chief compliance offi-  
10 cer shall—

11 “(i) report directly to the board or to  
12 the senior officer of the facility;

13 “(ii) review compliance with the core  
14 principles in this subsection;

15 “(iii) in consultation with the board of  
16 the facility, a body performing a function  
17 similar to that of a board, or the senior of-  
18 ficer of the facility, resolve any conflicts of  
19 interest that may arise;

20 “(iv) be responsible for establishing  
21 and administering the policies and proce-  
22 dures required to be established pursuant  
23 to this section;

24 “(v) ensure compliance with this Act  
25 and the rules and regulations issued under

1 this Act, including rules prescribed by the  
2 Commission pursuant to this section; and

3 “(vi) establish procedures for the re-  
4 mediation of noncompliance issues found  
5 during compliance office reviews, look  
6 backs, internal or external audit findings,  
7 self-reported errors, or through validated  
8 complaints.

9 “(C) REQUIREMENTS FOR PROCEDURES.—

10 In establishing procedures under subparagraph  
11 (B)(vi), the chief compliance officer shall design  
12 the procedures to establish the handling, man-  
13 agement response, remediation, retesting, and  
14 closing of noncompliance issues.

15 “(D) ANNUAL REPORTS.—

16 “(i) IN GENERAL.—In accordance  
17 with rules prescribed by the Commission,  
18 the chief compliance officer shall annually  
19 prepare and sign a report that contains a  
20 description of—

21 “(I) the compliance of the swap  
22 execution facility with this Act; and

23 “(II) the policies and procedures,  
24 including the code of ethics and con-

1                   flict of interest policies, of the swap  
2                   execution facility.

3                   “(ii) REQUIREMENTS.—The chief  
4                   compliance officer shall—

5                                 “(I) submit each report described  
6                                 in clause (i) with the appropriate fi-  
7                                 nancial report of the swap execution  
8                                 facility that is required to be sub-  
9                                 mitted to the Commission pursuant to  
10                                this section; and

11                               “(II) include in the report a cer-  
12                               tification that, under penalty of law,  
13                               the report is accurate and complete.

14                   “(g) EXEMPTIONS.—The Commission may exempt,  
15                   conditionally or unconditionally, a swap execution facility  
16                   from registration under this section if the Commission  
17                   finds that the facility is subject to comparable, comprehen-  
18                   sive supervision and regulation on a consolidated basis by  
19                   the Securities and Exchange Commission, a prudential  
20                   regulator, or the appropriate governmental authorities in  
21                   the home country of the facility.

22                   “(h) RULES.—The Commission shall prescribe rules  
23                   governing the regulation of alternative swap execution fa-  
24                   cilities under this section.”.

1 **SEC. 734. DERIVATIVES TRANSACTION EXECUTION FACILI-**  
2 **TIES AND EXEMPT BOARDS OF TRADE.**

3 (a) IN GENERAL.—Sections 5a and 5d of the Com-  
4 modity Exchange Act (7 U.S.C. 7a, 7a–3) are repealed.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 2 of the Commodity Exchange Act  
7 (7 U.S.C. 2) is amended—

8 (A) in subsection (a)(1)(A), in the first  
9 sentence, by striking “or 5a”; and

10 (B) in paragraph (2) of subsection (g) (as  
11 redesignated by section 723(a)(1)(B)), by strik-  
12 ing “section 5a of this Act” and all that follows  
13 through “5d of this Act” and inserting “section  
14 5b of this Act”.

15 (2) Section 6(g)(1)(A) of the Securities Ex-  
16 change Act of 1934 (15 U.S.C. 78f(g)(1)(A)) is  
17 amended—

18 (A) by striking “that—” and all that fol-  
19 lows through “(i) has been designated” and in-  
20 serting “that has been designated”;

21 (B) by striking “; or” and inserting “;  
22 and” and

23 (C) by striking clause (ii).

24 (c) ABILITY TO PETITION COMMISSION.—

25 (1) IN GENERAL.—Prior to the final effective  
26 dates in this title, a person may petition the Com-







1           “(B) CAPACITY OF CONTRACT MARKET.—

2           The board of trade shall have the capacity to  
3           detect, investigate, and apply appropriate sanc-  
4           tions to any person that violates any rule of the  
5           contract market.

6           “(C) REQUIREMENT OF RULES.—The rules

7           of the contract market shall provide the board  
8           of trade with the ability and authority to obtain  
9           any necessary information to perform any func-  
10          tion described in this subsection, including the  
11          capacity to carry out such international infor-  
12          mation-sharing agreements as the Commission  
13          may require.

14          “(3) CONTRACTS NOT READILY SUBJECT TO

15          MANIPULATION.—The board of trade shall list on  
16          the contract market only contracts that are not  
17          readily susceptible to manipulation.

18          “(4) PREVENTION OF MARKET DISRUPTION.—

19          The board of trade shall have the capacity and re-  
20          sponsibility to prevent manipulation, price distortion,  
21          and disruptions of the delivery or cash-settlement  
22          process through market surveillance, compliance,  
23          and enforcement practices and procedures, includ-  
24          ing—

1           “(A) methods for conducting real-time  
2           monitoring of trading; and

3           “(B) comprehensive and accurate trade re-  
4           constructions.

5           “(5) POSITION LIMITATIONS OR ACCOUNT-  
6           ABILITY.—

7           “(A) IN GENERAL.—To reduce the poten-  
8           tial threat of market manipulation or conges-  
9           tion (especially during trading in the delivery  
10          month), the board of trade shall adopt for each  
11          contract of the board of trade, as is necessary  
12          and appropriate, position limitations or position  
13          accountability for speculators.

14          “(B) MAXIMUM ALLOWABLE POSITION  
15          LIMITATION.—For any contract that is subject  
16          to a position limitation established by the Com-  
17          mission pursuant to section 4a(a), the board of  
18          trade shall set the position limitation of the  
19          board of trade at a level not higher than the po-  
20          sition limitation established by the Commission.

21          “(6) EMERGENCY AUTHORITY.—The board of  
22          trade, in consultation or cooperation with the Com-  
23          mission, shall adopt rules to provide for the exercise  
24          of emergency authority, as is necessary and appro-  
25          priate, including the authority—

1           “(A) to liquidate or transfer open positions  
2           in any contract;

3           “(B) to suspend or curtail trading in any  
4           contract; and

5           “(C) to require market participants in any  
6           contract to meet special margin requirements.

7           “(7) AVAILABILITY OF GENERAL INFORMA-  
8           TION.—The board of trade shall make available to  
9           market authorities, market participants, and the  
10          public accurate information concerning—

11          “(A) the terms and conditions of the con-  
12          tracts of the contract market; and

13          “(B)(i) the rules, regulations, and mecha-  
14          nisms for executing transactions on or through  
15          the facilities of the contract market; and

16          “(ii) the rules and specifications describing  
17          the operation of the contract market’s—

18                  “(I) electronic matching platform; or

19                  “(II) trade execution facility.

20          “(8) DAILY PUBLICATION OF TRADING INFOR-  
21          MATION.—The board of trade shall make public  
22          daily information on settlement prices, volume, open  
23          interest, and opening and closing ranges for actively  
24          traded contracts on the contract market.

25          “(9) EXECUTION OF TRANSACTIONS.—

1           “(A) IN GENERAL.—The board of trade  
2 shall provide a competitive, open, and efficient  
3 market and mechanism for executing trans-  
4 actions that protects the price discovery process  
5 of trading in the centralized market of the  
6 board of trade.

7           “(B) RULES.—The rules of the board of  
8 trade may authorize, for bona fide business  
9 purposes—

10                   “(i) transfer trades or office trades;

11                   “(ii) an exchange of—

12                           “(I) futures in connection with a  
13 cash commodity transaction;

14                           “(II) futures for cash commod-  
15 ities; or

16                           “(III) futures for swaps; or

17                   “(iii) a futures commission merchant,  
18 acting as principal or agent, to enter into  
19 or confirm the execution of a contract for  
20 the purchase or sale of a commodity for fu-  
21 ture delivery if the contract is reported, re-  
22 corded, or cleared in accordance with the  
23 rules of the contract market or a deriva-  
24 tives clearing organization.

1           “(10) TRADE INFORMATION.—The board of  
2 trade shall maintain rules and procedures to provide  
3 for the recording and safe storage of all identifying  
4 trade information in a manner that enables the con-  
5 tract market to use the information—

6           “(A) to assist in the prevention of cus-  
7 tomer and market abuses; and

8           “(B) to provide evidence of any violations  
9 of the rules of the contract market.

10          “(11) FINANCIAL INTEGRITY OF TRANS-  
11 ACTIONS.—The board of trade shall establish and  
12 enforce—

13          “(A) rules and procedures for ensuring the  
14 financial integrity of transactions entered into  
15 on or through the facilities of the contract mar-  
16 ket (including the clearance and settlement of  
17 the transactions with a derivatives clearing or-  
18 ganization); and

19          “(B) rules to ensure—

20           “(i) the financial integrity of any—

21           “(I) futures commission mer-  
22 chant; and

23           “(II) introducing broker; and

24           “(ii) the protection of customer funds.

1           “(12) PROTECTION OF MARKETS AND MARKET  
2 PARTICIPANTS.—The board of trade shall establish  
3 and enforce rules—

4                   “(A) to protect markets and market par-  
5 ticipants from abusive practices committed by  
6 any party, including abusive practices com-  
7 mitted by a party acting as an agent for a par-  
8 ticipant; and

9                   “(B) to promote fair and equitable trading  
10 on the contract market.

11           “(13) DISCIPLINARY PROCEDURES.—The board  
12 of trade shall establish and enforce disciplinary pro-  
13 cedures that authorize the board of trade to dis-  
14 cipline, suspend, or expel members or market par-  
15 ticipants that violate the rules of the board of trade,  
16 or similar methods for performing the same func-  
17 tions, including delegation of the functions to third  
18 parties.

19           “(14) DISPUTE RESOLUTION.—The board of  
20 trade shall establish and enforce rules regarding,  
21 and provide facilities for alternative dispute resolu-  
22 tion as appropriate for, market participants and any  
23 market intermediaries.

24           “(15) GOVERNANCE FITNESS STANDARDS.—  
25 The board of trade shall establish and enforce ap-





1           “(19) ANTITRUST CONSIDERATIONS.—Unless  
2           necessary or appropriate to achieve the purposes of  
3           this Act, the board of trade shall not—

4                   “(A) adopt any rule or taking any action  
5                   that results in any unreasonable restraint of  
6                   trade; or

7                   “(B) impose any material anticompetitive  
8                   burden on trading on the contract market.

9           “(20) SYSTEM SAFEGUARDS.—The board of  
10          trade shall—

11                   “(A) establish and maintain a program of  
12                   risk analysis and oversight to identify and mini-  
13                   mize sources of operational risk, through the  
14                   development of appropriate controls and proce-  
15                   dures, and the development of automated sys-  
16                   tems, that are reliable, secure, and have ade-  
17                   quate scalable capacity;

18                   “(B) establish and maintain emergency  
19                   procedures, backup facilities, and a plan for dis-  
20                   aster recovery that allow for the timely recovery  
21                   and resumption of operations and the fulfill-  
22                   ment of the responsibilities and obligations of  
23                   the board of trade; and

24                   “(C) periodically conduct tests to verify  
25                   that backup resources are sufficient to ensure

1 continued order processing and trade matching,  
2 price reporting, market surveillance, and main-  
3 tenance of a comprehensive and accurate audit  
4 trail.

5 “(21) FINANCIAL RESOURCES.—

6 “(A) IN GENERAL.—The board of trade  
7 shall have adequate financial, operational, and  
8 managerial resources to discharge each respon-  
9 sibility of the board of trade.

10 “(B) DETERMINATION OF ADEQUACY.—

11 The financial resources of the board of trade  
12 shall be considered to be adequate if the value  
13 of the financial resources exceeds the total  
14 amount that would enable the contract market  
15 to cover the operating costs of the contract  
16 market for a 1-year period, as calculated on a  
17 rolling basis.

18 “(22) DIVERSITY OF BOARD OF DIRECTORS.—

19 The board of trade, if a publicly traded company,  
20 shall endeavor to recruit individuals to serve on the  
21 board of directors and the other decision-making  
22 bodies (as determined by the Commission) of the  
23 board of trade from among, and to have the com-  
24 position of the bodies reflect, a broad and culturally  
25 diverse pool of qualified candidates.

1           “(23) SECURITIES AND EXCHANGE COMMIS-  
2           SION.—The board of trade shall keep any such  
3           records relating to swaps defined in section  
4           1a(47)(A)(v) open to inspection and examination by  
5           the Securities and Exchange Commission.”.

6 **SEC. 736. MARGIN.**

7           Section 8a(7) of the Commodity Exchange Act (7  
8           U.S.C. 12a(7)) is amended—

9           (1) in subparagraph (C), by striking “, except-  
10          ing the setting of levels of margin”;

11          (2) by redesignating subparagraphs (D)  
12          through (F) as subparagraphs (E) through (G), re-  
13          spectively; and

14          (3) by inserting after subparagraph (C) the fol-  
15          lowing:

16                 “(D) margin requirements, provided that  
17                 the rules, regulations, or orders shall—

18                         “(i) be limited to protecting the finan-  
19                         cial integrity of the derivatives clearing or-  
20                         ganization;

21                         “(ii) be designed for risk management  
22                         purposes to protect the financial integrity  
23                         of transactions; and

24                         “(iii) not set specific margin  
25                         amounts;”.

1 **SEC. 737. POSITION LIMITS.**

2 (a) AGGREGATE POSITION LIMITS.—Section 4a(a) of  
3 the Commodity Exchange Act (7 U.S.C. 6a(a)) is amend-  
4 ed—

5 (1) by inserting after “(a)” the following:

6 “(1) IN GENERAL.—”;

7 (2) in the first sentence, by striking “on elec-  
8 tronic trading facilities with respect to a significant  
9 price discovery contract” and inserting “swaps that  
10 perform or affect a significant price discovery func-  
11 tion with respect to registered entities”;

12 (3) in the second sentence—

13 (A) by inserting “, including any group or  
14 class of traders,” after “held by any person”;  
15 and

16 (B) by striking “on an electronic trading  
17 facility with respect to a significant price dis-  
18 covery contract,” and inserting “swaps traded  
19 on or subject to the rules of a designated con-  
20 tract market or a swap execution facility, or  
21 swaps not traded on or subject to the rules of  
22 a designated contract market or a swap execu-  
23 tion facility that performs a significant price  
24 discovery function with respect to a registered  
25 entity,”; and

26 (4) by adding at the end the following:

1           “(2) ESTABLISHMENT OF LIMITATIONS.—

2           “(A) IN GENERAL.—In accordance with  
3 the standards set forth in paragraph (1) of this  
4 subsection and consistent with the good faith  
5 exception cited in subsection (b)(2), with re-  
6 spect to physical commodities other than ex-  
7 cluded commodities as defined by the Commis-  
8 sion, the Commission shall by rule, regulation,  
9 or order establish limits on the amount of posi-  
10 tions, as appropriate, other than bona fide  
11 hedge positions, that may be held by any person  
12 with respect to contracts of sale for future de-  
13 livery or with respect to options on the con-  
14 tracts or commodities traded on or subject to  
15 the rules of a designated contract market.

16           “(B) TIMING.—

17           “(i) EXEMPT COMMODITIES.—For ex-  
18 empt commodities, the limits required  
19 under subparagraph (A) shall be estab-  
20 lished within 180 days after the date of the  
21 enactment of this paragraph.

22           “(ii) AGRICULTURAL COMMODITIES.—  
23 For agricultural commodities, the limits re-  
24 quired under subparagraph (A) shall be es-



1                   “(iii) to ensure sufficient market li-  
2                   quidity for bona fide hedgers; and

3                   “(iv) to ensure that the price dis-  
4                   covery function of the underlying market is  
5                   not disrupted.

6                   “(4) SIGNIFICANT PRICE DISCOVERY FUNC-  
7                   TION.—In making a determination whether a swap  
8                   performs or affects a significant price discovery  
9                   function with respect to regulated markets, the Com-  
10                  mission shall consider, as appropriate:

11                  “(A) PRICE LINKAGE.—The extent to  
12                  which the swap uses or otherwise relies on a  
13                  daily or final settlement price, or other major  
14                  price parameter, of another contract traded on  
15                  a regulated market based upon the same under-  
16                  lying commodity, to value a position, transfer or  
17                  convert a position, financially settle a position,  
18                  or close out a position.

19                  “(B) ARBITRAGE.—The extent to which  
20                  the price for the swap is sufficiently related to  
21                  the price of another contract traded on a regu-  
22                  lated market based upon the same underlying  
23                  commodity so as to permit market participants  
24                  to effectively arbitrage between the markets by  
25                  simultaneously maintaining positions or exe-



1           cutting trades in the swaps on a frequent and  
2           recurring basis.

3           “(C) MATERIAL PRICE REFERENCE.—The  
4           extent to which, on a frequent and recurring  
5           basis, bids, offers, or transactions in a contract  
6           traded on a regulated market are directly based  
7           on, or are determined by referencing, the price  
8           generated by the swap.

9           “(D) MATERIAL LIQUIDITY.—The extent  
10          to which the volume of swaps being traded in  
11          the commodity is sufficient to have a material  
12          effect on another contract traded on a regulated  
13          market.

14          “(E) OTHER MATERIAL FACTORS.—Such  
15          other material factors as the Commission speci-  
16          fies by rule or regulation as relevant to deter-  
17          mine whether a swap serves a significant price  
18          discovery function with respect to a regulated  
19          market.

20          “(5) ECONOMICALLY EQUIVALENT CON-  
21          TRACTS.—

22          “(A) Notwithstanding any other provision  
23          of this section, the Commission shall establish  
24          limits on the amount of positions, including ag-  
25          gregate position limits, as appropriate, other

1 than bona fide hedge positions, that may be  
2 held by any person with respect to swaps that  
3 are economically equivalent to contracts of sale  
4 for future delivery or to options on the con-  
5 tracts or commodities traded on or subject to  
6 the rules of a designated contract market sub-  
7 ject to paragraph (2).

8 “(B) In establishing limits pursuant to  
9 subparagraph (A), the Commission shall—

10 “(i) develop the limits concurrently  
11 with limits established under paragraph  
12 (2), and the limits shall have similar re-  
13 quirements as under paragraph (3)(B);  
14 and

15 “(ii) establish the limits simulta-  
16 neously with limits established under para-  
17 graph (2).

18 “(6) AGGREGATE POSITION LIMITS.—The Com-  
19 mission shall, by rule or regulation, establish limits  
20 (including related hedge exemption provisions) on  
21 the aggregate number or amount of positions in con-  
22 tracts based upon the same underlying commodity  
23 (as defined by the Commission) that may be held by  
24 any person, including any group or class of traders,  
25 for each month across—

1           “(A) contracts listed by designated con-  
2           tract markets;

3           “(B) with respect to an agreement con-  
4           tract, or transaction that settles against any  
5           price (including the daily or final settlement  
6           price) of 1 or more contracts listed for trading  
7           on a registered entity, contracts traded on a  
8           foreign board of trade that provides members or  
9           other participants located in the United States  
10          with direct access to its electronic trading and  
11          order matching system; and

12          “(C) swap contracts that perform or affect  
13          a significant price discovery function with re-  
14          spect to regulated entities.

15          “(7) EXEMPTIONS.—The Commission, by rule,  
16          regulation, or order, may exempt, conditionally or  
17          unconditionally, any person or class of persons, any  
18          swap or class of swaps, any contract of sale of a  
19          commodity for future delivery or class of such con-  
20          tracts, any option or class of options, or any trans-  
21          action or class of transactions from any requirement  
22          it may establish under this section with respect to  
23          position limits.”.

1 (b) CONFORMING AMENDMENTS.—Section 4a(b) of  
2 the Commodity Exchange Act (7 U.S.C. 6a(b)) is amend-  
3 ed—

4 (1) in paragraph (1), by striking “or derivatives  
5 transaction execution facility or facilities or elec-  
6 tronic trading facility” and inserting “or swap exe-  
7 cution facility or facilities”; and

8 (2) in paragraph (2), by striking “or derivatives  
9 transaction execution facility or facilities or elec-  
10 tronic trading facility” and inserting “or swap exe-  
11 cution facility”.

12 (c) BONA FIDE HEDGING TRANSACTION.—Section  
13 4a(c) of the Commodity Exchange Act is amended—

14 (1) by inserting “(1)” after “(c)”; and

15 (2) by adding at the end the following:

16 “(2) For the purposes of implementation of  
17 subsection (a)(2) for contracts of sale for future de-  
18 livery or options on the contracts or commodities,  
19 the Commission shall define what constitutes a bona  
20 fide hedging transaction or position as a transaction  
21 or position that—

22 “(A)(i) represents a substitute for trans-  
23 actions made or to be made or positions taken  
24 or to be taken at a later time in a physical mar-  
25 keting channel;

1           “(ii) is economically appropriate to the re-  
2           duction of risks in the conduct and manage-  
3           ment of a commercial enterprise; and

4           “(iii) arises from the potential change in  
5           the value of—

6                   “(I) assets that a person owns, pro-  
7                   duces, manufactures, processes, or mer-  
8                   chandises or anticipates owning, producing,  
9                   manufacturing, processing, or merchan-  
10                  dising;

11                  “(II) liabilities that a person owns or  
12                  anticipates incurring; or

13                  “(III) services that a person provides,  
14                  purchases, or anticipates providing or pur-  
15                  chasing; or

16                  “(B) reduces risks attendant to a position  
17                  resulting from a swap that—

18                   “(i) was executed opposite a  
19                   counterparty for which the transaction  
20                   would qualify as a bona fide hedging trans-  
21                   action pursuant to subparagraph (A); or

22                   “(ii) meets the requirements of sub-  
23                   paragraph (A).”.

1 (d) EFFECTIVE DATE.—This section and the amend-  
2 ments made by this section shall become effective on the  
3 date of the enactment of this section.

4 **SEC. 738. FOREIGN BOARDS OF TRADE.**

5 (a) IN GENERAL.—Section 4(b) of the Commodity  
6 Exchange Act (7 U.S.C. 6(b)) is amended—

7 (1) in the first sentence, by striking “The Com-  
8 mission” and inserting the following:

9 “(2) PERSONS LOCATED IN THE UNITED  
10 STATES.—

11 “(A) IN GENERAL.—The Commission”;

12 (2) in the second sentence, by striking “Such  
13 rules and regulations” and inserting the following:

14 “(B) DIFFERENT REQUIREMENTS.—Rules  
15 and regulations described in subparagraph  
16 (A)”;

17 (3) in the third sentence—

18 (A) by striking “No rule or regulation”  
19 and inserting the following:

20 “(C) PROHIBITION.—Except as provided in  
21 paragraphs (1) and (2), no rule or regulation”;

22 (B) by striking “that (1) requires” and in-  
23 serting the following: “that—

24 “(i) requires”; and

1 (C) by striking “market, or (2) governs”  
2 and inserting the following: “market; or

3 “(ii) governs”; and

4 (4) by inserting before paragraph (2) (as des-  
5 ignated by paragraph (1)) the following:

6 “(1) FOREIGN BOARDS OF TRADE.—

7 “(A) REGISTRATION.—The Commission  
8 may adopt rules and regulations requiring reg-  
9 istration with the Commission for a foreign  
10 board of trade that provides the members of the  
11 foreign board of trade or other participants lo-  
12 cated in the United States with direct access to  
13 the electronic trading and order matching sys-  
14 tem of the foreign board of trade, including  
15 rules and regulations prescribing procedures  
16 and requirements applicable to the registration  
17 of such foreign boards of trade. For purposes of  
18 this paragraph, ‘direct access’ refers to an ex-  
19 plicit grant of authority by a foreign board of  
20 trade to an identified member or other partici-  
21 pant located in the United States to enter  
22 trades directly into the trade matching system  
23 of the foreign board of trade. In adopting such  
24 rules and regulations, the commission shall con-  
25 sider—

1           “(i) whether any such foreign board  
2           of trade is subject to comparable, com-  
3           prehensive supervision and regulation by  
4           the appropriate governmental authorities  
5           in the foreign board of trade’s home coun-  
6           try; and

7           “(ii) any previous commission findings  
8           that the foreign board of trade is subject  
9           to comparable comprehensive supervision  
10          and regulation by the appropriate govern-  
11          ment authorities in the foreign board of  
12          trade’s home country.

13          “(B) LINKED CONTRACTS.—The Commis-  
14          sion may not permit a foreign board of trade to  
15          provide to the members of the foreign board of  
16          trade or other participants located in the  
17          United States direct access to the electronic  
18          trading and order-matching system of the for-  
19          eign board of trade with respect to an agree-  
20          ment, contract, or transaction that settles  
21          against any price (including the daily or final  
22          settlement price) of 1 or more contracts listed  
23          for trading on a registered entity, unless the  
24          Commission determines that—



1           “(i) the foreign board of trade makes  
2           public daily trading information regarding  
3           the agreement, contract, or transaction  
4           that is comparable to the daily trading in-  
5           formation published by the registered enti-  
6           ty for the 1 or more contracts against  
7           which the agreement, contract, or trans-  
8           action traded on the foreign board of trade  
9           settles; and

10           “(ii) the foreign board of trade (or the  
11           foreign futures authority that oversees the  
12           foreign board of trade)—

13           “(I) adopts position limits (in-  
14           cluding related hedge exemption provi-  
15           sions) for the agreement, contract, or  
16           transaction that are comparable to the  
17           position limits (including related  
18           hedge exemption provisions) adopted  
19           by the registered entity for the 1 or  
20           more contracts against which the  
21           agreement, contract, or transaction  
22           traded on the foreign board of trade  
23           settles;

24           “(II) has the authority to require  
25           or direct market participants to limit,

1 reduce, or liquidate any position the  
2 foreign board of trade (or the foreign  
3 futures authority that oversees the  
4 foreign board of trade) determines to  
5 be necessary to prevent or reduce the  
6 threat of price manipulation, excessive  
7 speculation as described in section 4a,  
8 price distortion, or disruption of deliv-  
9 ery or the cash settlement process;

10 “(III) agrees to promptly notify  
11 the Commission, with regard to the  
12 agreement, contract, or transaction  
13 that settles against any price (includ-  
14 ing the daily or final settlement price)  
15 of 1 or more contracts listed for trad-  
16 ing on a registered entity, of any  
17 change regarding—

18 “(aa) the information that  
19 the foreign board of trade will  
20 make publicly available;

21 “(bb) the position limits  
22 that the foreign board of trade or  
23 foreign futures authority will  
24 adopt and enforce;

1                   “(cc) the position reductions  
2                   required to prevent manipulation,  
3                   excessive speculation as described  
4                   in section 4a, price distortion, or  
5                   disruption of delivery or the cash  
6                   settlement process; and

7                   “(dd) any other area of in-  
8                   terest expressed by the Commis-  
9                   sion to the foreign board of trade  
10                  or foreign futures authority;

11                  “(IV) provides information to the  
12                  Commission regarding large trader  
13                  positions in the agreement, contract,  
14                  or transaction that is comparable to  
15                  the large trader position information  
16                  collected by the Commission for the 1  
17                  or more contracts against which the  
18                  agreement, contract, or transaction  
19                  traded on the foreign board of trade  
20                  settles; and

21                  “(V) provides the Commission  
22                  such information as is necessary to  
23                  publish reports on aggregate trader  
24                  positions for the agreement, contract,  
25                  or transaction traded on the foreign

1 board of trade that are comparable to  
2 such reports on aggregate trader posi-  
3 tions for the 1 or more contracts  
4 against which the agreement, con-  
5 tract, or transaction traded on the  
6 foreign board of trade settles.

7 “(C) EXISTING FOREIGN BOARDS OF  
8 TRADE.—Subparagraphs (A) and (B) shall not  
9 be effective with respect to any foreign board of  
10 trade to which, prior to the date of enactment  
11 of this paragraph, the Commission granted di-  
12 rect access permission until the date that is 180  
13 days after that date of enactment.”.

14 (b) LIABILITY OF REGISTERED PERSONS TRADING  
15 ON A FOREIGN BOARD OF TRADE.—Section 4 of the Com-  
16 modity Exchange Act (7 U.S.C. 6) is amended—

17 (1) in subsection (a), in the matter preceding  
18 paragraph (1), by inserting “or by subsection (e)”  
19 after “Unless exempted by the Commission pursuant  
20 to subsection (c)”; and

21 (2) by adding at the end the following:

22 “(e) LIABILITY OF REGISTERED PERSONS TRADING  
23 ON A FOREIGN BOARD OF TRADE.—

24 “(1) IN GENERAL.—A person registered with  
25 the Commission, or exempt from registration by the

1 Commission, under this Act may not be found to  
2 have violated subsection (a) with respect to a trans-  
3 action in, or in connection with, a contract of sale  
4 of a commodity for future delivery if the person—

5 “(A) has reason to believe that the trans-  
6 action and the contract is made on or subject  
7 to the rules of a foreign board of trade that  
8 is—

9 “(i) legally organized under the laws  
10 of a foreign country;

11 “(ii) authorized to act as a board of  
12 trade by a foreign futures authority; and

13 “(iii) subject to regulation by the for-  
14 eign futures authority; and

15 “(B) has not been determined by the Com-  
16 mission to be operating in violation of sub-  
17 section (a).

18 “(2) RULE OF CONSTRUCTION.—Nothing in  
19 this subsection shall be construed as implying or cre-  
20 ating any presumption that a board of trade, ex-  
21 change, or market is located outside the United  
22 States, or its territories or possessions, for purposes  
23 of subsection (a).”.

24 (c) CONTRACT ENFORCEMENT FOR FOREIGN FU-  
25 TURES CONTRACTS.—Section 22(a) of the Commodity Ex-

1 change Act (7 U.S.C. 25(a)) (as amended by section 739)  
2 is amended by adding at the end the following:

3 “(6) CONTRACT ENFORCEMENT FOR FOREIGN FU-  
4 TURES CONTRACTS.—A contract of sale of a commodity  
5 for future delivery traded or executed on or through the  
6 facilities of a board of trade, exchange, or market located  
7 outside the United States for purposes of section 4(a)  
8 shall not be void, voidable, or unenforceable, and a party  
9 to such a contract shall not be entitled to rescind or re-  
10 cover any payment made with respect to the contract,  
11 based on the failure of the foreign board of trade to com-  
12 ply with any provision of this Act.”.

13 **SEC. 739. LEGAL CERTAINTY FOR SWAPS.**

14 Section 22(a) of the Commodity Exchange Act (7  
15 U.S.C. 25(a)) is amended by striking paragraph (4) and  
16 inserting the following:

17 “(4) CONTRACT ENFORCEMENT BETWEEN ELIGIBLE  
18 COUNTERPARTIES.—

19 “(A) IN GENERAL.—No hybrid instrument sold  
20 to any investor shall be void, voidable, or unenforce-  
21 able, and no party to a hybrid instrument shall be  
22 entitled to rescind, or recover any payment made  
23 with respect to, the hybrid instrument under this  
24 section or any other provision of Federal or State  
25 law, based solely on the failure of the hybrid instru-

1       ment to comply with the terms or conditions of sec-  
2       tion 2(f) or regulations of the Commission.

3           “(B) SWAPS.—No agreement, contract, or  
4       transaction between eligible contract participants or  
5       persons reasonably believed to be eligible contract  
6       participants shall be void, voidable, or unenforceable,  
7       and no party to such agreement, contract, or trans-  
8       action shall be entitled to rescind, or recover any  
9       payment made with respect to, the agreement, con-  
10      tract, or transaction under this section or any other  
11      provision of Federal or State law, based solely on  
12      the failure of the agreement, contract, or trans-  
13      action—

14           “(i) to meet the definition of a swap under  
15           section 1a; or

16           “(ii) to be cleared in accordance with sec-  
17           tion 2(h)(1).

18      “(5) LEGAL CERTAINTY FOR LONG-TERM SWAPS  
19      ENTERED INTO BEFORE THE DATE OF ENACTMENT OF  
20      THE WALL STREET TRANSPARENCY AND ACCOUNT-  
21      ABILITY ACT OF 2010.—

22           “(A) EFFECT ON SWAPS.—Unless specifically  
23       reserved in the applicable swap, neither the enact-  
24       ment of the Wall Street Transparency and Account-  
25       ability Act of 2010, nor any requirement under that

1 Act or an amendment made by that Act, shall con-  
2 stitute a termination event, force majeure, illegality,  
3 increased costs, regulatory change, or similar event  
4 under a swap (including any related credit support  
5 arrangement) that would permit a party to termi-  
6 nate, renegotiate, modify, amend, or supplement 1  
7 or more transactions under the swap.

8 “(B) POSITION LIMITS.—Any position limit es-  
9 tablished under the Wall Street Transparency and  
10 Accountability Act of 2010 shall not apply to a posi-  
11 tion acquired in good faith prior to the effective date  
12 of any rule, regulation, or order under the Act that  
13 establishes the position limit; provided, however, that  
14 such positions shall be attributed to the trader if the  
15 trader’s position is increased after the effective date  
16 of such position limit rule, regulation, or order.”.

17 **SEC. 740. MULTILATERAL CLEARING ORGANIZATIONS.**

18 Sections 408 and 409 of the Federal Deposit Insur-  
19 ance Corporation Improvement Act of 1991 (12 U.S.C.  
20 4421, 4422) are repealed.

21 **SEC. 741. ENFORCEMENT.**

22 (a) ENFORCEMENT AUTHORITY.—The Commodity  
23 Exchange Act is amended by inserting after section 4b (7  
24 U.S.C. 6b) the following:



1 **“SEC. 4b-1. ENFORCEMENT AUTHORITY.**

2 “(a) COMMODITY FUTURES TRADING COMMIS-  
3 SION.—Except as provided in subsections (b), (c), and (d),  
4 the Commission shall have exclusive authority to enforce  
5 the provisions of subtitle A of the Wall Street Trans-  
6 parency and Accountability Act of 2010 with respect to  
7 any person.

8 “(b) PRUDENTIAL REGULATORS.—The prudential  
9 regulators shall have exclusive authority to enforce the  
10 provisions of section 4s(e) with respect to swap dealers  
11 or major swap participants for which they are the pruden-  
12 tial regulator.

13 “(c) REFERRALS.—

14 “(1) PRUDENTIAL REGULATORS.—If the pru-  
15 dential regulator for a swap dealer or major swap  
16 participant has cause to believe that the swap dealer  
17 or major swap participant, or any affiliate or divi-  
18 sion of the swap dealer or major swap participant,  
19 may have engaged in conduct that constitutes a vio-  
20 lation of the nonprudential requirements of this Act  
21 (including section 4s or rules adopted by the Com-  
22 mission under that section), the prudential regulator  
23 may promptly notify the Commission in a written re-  
24 port that includes—

1           “(A) a request that the Commission ini-  
2           tiate an enforcement proceeding under this Act;  
3           and

4           “(B) an explanation of the facts and cir-  
5           cumstances that led to the preparation of the  
6           written report.

7           “(2) COMMISSION.—If the Commission has  
8           cause to believe that a swap dealer or major swap  
9           participant that has a prudential regulator may have  
10          engaged in conduct that constitutes a violation of  
11          any prudential requirement of section 4s or rules  
12          adopted by the Commission under that section, the  
13          Commission may notify the prudential regulator of  
14          the conduct in a written report that includes—

15               “(A) a request that the prudential regu-  
16               lator initiate an enforcement proceeding under  
17               this Act or any other Federal law (including  
18               regulations); and

19               “(B) an explanation of the concerns of the  
20               Commission, and a description of the facts and  
21               circumstances, that led to the preparation of  
22               the written report.

23          “(d) BACKSTOP ENFORCEMENT AUTHORITY.—

24               “(1) INITIATION OF ENFORCEMENT PRO-  
25               CEEDING BY PRUDENTIAL REGULATOR.—If the

1 Commission does not initiate an enforcement pro-  
2 ceeding before the end of the 90-day period begin-  
3 ning on the date on which the Commission receives  
4 a written report under subsection (c)(1), the pruden-  
5 tial regulator may initiate an enforcement pro-  
6 ceeding.

7 “(2) INITIATION OF ENFORCEMENT PRO-  
8 CEEDING BY COMMISSION.—If the prudential regu-  
9 lator does not initiate an enforcement proceeding be-  
10 fore the end of the 90-day period beginning on the  
11 date on which the prudential regulator receives a  
12 written report under subsection (c)(2), the Commis-  
13 sion may initiate an enforcement proceeding.”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Section 4b of the Commodity Exchange Act  
16 (7 U.S.C. 6b) is amended—

17 (A) in subsection (a)(2), by striking “or  
18 other agreement, contract, or transaction sub-  
19 ject to paragraphs (1) and (2) of section  
20 5a(g),” and inserting “or swap,”;

21 (B) in subsection (b), by striking “or other  
22 agreement, contract or transaction subject to  
23 paragraphs (1) and (2) of section 5a(g),” and  
24 inserting “or swap,”; and

25 (C) by adding at the end the following:

1           “(e) It shall be unlawful for any person, directly or  
2 indirectly, by the use of any means or instrumentality of  
3 interstate commerce, or of the mails, or of any facility of  
4 any registered entity, in or in connection with any order  
5 to make, or the making of, any contract of sale of any  
6 commodity for future delivery (or option on such a con-  
7 tract), or any swap, on a group or index of securities (or  
8 any interest therein or based on the value thereof)—

9           “(1) to employ any device, scheme, or artifice to  
10 defraud;

11           “(2) to make any untrue statement of a mate-  
12 rial fact or to omit to state a material fact necessary  
13 in order to make the statements made, in the light  
14 of the circumstances under which they were made,  
15 not misleading; or

16           “(3) to engage in any act, practice, or course of  
17 business which operates or would operate as a fraud  
18 or deceit upon any person.”.

19           (2) Section 4c(a)(1) of the Commodity Ex-  
20 change Act (7 U.S.C. 6c(a)(1)) is amended by in-  
21 serting “or swap” before “if the transaction is used  
22 or may be used”.

23           (3) Section 6(c) of the Commodity Exchange  
24 Act (7 U.S.C. 9) is amended in the first sentence by

1 inserting “or of any swap,” before “or has willfully  
2 made”.

3 (4) Section 6(d) of the Commodity Exchange  
4 Act (7 U.S.C. 13b) is amended in the first sentence,  
5 in the matter preceding the proviso, by inserting “or  
6 of any swap,” before “or otherwise is violating”.

7 (5) Section 6c(a) of the Commodity Exchange  
8 Act (7 U.S.C. 13a–1(a)) is amended in the matter  
9 preceding the proviso by inserting “or any swap”  
10 after “commodity for future delivery”.

11 (6) Section 9 of the Commodity Exchange Act  
12 (7 U.S.C. 13) is amended—

13 (A) in subsection (a)—

14 (i) in paragraph (2), by inserting “or  
15 of any swap,” before “or to corner”; and

16 (ii) in paragraph (4), by inserting  
17 “swap data repository,” before “or futures  
18 association” and

19 (B) in subsection (e)(1)—

20 (i) by inserting “swap data reposi-  
21 tory,” before “or registered futures asso-  
22 ciation”; and

23 (ii) by inserting “, or swaps,” before  
24 “on the basis”.

1           (7) Section 9(a) of the Commodity Exchange  
2 Act (7 U.S.C. 13(a)) is amended by adding at the  
3 end the following:

4           “(6) Any person to abuse the end user clearing  
5 exemption under section 2(h)(4), as determined by  
6 the Commission.”.

7           (8) Section 2(c)(2)(B) of the Commodity Ex-  
8 change Act (7 U.S.C. 2(c)(2)(B)) is amended—

9           (A) by striking “(dd),” each place it ap-  
10 pears;

11           (B) in clause (iii), by inserting “, and ac-  
12 counts or pooled investment vehicles described  
13 in clause (vi),” before “shall be subject to”; and

14           (C) by adding at the end the following:

15           “(vi) This Act applies to, and the  
16 Commission shall have jurisdiction over, an  
17 account or pooled investment vehicle that  
18 is offered for the purpose of trading, or  
19 that trades, any agreement, contract, or  
20 transaction in foreign currency described  
21 in clause (i).”.

22           (9) Section 2(c)(2)(C) of the Commodity Ex-  
23 change Act (7 U.S.C. 2(c)(2)(C)) is amended—

24           (A) by striking “(dd),” each place it ap-  
25 pears;

1 (B) in clause (ii)(I), by inserting “, and ac-  
2 counts or pooled investment vehicles described  
3 in clause (vii),” before “shall be subject to”;  
4 and

5 (C) by adding at the end the following:

6 “(vii) This Act applies to, and the  
7 Commission shall have jurisdiction over, an  
8 account or pooled investment vehicle that  
9 is offered for the purpose of trading, or  
10 that trades, any agreement, contract, or  
11 transaction in foreign currency described  
12 in clause (i).”.

13 (10) Section 1a(19)(A)(iv)(II) of the Com-  
14modity Exchange Act (7 U.S.C. 1a(19)(A)(iv)(II))  
15 (as redesignated by section 721(a)(1)) is amended  
16 by inserting before the semicolon at the end the fol-  
17lowing: “provided, however, that for purposes of sec-  
18tion 2(c)(2)(B)(vi) and section 2(c)(2)(C)(vii), the  
19term ‘eligible contract participant’ shall not include  
20a commodity pool in which any participant is not  
21otherwise an eligible contract participant”.

22 (11) Section 6(e) of the Commodity Exchange  
23 Act (7 U.S.C. 9a) is amended by adding at the end  
24 the following:

1           “(4) Any designated clearing organization that  
2           knowingly or recklessly evades or participates in or  
3           facilitates an evasion of the requirements of section  
4           2(h) shall be liable for a civil money penalty in twice  
5           the amount otherwise available for a violation of sec-  
6           tion 2(h).

7           “(5) Any swap dealer or major swap participant  
8           that knowingly or recklessly evades or participates in  
9           or facilitates an evasion of the requirements of sec-  
10          tion 2(h) shall be liable for a civil money penalty in  
11          twice the amount otherwise available for a violation  
12          of section 2(h).”.

13          (c) SAVINGS CLAUSE.—Notwithstanding any other  
14          provision of this title, nothing in this subtitle shall be con-  
15          strued as divesting any appropriate Federal banking agen-  
16          cy of any authority it may have to establish or enforce,  
17          with respect to a person for which such agency is the ap-  
18          propriate Federal banking agency, prudential or other  
19          standards pursuant to authority granted by Federal law  
20          other than this title.

21          **SEC. 742. RETAIL COMMODITY TRANSACTIONS.**

22          (a) IN GENERAL.—Section 2(c) of the Commodity  
23          Exchange Act (7 U.S.C. 2(c)) is amended—

24                  (1) in paragraph (1), by striking “5a (to the ex-  
25                  tent provided in section 5a(g)), 5b, 5d, or



1 12(e)(2)(B))” and inserting “, 5b, or 12(e)(2)(B))”;  
2 and

3 (2) in paragraph (2), by adding at the end the  
4 following:

5 “(D) RETAIL COMMODITY TRANS-  
6 ACTIONS.—

7 “(i) APPLICABILITY.—Except as pro-  
8 vided in clause (ii), this subparagraph shall  
9 apply to any agreement, contract, or trans-  
10 action in any commodity that is—

11 “(I) entered into with, or offered  
12 to (even if not entered into with), a  
13 person that is not an eligible contract  
14 participant or eligible commercial en-  
15 tity; and

16 “(II) entered into, or offered  
17 (even if not entered into), on a lever-  
18 aged or margined basis, or financed  
19 by the offeror, the counterparty, or a  
20 person acting in concert with the of-  
21 feror or counterparty on a similar  
22 basis.

23 “(ii) EXCEPTIONS.—This subpara-  
24 graph shall not apply to—

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1           “(I) an agreement, contract, or  
2 transaction described in paragraph (1)  
3 or subparagraphs (A), (B), or (C), in-  
4 cluding any agreement, contract, or  
5 transaction specifically excluded from  
6 subparagraph (A), (B), or (C);

7           “(II) any security;

8           “(III) a contract of sale that—

9               “(aa) results in actual deliv-  
10 ery within 28 days or such other  
11 longer period as the Commission  
12 may determine by rule or regula-  
13 tion based upon the typical com-  
14 mercial practice in cash or spot  
15 markets for the commodity in-  
16 volved; or

17               “(bb) creates an enforceable  
18 obligation to deliver between a  
19 seller and a buyer that have the  
20 ability to deliver and accept deliv-  
21 ery, respectively, in connection  
22 with the line of business of the  
23 seller and buyer; or

24           “(IV) an agreement, contract, or  
25 transaction that is listed on a national

1 securities exchange registered under  
2 section 6(a) of the Securities Ex-  
3 change Act of 1934 (15 U.S.C.  
4 78f(a)); or

5 “(V) an identified banking prod-  
6 uct, as defined in section 402(b) of  
7 the Legal Certainty for Bank Prod-  
8 ucts Act of 2000 (7 U.S.C.27(b)).

9 “(iii) ENFORCEMENT.—Sections 4(a),  
10 4(b), and 4b apply to any agreement, con-  
11 tract, or transaction described in clause (i),  
12 as if the agreement, contract, or trans-  
13 action was a contract of sale of a com-  
14 modity for future delivery.

15 “(iv) ELIGIBLE COMMERCIAL ENTI-  
16 TY.—For purposes of this subparagraph,  
17 an agricultural producer, packer, or han-  
18 dler shall be considered to be an eligible  
19 commercial entity for any agreement, con-  
20 tract, or transaction for a commodity in  
21 connection with the line of business of the  
22 agricultural producer, packer, or handler.”.

23 (b) GRAMM-LEACH-BLILEY ACT.—Section 206(a) of  
24 the Gramm-Leach-Bliley Act (Public Law 106–102; 15  
25 U.S.C. 78c note) is amended, in the matter preceding

1 paragraph (1), by striking “For purposes of” and insert-  
2 ing “Except as provided in subsection (e), for purposes  
3 of”.

4 (c) CONFORMING AMENDMENTS RELATING TO RE-  
5 TAIL FOREIGN EXCHANGE TRANSACTIONS.—

6 (1) Section 2(c)(2)(B)(i)(II) of the Commodity  
7 Exchange Act (7 U.S.C. 2(c)(2)(B)(i)(II)) is amend-  
8 ed—

9 (A) in item (aa), by inserting “United  
10 States” before “financial institution”;

11 (B) by striking items (dd) and (ff);

12 (C) by redesignating items (ee) and (gg) as  
13 items (dd) and (ff), respectively; and

14 (D) in item (dd) (as so redesignated), by  
15 striking the semicolon and inserting “; or”.

16 (2) Section 2(c)(2) of the Commodity Exchange  
17 Act (7 U.S.C. 2(c)(2)) (as amended by subsection  
18 (a)(2)) is amended by adding at the end the fol-  
19 lowing:

20 “(E) PROHIBITION.—

21 “(i) DEFINITION OF FEDERAL REGU-  
22 LATORY AGENCY.—In this subparagraph,  
23 the term ‘Federal regulatory agency’  
24 means—

25 “(I) the Commission;

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1 “(II) the Securities and Ex-  
2 change Commission;

3 “(III) an appropriate Federal  
4 banking agency;

5 “(IV) the National Credit Union  
6 Association; and

7 “(V) the Farm Credit Adminis-  
8 tration.

9 “(ii) PROHIBITION.—

10 “(I) IN GENERAL.—Except as  
11 provided in subclause (II), a person  
12 described in subparagraph (B)(i)(II)  
13 for which there is a Federal regu-  
14 latory agency shall not offer to, or  
15 enter into with, a person that is not  
16 an eligible contract participant, any  
17 agreement, contract, or transaction in  
18 foreign currency described in subpara-  
19 graph (B)(i)(I) except pursuant to a  
20 rule or regulation of a Federal regu-  
21 latory agency allowing the agreement,  
22 contract, or transaction under such  
23 terms and conditions as the Federal  
24 regulatory agency shall prescribe.



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1 regulatory agency shall determine  
2 to be necessary.

3 “(II) TREATMENT.—The rules or  
4 regulations described in clause (ii)  
5 shall treat all agreements, contracts,  
6 and transactions in foreign currency  
7 described in subparagraph (B)(i)(I),  
8 and all agreements, contracts, and  
9 transactions in foreign currency that  
10 are functionally or economically simi-  
11 lar to agreements, contracts, or trans-  
12 actions described in subparagraph  
13 (B)(i)(I), similarly.”.

14 **SEC. 743. OTHER AUTHORITY.**

15 Unless otherwise provided by the amendments made  
16 by this subtitle, the amendments made by this subtitle do  
17 not divest any appropriate Federal banking agency, the  
18 Commodity Futures Trading Commission, the Securities  
19 and Exchange Commission, or other Federal or State  
20 agency of any authority derived from any other applicable  
21 law.

22 **SEC. 744. RESTITUTION REMEDIES.**

23 Section 6c(d) of the Commodity Exchange Act (7  
24 U.S.C. 13a–1(d)) is amended by adding at the end the  
25 following:

1           “(3) **EQUITABLE REMEDIES.**—In any action  
2 brought under this section, the Commission may  
3 seek, and the court may impose, on a proper show-  
4 ing, on any person found in the action to have com-  
5 mitted any violation, equitable remedies including—

6           “(A) restitution to persons who have sus-  
7 tained losses proximately caused by such viola-  
8 tion (in the amount of such losses); and

9           “(B) disgorgement of gains received in  
10 connection with such violation.”.

11 **SEC. 745. ENHANCED COMPLIANCE BY REGISTERED ENTI-**  
12 **TIES.**

13       (a) **EFFECT OF INTERPRETATION.**—Section 5c(a) of  
14 the Commodity Exchange Act (7 U.S.C. 7a–2(a)) is  
15 amended by striking paragraph (2) and inserting the fol-  
16 lowing:

17       “(2) **EFFECT OF INTERPRETATION.**—An inter-  
18 pretation issued under paragraph (1) may provide  
19 the exclusive means for complying with each section  
20 described in paragraph (1).”.

21       (b) **NEW CONTRACTS, NEW RULES, AND RULE**  
22 **AMENDMENTS.**—Section 5c of the Commodity Exchange  
23 Act (7 U.S.C. 7a–2) is amended by striking subsection (c)  
24 and inserting the following:



1           “(c) NEW CONTRACTS, NEW RULES, AND RULE  
2 AMENDMENTS.—

3           “(1) IN GENERAL.—A registered entity may  
4 elect to list for trading or accept for clearing any  
5 new contract, or other instrument, or may elect to  
6 approve and implement any new rule or rule amend-  
7 ment, by providing to the Commission (and the Sec-  
8 retary of the Treasury, in the case of a contract of  
9 sale of a government security for future delivery (or  
10 option on such a contract) or a rule or rule amend-  
11 ment specifically related to such a contract) a writ-  
12 ten certification that the new contract or instrument  
13 or clearing of the new contract or instrument, new  
14 rule, or rule amendment complies with this Act (in-  
15 cluding regulations under this Act).

16           “(2) RULE REVIEW.—The new rule or rule  
17 amendment described in paragraph (1) shall become  
18 effective, pursuant to the certification of the reg-  
19 istered entity and notice of such certification to its  
20 members (in a manner to be determined by the  
21 Commission), on the date that is 10 business days  
22 after the date on which the Commission receives the  
23 certification (or such shorter period as determined  
24 by the Commission by rule or regulation) unless the  
25 Commission notifies the registered entity within such

1 time that it is staying the certification because there  
2 exist novel or complex issues that require additional  
3 time to analyze, an inadequate explanation by the  
4 submitting registered entity, or a potential inconsis-  
5 tency with this Act (including regulations under this  
6 Act).

7 “(3) STAY OF CERTIFICATION FOR RULES.—

8 “(A) A notification by the Commission  
9 pursuant to paragraph (2) shall stay the certifi-  
10 cation of the new rule or rule amendment for  
11 up to an additional 90 days from the date of  
12 the notification.

13 “(B) A rule or rule amendment subject to  
14 a stay pursuant to subparagraph (A) shall be-  
15 come effective, pursuant to the certification of  
16 the registered entity, at the expiration of the  
17 period described in subparagraph (A) unless the  
18 Commission—

19 “(i) withdraws the stay prior to that  
20 time; or

21 “(ii) notifies the registered entity dur-  
22 ing such period that it objects to the pro-  
23 posed certification on the grounds that it is  
24 inconsistent with this Act (including regu-  
25 lations under this Act).

1           “(C) The Commission shall provide a not  
2           less than 30-day public comment period, within  
3           the 90-day period in which the stay is in effect  
4           as described in subparagraph (A), whenever the  
5           Commission reviews a rule or rule amendment  
6           pursuant to a notification by the Commission  
7           under this paragraph.

8           “(4) PRIOR APPROVAL.—

9           “(A) IN GENERAL.—A registered entity  
10          may request that the Commission grant prior  
11          approval to any new contract or other instru-  
12          ment, new rule, or rule amendment.

13          “(B) PRIOR APPROVAL REQUIRED.—Not-  
14          withstanding any other provision of this section,  
15          a designated contract market shall submit to  
16          the Commission for prior approval each rule  
17          amendment that materially changes the terms  
18          and conditions, as determined by the Commis-  
19          sion, in any contract of sale for future delivery  
20          of a commodity specifically enumerated in sec-  
21          tion 1a(10) (or any option thereon) traded  
22          through its facilities if the rule amendment ap-  
23          plies to contracts and delivery months which  
24          have already been listed for trading and have  
25          open interest.

1           “(C) DEADLINE.—If prior approval is re-  
2           quested under subparagraph (A), the Commis-  
3           sion shall take final action on the request not  
4           later than 90 days after submission of the re-  
5           quest, unless the person submitting the request  
6           agrees to an extension of the time limitation es-  
7           tablished under this subparagraph.

8           “(5) APPROVAL.—

9           “(A) RULES.—The Commission shall ap-  
10          prove a new rule, or rule amendment, of a reg-  
11          istered entity unless the Commission finds that  
12          the new rule, or rule amendment, is incon-  
13          sistent with this subtitle (including regulations).

14          “(B) CONTRACTS AND INSTRUMENTS.—  
15          The Commission shall approve a new contract  
16          or other instrument unless the Commission  
17          finds that the new contract or other instrument  
18          would violate this Act (including regulations).

19          “(C) SPECIAL RULE FOR REVIEW AND AP-  
20          PROVAL OF EVENT CONTRACTS AND SWAPS  
21          CONTRACTS.—

22                 “(i) EVENT CONTRACTS.—In connec-  
23                 tion with the listing of agreements, con-  
24                 tracts, transactions, or swaps in excluded  
25                 commodities that are based upon the oc-

1                   currence, extent of an occurrence, or con-  
2                   tingency (other than a change in the price,  
3                   rate, value, or levels of a commodity de-  
4                   scribed in section 1a(2)(i)), by a des-  
5                   ignated contract market or swap execution  
6                   facility, the Commission may determine  
7                   that such agreements, contracts, or trans-  
8                   actions are contrary to the public interest  
9                   if the agreements, contracts, or trans-  
10                  actions involve—

11                               “(I) activity that is unlawful  
12                               under any Federal or State law;

13                               “(II) terrorism;

14                               “(III) assassination;

15                               “(IV) war;

16                               “(V) gaming; or

17                               “(VI) other similar activity deter-  
18                               mined by the Commission, by rule or  
19                               regulation, to be contrary to the pub-  
20                               lic interest.

21                               “(ii) PROHIBITION.—No agreement,  
22                               contract, or transaction determined by the  
23                               Commission to be contrary to the public  
24                               interest under clause (i) may be listed or

1 made available for clearing or trading on  
2 or through a registered entity.

3 “(iii) SWAPS CONTRACTS.—

4 “(I) IN GENERAL.—In connection  
5 with the listing of a swap for clearing  
6 by a derivatives clearing organization,  
7 the Commission shall determine, upon  
8 request or on its own motion, the ini-  
9 tial eligibility, or the continuing quali-  
10 fication, of a derivatives clearing orga-  
11 nization to clear such a swap under  
12 those criteria, conditions, or rules that  
13 the Commission, in its discretion, de-  
14 termines.

15 “(II) REQUIREMENTS.—Any  
16 such criteria, conditions, or rules shall  
17 consider—

18 “(aa) the financial integrity  
19 of the derivatives clearing organi-  
20 zation; and

21 “(bb) any other factors  
22 which the Commission deter-  
23 mines may be appropriate.

24 “(iv) DEADLINE.—The Commission  
25 shall take final action under clauses (i)

1           and (ii) in not later than 90 days from the  
2           commencement of its review unless the  
3           party seeking to offer the contract or swap  
4           agrees to an extension of this time limita-  
5           tion.”.

6           (c) VIOLATION OF CORE PRINCIPLES.—Section 5c of  
7 the Commodity Exchange Act (7 U.S.C. 7a–2) is amended  
8 by striking subsection (d).

9   **SEC. 746. INSIDER TRADING.**

10          Section 4c(a) of the Commodity Exchange Act (7  
11 U.S.C. 6c(a)) is amended by adding at the end the fol-  
12 lowing:

13           “(3) CONTRACT OF SALE.—It shall be unlawful  
14          for any employee or agent of any department or  
15          agency of the Federal Government who, by virtue of  
16          the employment or position of the employee or  
17          agent, acquires information that may affect or tend  
18          to affect the price of any commodity in interstate  
19          commerce, or for future delivery, or any swap, and  
20          which information has not been disseminated by the  
21          department or agency of the Federal Government  
22          holding or creating the information in a manner  
23          which makes it generally available to the trading  
24          public, or disclosed in a criminal, civil, or adminis-  
25          trative hearing, or in a congressional, administrative,

1 or Government Accountability Office report, hearing,  
2 audit, or investigation, to use the information in his  
3 personal capacity and for personal gain to enter  
4 into, or offer to enter into—

5 “(A) a contract of sale of a commodity for  
6 future delivery (or option on such a contract);

7 “(B) an option (other than an option exe-  
8 cuted or traded on a national securities ex-  
9 change registered pursuant to section 6(a) of  
10 the Securities Exchange Act of 1934 (15  
11 U.S.C. 78f(a)); or

12 “(C) a swap.

13 “(4) NONPUBLIC INFORMATION.—

14 “(A) IMPARTING OF NONPUBLIC INFORMA-  
15 TION.—It shall be unlawful for any employee or  
16 agent of any department or agency of the Fed-  
17 eral Government who, by virtue of the employ-  
18 ment or position of the employee or agent, ac-  
19 quires information that may affect or tend to  
20 affect the price of any commodity in interstate  
21 commerce, or for future delivery, or any swap,  
22 and which information has not been dissemi-  
23 nated by the department or agency of the Fed-  
24 eral Government holding or creating the infor-  
25 mation in a manner which makes it generally



1 available to the trading public, or disclosed in  
2 a criminal, civil, or administrative hearing, or in  
3 a congressional, administrative, or Government  
4 Accountability Office report, hearing, audit, or  
5 investigation, to impart the information in his  
6 personal capacity and for personal gain with in-  
7 tent to assist another person, directly or indi-  
8 rectly, to use the information to enter into, or  
9 offer to enter into—

10 “(i) a contract of sale of a commodity  
11 for future delivery (or option on such a  
12 contract);

13 “(ii) an option (other than an option  
14 executed or traded on a national securities  
15 exchange registered pursuant to section  
16 6(a) of the Securities Exchange Act of  
17 1934 (15 U.S.C. 78f(a)); or

18 “(iii) a swap.

19 “(B) KNOWING USE.—It shall be unlawful  
20 for any person who receives information im-  
21 parted by any employee or agent of any depart-  
22 ment or agency of the Federal Government as  
23 described in subparagraph (A) to knowingly use  
24 such information to enter into, or offer to enter  
25 into—

1           “(i) a contract of sale of a commodity  
2           for future delivery (or option on such a  
3           contract);

4           “(ii) an option (other than an option  
5           executed or traded on a national securities  
6           exchange registered pursuant to section  
7           6(a) of the Securities Exchange Act of  
8           1934 (15 U.S.C. 78f(a)); or

9           “(iii) a swap.

10           “(C) THEFT OF NONPUBLIC INFORMA-  
11           TION.—It shall be unlawful for any person to  
12           steal, convert, or misappropriate, by any means  
13           whatsoever, information held or created by any  
14           department or agency of the Federal Govern-  
15           ment that may affect or tend to affect the price  
16           of any commodity in interstate commerce, or  
17           for future delivery, or any swap, where such  
18           person knows, or acts in reckless disregard of  
19           the fact, that such information has not been  
20           disseminated by the department or agency of  
21           the Federal Government holding or creating the  
22           information in a manner which makes it gen-  
23           erally available to the trading public, or dis-  
24           closed in a criminal, civil, or administrative  
25           hearing, or in a congressional, administrative,

1 or Government Accountability Office report,  
2 hearing, audit, or investigation, and to use such  
3 information, or to impart such information with  
4 the intent to assist another person, directly or  
5 indirectly, to use such information to enter into,  
6 or offer to enter into—

7 “(i) a contract of sale of a commodity  
8 for future delivery (or option on such a  
9 contract);

10 “(ii) an option (other than an option  
11 executed or traded on a national securities  
12 exchange registered pursuant to section  
13 6(a) of the Securities Exchange Act of  
14 1934 (15 U.S.C. 78f(a)); or

15 “(iii) a swap, provided, however, that  
16 nothing in this subparagraph shall pre-  
17 clude a person that has provided informa-  
18 tion concerning, or generated by, the per-  
19 son, its operations or activities, to any em-  
20 ployee or agent of any department or agen-  
21 cy of the Federal Government, voluntarily  
22 or as required by law, from using such in-  
23 formation to enter into, or offer to enter  
24 into, a contract of sale, option, or swap de-  
25 scribed in clauses (i), (ii), or (iii).”

1 **SEC. 747. ANTIDISRUPTIVE PRACTICES AUTHORITY.**

2 Section 4c(a) of the Commodity Exchange Act (7  
3 U.S.C. 6c(a)) (as amended by section 746) is amended  
4 by adding at the end the following:

5 “(5) DISRUPTIVE PRACTICES.—It shall be un-  
6 lawful for any person to engage in any trading, prac-  
7 tice, or conduct on or subject to the rules of a reg-  
8 istered entity that—

9 “(A) violates bids or offers;

10 “(B) demonstrates intentional or reckless  
11 disregard for the orderly execution of trans-  
12 actions during the closing period; or

13 “(C) is, is of the character of, or is com-  
14 monly known to the trade as, ‘spoofing’ (bid-  
15 ding or offering with the intent to cancel the  
16 bid or offer before execution).

17 “(6) RULEMAKING AUTHORITY.—The Commis-  
18 sion may make and promulgate such rules and regu-  
19 lations as, in the judgment of the Commission, are  
20 reasonably necessary to prohibit the trading prac-  
21 tices described in paragraph (5) and any other trad-  
22 ing practice that is disruptive of fair and equitable  
23 trading.

24 “(7) USE OF SWAPS TO DEFRAUD.—It shall be  
25 unlawful for any person to enter into a swap know-  
26 ing, or acting in reckless disregard of the fact, that

1 its counterparty will use the swap as part of a de-  
2 vice, scheme, or artifice to defraud any third  
3 party.”.

4 **SEC. 748. COMMODITY WHISTLEBLOWER INCENTIVES AND**  
5 **PROTECTION.**

6 The Commodity Exchange Act (7 U.S.C. 1 et seq.)  
7 is amended by adding at the end the following:

8 **“SEC. 23. COMMODITY WHISTLEBLOWER INCENTIVES AND**  
9 **PROTECTION.**

10 “(a) DEFINITIONS.—In this section:

11 “(1) COVERED JUDICIAL OR ADMINISTRATIVE  
12 ACTION.—The term ‘covered judicial or administra-  
13 tive action’ means any judicial or administrative ac-  
14 tion brought by the Commission under this Act that  
15 results in monetary sanctions exceeding \$1,000,000.

16 “(2) FUND.—The term ‘Fund’ means the Com-  
17 modity Futures Trading Commission Customer Pro-  
18 tection Fund established under subsection (g).

19 “(3) MONETARY SANCTIONS.—The term ‘mone-  
20 tary sanctions’, when used with respect to any judi-  
21 cial or administrative action means—

22 “(A) any monies, including penalties,  
23 disgorgement, restitution, and interest ordered  
24 to be paid; and

1           “(B) any monies deposited into a  
2           disgorgement fund or other fund pursuant to  
3           section 308(b) of the Sarbanes-Oxley Act of  
4           2002 (15 U.S.C. 7246(b)), as a result of such  
5           action or any settlement of such action.

6           “(4) ORIGINAL INFORMATION.—The term  
7           ‘original information’ means information that—

8                   “(A) is derived from the independent  
9                   knowledge or analysis of a whistleblower;

10                   “(B) is not known to the Commission from  
11                   any other source, unless the whistleblower is the  
12                   original source of the information; and

13                   “(C) is not exclusively derived from an al-  
14                   legation made in a judicial or administrative  
15                   hearing, in a governmental report, hearing,  
16                   audit, or investigation, or from the news media,  
17                   unless the whistleblower is a source of the infor-  
18                   mation.

19           “(5) RELATED ACTION.—The term ‘related ac-  
20           tion’, when used with respect to any judicial or ad-  
21           ministrative action brought by the Commission  
22           under this Act, means any judicial or administrative  
23           action brought by an entity described in subclauses  
24           (I) through (VI) of subsection (h)(2)(C) that is  
25           based upon the original information provided by a

1 whistleblower pursuant to subsection (a) that led to  
2 the successful enforcement of the Commission ac-  
3 tion.

4 “(6) SUCCESSFUL RESOLUTION.—The term  
5 ‘successful resolution’, when used with respect to  
6 any judicial or administrative action brought by the  
7 Commission under this Act, includes any settlement  
8 of such action.

9 “(7) WHISTLEBLOWER.—The term ‘whistle-  
10 blower’ means any individual, or 2 or more individ-  
11 uals acting jointly, who provides information relating  
12 to a violation of this Act to the Commission, in a  
13 manner established by rule or regulation by the  
14 Commission.

15 “(b) AWARDS.—

16 “(1) IN GENERAL.—In any covered judicial or  
17 administrative action, or related action, the Commis-  
18 sion, under regulations prescribed by the Commis-  
19 sion and subject to subsection (c), shall pay an  
20 award or awards to 1 or more whistleblowers who  
21 voluntarily provided original information to the  
22 Commission that led to the successful enforcement  
23 of the covered judicial or administrative action, or  
24 related action, in an aggregate amount equal to—

1           “(A) not less than 10 percent, in total, of  
2           what has been collected of the monetary sanc-  
3           tions imposed in the action or related actions;  
4           and

5           “(B) not more than 30 percent, in total, of  
6           what has been collected of the monetary sanc-  
7           tions imposed in the action or related actions.

8           “(2) PAYMENT OF AWARDS.—Any amount paid  
9           under paragraph (1) shall be paid from the Fund.

10          “(c) DETERMINATION OF AMOUNT OF AWARD; DE-  
11          NIAL OF AWARD.—

12           “(1) DETERMINATION OF AMOUNT OF  
13          AWARD.—

14           “(A) DISCRETION.—The determination of  
15           the amount of an award made under subsection  
16           (b) shall be in the discretion of the Commission.

17           “(B) CRITERIA.—In determining the  
18           amount of an award made under subsection (b),  
19           the Commission—

20                   “(i) shall take into consideration—

21                           “(I) the significance of the infor-  
22                           mation provided by the whistleblower  
23                           to the success of the covered judicial  
24                           or administrative action;



1                   “(II) the degree of assistance  
2                   provided by the whistleblower and any  
3                   legal representative of the whistle-  
4                   blower in a covered judicial or admin-  
5                   istrative action;

6                   “(III) the programmatic interest  
7                   of the Commission in deterring viola-  
8                   tions of the Act (including regulations  
9                   under the Act) by making awards to  
10                  whistleblowers who provide informa-  
11                  tion that leads to the successful en-  
12                  forcement of such laws; and

13                  “(IV) such additional relevant  
14                  factors as the Commission may estab-  
15                  lish by rule or regulation; and

16                  “(ii) shall not take into consideration  
17                  the balance of the Fund.

18                  “(2) DENIAL OF AWARD.—No award under  
19                  subsection (b) shall be made—

20                  “(A) to any whistleblower who is, or was at  
21                  the time the whistleblower acquired the original  
22                  information submitted to the Commission, a  
23                  member, officer, or employee of—

24                  “(i) a appropriate regulatory agency;

25                  “(ii) the Department of Justice;

1 “(iii) a registered entity;

2 “(iv) a registered futures association;

3 “(v) a self-regulatory organization as  
4 defined in section 3(a) of the Securities  
5 Exchange Act of 1934 (15 U.S.C. 78c(a));

6 or

7 “(vi) a law enforcement organization;

8 “(B) to any whistleblower who is convicted  
9 of a criminal violation related to the judicial or  
10 administrative action for which the whistle-  
11 blower otherwise could receive an award under  
12 this section;

13 “(C) to any whistleblower who submits in-  
14 formation to the Commission that is based on  
15 the facts underlying the covered action sub-  
16 mitted previously by another whistleblower;

17 “(D) to any whistleblower who fails to sub-  
18 mit information to the Commission in such  
19 form as the Commission may, by rule or regula-  
20 tion, require.

21 “(d) REPRESENTATION.—

22 “(1) PERMITTED REPRESENTATION.—Any  
23 whistleblower who makes a claim for an award under  
24 subsection (b) may be represented by counsel.

25 “(2) REQUIRED REPRESENTATION.—

1           “(A) IN GENERAL.—Any whistleblower  
2           who anonymously makes a claim for an award  
3           under subsection (b) shall be represented by  
4           counsel if the whistleblower submits the infor-  
5           mation upon which the claim is based.

6           “(B) DISCLOSURE OF IDENTITY.—Prior to  
7           the payment of an award, a whistleblower shall  
8           disclose the identity of the whistleblower and  
9           provide such other information as the Commis-  
10          sion may require, directly or through counsel  
11          for the whistleblower.

12          “(e) NO CONTRACT NECESSARY.—No contract with  
13          the Commission is necessary for any whistleblower to re-  
14          ceive an award under subsection (b), unless otherwise re-  
15          quired by the Commission, by rule or regulation.

16          “(f) APPEALS.—

17                 “(1) IN GENERAL.—Any determination made  
18                 under this section, including whether, to whom, or in  
19                 what amount to make awards, shall be in the discre-  
20                 tion of the Commission.

21                 “(2) APPEALS.—Any determination described  
22                 in paragraph (1) may be appealed to the appropriate  
23                 court of appeals of the United States not more than  
24                 30 days after the determination is issued by the  
25                 Commission.

1           “(3) REVIEW.—The court shall review the de-  
2           termination made by the Commission in accordance  
3           with section 7064 of title 5, United States Code.

4           “(g) COMMODITY FUTURES TRADING COMMISSION  
5           CUSTOMER PROTECTION FUND.—

6           “(1) ESTABLISHMENT.—There is established in  
7           the Treasury of the United States a revolving fund  
8           to be known as the ‘Commodity Futures Trading  
9           Commission Customer Protection Fund’.

10           “(2) USE OF FUND.—The Fund shall be avail-  
11           able to the Commission, without further appropria-  
12           tion or fiscal year limitation, for—

13                   “(A) the payment of awards to whistle-  
14                   blowers as provided in subsection (a); and

15                   “(B) the funding of customer education  
16                   initiatives designed to help customers protect  
17                   themselves against fraud or other violations of  
18                   this Act, or the rules and regulations there-  
19                   under.

20           “(3) DEPOSITS AND CREDITS.—There shall be  
21           deposited into or credited to the Fund:

22                   “(A) MONETARY SANCTIONS.—Any mone-  
23                   etary sanctions collected by the Commission in  
24                   any covered judicial or administrative action  
25                   that is not otherwise distributed to victims of a

1 violation of this Act or the rules and regulations  
2 thereunder underlying such action, unless the  
3 balance of the Fund at the time the monetary  
4 judgment is collected exceeds \$100,000,000.

5 “(B) ADDITIONAL AMOUNTS.—If the  
6 amounts deposited into or credited to the Fund  
7 under subparagraph (A) are not sufficient to  
8 satisfy an award made under subsection (b),  
9 there shall be deposited into or credited to the  
10 Fund an amount equal to the unsatisfied por-  
11 tion of the award from any monetary sanction  
12 collected by the Commission in any judicial or  
13 administrative action brought by the Commis-  
14 sion under this Act that is based on information  
15 provided by a whistleblower.

16 “(C) INVESTMENT INCOME.—All income  
17 from investments made under paragraph (4).

18 “(4) INVESTMENTS.—

19 “(A) AMOUNTS IN FUND MAY BE IN-  
20 VESTED.—The Commission may request the  
21 Secretary of the Treasury to invest the portion  
22 of the Fund that is not, in the Commission’s  
23 judgment, required to meet the current needs of  
24 the Fund.

1           “(B) ELIGIBLE INVESTMENTS.—Invest-  
2           ments shall be made by the Secretary of the  
3           Treasury in obligations of the United States or  
4           obligations that are guaranteed as to principal  
5           and interest by the United States, with matu-  
6           rities suitable to the needs of the Fund as de-  
7           termined by the Commission.

8           “(C) INTEREST AND PROCEEDS CRED-  
9           ITED.—The interest on, and the proceeds from  
10          the sale or redemption of, any obligations held  
11          in the Fund shall be credited to, and form a  
12          part of, the Fund.

13          “(5) REPORTS TO CONGRESS.—Not later than  
14          October 30 of each year, the Commission shall  
15          transmit to the Committee on Agriculture, Nutri-  
16          tion, and Forestry of the Senate, and the Committee  
17          on Agriculture of the House of Representatives a re-  
18          port on—

19                 “(A) the Commission’s whistleblower  
20                 award program under this section, including a  
21                 description of the number of awards granted  
22                 and the types of cases in which awards were  
23                 granted during the preceding fiscal year;

1           “(B) customer education initiatives de-  
2           scribed in paragraph (2)(B) that were funded  
3           by the Fund during the preceding fiscal year;

4           “(C) the balance of the Fund at the begin-  
5           ning of the preceding fiscal year;

6           “(D) the amounts deposited into or cred-  
7           ited to the Fund during the preceding fiscal  
8           year;

9           “(E) the amount of earnings on invest-  
10          ments of amounts in the Fund during the pre-  
11          ceding fiscal year;

12          “(F) the amount paid from the Fund dur-  
13          ing the preceding fiscal year to whistleblowers  
14          pursuant to subsection (b);

15          “(G) the amount paid from the Fund dur-  
16          ing the preceding fiscal year for customer edu-  
17          cation initiatives described in paragraph (2)(B);

18          “(H) the balance of the Fund at the end  
19          of the preceding fiscal year; and

20          “(I) a complete set of audited financial  
21          statements, including a balance sheet, income  
22          statement, and cash flow analysis.

23          “(h) PROTECTION OF WHISTLEBLOWERS.—

24          “(1) PROHIBITION AGAINST RETALIATION.—

## 1000

1           “(A) IN GENERAL.—No employer may dis-  
2 charge, demote, suspend, threaten, harass, di-  
3 rectly or indirectly, or in any other manner dis-  
4 criminate against, a whistleblower in the terms  
5 and conditions of employment because of any  
6 lawful act done by the whistleblower—

7           “(i) in providing information to the  
8 Commission in accordance with subsection  
9 (b); or

10           “(ii) in assisting in any investigation  
11 or judicial or administrative action of the  
12 Commission based upon or related to such  
13 information.

14           “(B) ENFORCEMENT.—

15           “(i) CAUSE OF ACTION.—An indi-  
16 vidual who alleges discharge or other dis-  
17 crimination in violation of subparagraph  
18 (A) may bring an action under this sub-  
19 section in the appropriate district court of  
20 the United States for the relief provided in  
21 subparagraph (C), unless the individual  
22 who is alleging discharge or other discrimi-  
23 nation in violation of subparagraph (A) is  
24 an employee of the Federal Government, in  
25 which case the individual shall only bring



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1 an action under section 1221 of title 5,  
2 United States Code.

3 “(ii) SUBPOENAS.—A subpoena re-  
4 quiring the attendance of a witness at a  
5 trial or hearing conducted under this sub-  
6 section may be served at any place in the  
7 United States.

8 “(iii) STATUTE OF LIMITATIONS.—An  
9 action under this subsection may not be  
10 brought more than 2 years after the date  
11 on which the violation reported in subpara-  
12 graph (A) is committed.

13 “(C) RELIEF.—Relief for an individual  
14 prevailing in an action brought under subpara-  
15 graph (B) shall include—

16 “(i) reinstatement with the same se-  
17 niority status that the individual would  
18 have had, but for the discrimination;

19 “(ii) the amount of back pay other-  
20 wise owed to the individual, with interest;  
21 and

22 “(iii) compensation for any special  
23 damages sustained as a result of the dis-  
24 charge or discrimination, including litiga-

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1                   tion costs, expert witness fees, and reason-  
2                   able attorney's fees.

3                   “(2) CONFIDENTIALITY.—

4                   “(A) IN GENERAL.—Except as provided in  
5                   subparagraphs (B) and (C), the Commission,  
6                   and any officer or employee of the Commission,  
7                   shall not disclose any information, including in-  
8                   formation provided by a whistleblower to the  
9                   Commission, which could reasonably be ex-  
10                  pected to reveal the identity of a whistleblower,  
11                  except in accordance with the provisions of sec-  
12                  tion 552a of title 5, United States Code, unless  
13                  and until required to be disclosed to a defend-  
14                  ant or respondent in connection with a public  
15                  proceeding instituted by the Commission or any  
16                  entity described in subparagraph (C). For pur-  
17                  poses of section 552 of title 5, United States  
18                  Code, this paragraph shall be considered a stat-  
19                  ute described in subsection (b)(3)(B) of such  
20                  section 552.

21                  “(B) EFFECT.—Nothing in this paragraph  
22                  is intended to limit the ability of the Attorney  
23                  General to present such evidence to a grand  
24                  jury or to share such evidence with potential

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1 witnesses or defendants in the course of an on-  
2 going criminal investigation.

3 “(C) AVAILABILITY TO GOVERNMENT  
4 AGENCIES.—

5 “(i) IN GENERAL.—Without the loss  
6 of its status as confidential in the hands of  
7 the Commission, all information referred to  
8 in subparagraph (A) may, in the discretion  
9 of the Commission, when determined by  
10 the Commission to be necessary or appro-  
11 priate to accomplish the purposes of this  
12 Act and protect customers and in accord-  
13 ance with clause (ii), be made available  
14 to—

15 “(I) the Department of Justice;

16 “(II) an appropriate department  
17 or agency of the Federal Government,  
18 acting within the scope of its jurisdic-  
19 tion;

20 “(III) a registered entity, reg-  
21 istered futures association, or self-reg-  
22 ulatory organization as defined in sec-  
23 tion 3(a) of the Securities Exchange  
24 Act of 1934 (15 U.S.C. 78c(a));

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1                   “(IV) a State attorney general in  
2                   connection with any criminal inves-  
3                   tigation;

4                   “(V) an appropriate department  
5                   or agency of any State, acting within  
6                   the scope of its jurisdiction; and

7                   “(VI) a foreign futures authority.

8                   “(ii) MAINTENANCE OF INFORMA-  
9                   TION.—Each of the entities, agencies, or  
10                  persons described in clause (i) shall main-  
11                  tain information described in that clause  
12                  as confidential, in accordance with the re-  
13                  quirements in subparagraph (A).

14                  “(iii) STUDY ON IMPACT OF FOIA EX-  
15                  EMPTION ON COMMODITY FUTURES TRAD-  
16                  ING COMMISSION.—

17                  “(I) STUDY.—The Inspector  
18                  General of the Commission shall con-  
19                  duct a study—

20                  “(aa) on whether the exemp-  
21                  tion under section 552(b)(3) of  
22                  title 5, United States Code  
23                  (known as the Freedom of Infor-  
24                  mation Act) established in para-  
25                  graph (2)(A) aids whistleblowers

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1 in disclosing information to the  
2 Commission;

3 “(bb) on what impact the  
4 exemption has had on the  
5 public’s ability to access informa-  
6 tion about the Commission’s reg-  
7 ulation of commodity futures and  
8 option markets; and

9 “(cc) to make any rec-  
10 ommendations on whether the  
11 Commission should continue to  
12 use the exemption.

13 “(II) REPORT.—Not later than  
14 30 months after the date of enact-  
15 ment of this clause, the Inspector  
16 General shall—

17 “(aa) submit a report on the  
18 findings of the study required  
19 under this clause to the Com-  
20 mittee on Banking, Housing, and  
21 Urban Affairs of the Senate and  
22 the Committee on Financial  
23 Services of the House of Rep-  
24 resentatives; and

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1                   “(bb) make the report avail-  
2                   able to the public through publi-  
3                   cation of a report on the website  
4                   of the Commission.

5                   “(3) RIGHTS RETAINED.—Nothing in this sec-  
6                   tion shall be deemed to diminish the rights, privi-  
7                   leges, or remedies of any whistleblower under any  
8                   Federal or State law, or under any collective bar-  
9                   gaining agreement.

10                  “(i) RULEMAKING AUTHORITY.—The Commission  
11                  shall have the authority to issue such rules and regulations  
12                  as may be necessary or appropriate to implement the pro-  
13                  visions of this section consistent with the purposes of this  
14                  section.

15                  “(j) IMPLEMENTING RULES.—The Commission shall  
16                  issue final rules or regulations implementing the provi-  
17                  sions of this section not later than 270 days after the date  
18                  of enactment of the Wall Street Transparency and Ac-  
19                  countability Act of 2010.

20                  “(k) ORIGINAL INFORMATION.—Information sub-  
21                  mitted to the Commission by a whistleblower in accord-  
22                  ance with rules or regulations implementing this section  
23                  shall not lose its status as original information solely be-  
24                  cause the whistleblower submitted such information prior  
25                  to the effective date of such rules or regulations, provided

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1 such information was submitted after the date of enact-  
2 ment of the Wall Street Transparency and Accountability  
3 Act of 2010.

4 “(l) AWARDS.—A whistleblower may receive an award  
5 pursuant to this section regardless of whether any viola-  
6 tion of a provision of this Act, or a rule or regulation  
7 thereunder, underlying the judicial or administrative ac-  
8 tion upon which the award is based occurred prior to the  
9 date of enactment of the Wall Street Transparency and  
10 Accountability Act of 2010.

11 “(m) PROVISION OF FALSE INFORMATION.—A whis-  
12 tleblower who knowingly and willfully makes any false, fic-  
13 titious, or fraudulent statement or representation, or who  
14 makes or uses any false writing or document knowing the  
15 same to contain any false, fictitious, or fraudulent state-  
16 ment or entry, shall not be entitled to an award under  
17 this section and shall be subject to prosecution under sec-  
18 tion 1001 of title 18, United States Code.

19 “(n) NONENFORCEABILITY OF CERTAIN PROVISIONS  
20 WAIVING RIGHTS AND REMEDIES OR REQUIRING ARBI-  
21 TRATION OF DISPUTES.—

22 “(1) WAIVER OF RIGHTS AND REMEDIES.—The  
23 rights and remedies provided for in this section may  
24 not be waived by any agreement, policy form, or con-

1           dition of employment including by a predispute arbi-  
2           tration agreement.

3           “(2)    PREDISPUTE    ARBITRATION    AGREE-  
4           MENTS.—No predispute arbitration agreement shall  
5           be valid or enforceable, if the agreement requires ar-  
6           bitration of a dispute arising under this section.”.

7   **SEC. 749. CONFORMING AMENDMENTS.**

8           (a) Section 4d of the Commodity Exchange Act (7  
9   U.S.C. 6d) (as amended by section 724) is amended—

10           (1) in subsection (a)—

11           (A) in the matter preceding paragraph  
12           (1)—

13           (i) by striking “engage as” and insert-  
14           ing “be a”; and

15           (ii) by striking “or introducing  
16           broker” and all that follows through “or  
17           derivatives transaction execution facility”;

18           (B) in paragraph (1), by striking “or in-  
19           troducing broker”; and

20           (C) in paragraph (2), by striking “if a fu-  
21           tures commission merchant,”; and

22           (2) by adding at the end the following:

23           “(g) It shall be unlawful for any person to be an in-  
24           troducing broker unless such person shall have registered  
25           under this Act with the Commission as an introducing



1 broker and such registration shall not have expired nor  
2 been suspended nor revoked.”.

3 (b) Section 4m(3) of the Commodity Exchange Act  
4 (7 U.S.C. 6m(3)) is amended—

5 (1) by striking “(3) Subsection (1) of this sec-  
6 tion” and inserting the following:

7 “(3) EXCEPTION.—

8 “(A) IN GENERAL.—Paragraph (1)”;

9 (2) by striking “to any investment trust” and  
10 all that follows through the period at the end and  
11 inserting the following: “to any commodity pool that  
12 is engaged primarily in trading commodity interests.

13 “(B) ENGAGED PRIMARILY.—For purposes of  
14 subparagraph (A), a commodity trading advisor or a  
15 commodity pool shall be considered to be ‘engaged  
16 primarily’ in the business of being a commodity  
17 trading advisor or commodity pool if it is or holds  
18 itself out to the public as being engaged primarily,  
19 or proposes to engage primarily, in the business of  
20 advising on commodity interests or investing, rein-  
21 vesting, owning, holding, or trading in commodity  
22 interests, respectively.

23 “(C) COMMODITY INTERESTS.—For purposes of  
24 this paragraph, commodity interests shall include  
25 contracts of sale of a commodity for future delivery,

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1 options on such contracts, security futures, swaps,  
2 leverage contracts, foreign exchange, spot and for-  
3 ward contracts on physical commodities, and any  
4 monies held in an account used for trading com-  
5 modity interests.”.

6 (c) Section 5c of the Commodity Exchange Act (7  
7 U.S.C. 7a-2) is amended—

8 (1) in subsection (a)(1)—

9 (A) by striking “, 5a(d),”; and

10 (B) by striking “and section (2)(h)(7) with  
11 respect to significant price discovery con-  
12 tracts,”; and

13 (2) in subsection (f)(1), by striking “section  
14 4d(c) of this Act” and inserting “section 4d(e)”.

15 (d) Section 5e of the Commodity Exchange Act (7  
16 U.S.C. 7b) is amended by striking “or revocation of the  
17 right of an electronic trading facility to rely on the exemp-  
18 tion set forth in section 2(h)(3) with respect to a signifi-  
19 cant price discovery contract,”.

20 (e) Section 6(b) of the Commodity Exchange Act (7  
21 U.S.C. 8(b)) is amended in the first sentence by striking  
22 “, or to revoke the right of an electronic trading facility  
23 to rely on the exemption set forth in section 2(h)(3) with  
24 respect to a significant price discovery contract,”.

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1 (f) Section 12(e)(2)(B) of the Commodity Exchange  
2 Act (7 U.S.C. 16(e)(2)(B)) is amended—

3 (1) by striking “section 2(c), 2(d), 2(f), or 2(g)  
4 of this Act” and inserting “section 2(e) or 2(f) of  
5 this Act”; and

6 (2) by striking “2(h) or”.

7 (g) Section 17(r)(1) of the Commodity Exchange Act  
8 (7 U.S.C. 21(r)(1)) is amended by striking “section 4d(e)  
9 of this Act” and inserting “section 4d(e)”.

10 (h) Section 22 of the Commodity Exchange Act is  
11 amended—

12 (1) in subsection (a)(1)(B), by—

13 (A) inserting “or any swap” after “com-  
14 modity”; and

15 (B) inserting “or any swap” after “such  
16 contract”;

17 (2) in subsection (a)(1)(C), by adding at the  
18 end the following:

19 “(iv) a swap; or”; and

20 (3) in subsection (b)(1)(A), by striking “section  
21 2(h)(7) or sections 5 through 5c” and inserting  
22 “section 5, 5b, 5c, 5h, or 21”.

23 (i) Section 408(2)(C) of the Federal Deposit Insur-  
24 ance Corporation Improvement Act of 1991 (12 U.S.C.  
25 4421(2)(C)) is amended—

1           (1) by striking “section 2(c), 2(d), 2(f), or  
2           (2)(g) of such Act” and inserting “section 2(c), 2(f),  
3           or 2(i) of that Act”; and

4           (2) by striking “2(h) or”.

5 **SEC. 750. STUDY ON OVERSIGHT OF CARBON MARKETS.**

6           (a) INTERAGENCY WORKING GROUP.—There is es-  
7           tablished to carry out this section an interagency working  
8           group (referred to in this section as the “interagency  
9           group”) composed of the following members or designees:

10           (1) The Chairman of the Commodity Futures  
11           Trading Commission (referred to in this section as  
12           the “Commission”), who shall serve as Chairman of  
13           the interagency group.

14           (2) The Secretary of Agriculture.

15           (3) The Secretary of the Treasury.

16           (4) The Chairman of the Securities and Ex-  
17           change Commission.

18           (5) The Administrator of the Environmental  
19           Protection Agency.

20           (6) The Chairman of the Federal Energy Regu-  
21           latory Commission.

22           (7) The Commissioner of the Federal Trade  
23           Commission.

24           (8) The Administrator of the Energy Informa-  
25           tion Administration.

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1 (b) ADMINISTRATIVE SUPPORT.—The Commission  
2 shall provide the interagency group such administrative  
3 support services as are necessary to enable the interagency  
4 group to carry out the functions of the interagency group  
5 under this section.

6 (c) CONSULTATION.—In carrying out this section, the  
7 interagency group shall consult with representatives of ex-  
8 changes, clearinghouses, self-regulatory bodies, major car-  
9 bon market participants, consumers, and the general pub-  
10 lic, as the interagency group determines to be appropriate.

11 (d) STUDY.—The interagency group shall conduct a  
12 study on the oversight of existing and prospective carbon  
13 markets to ensure an efficient, secure, and transparent  
14 carbon market, including oversight of spot markets and  
15 derivative markets.

16 (e) REPORT.—Not later than 180 days after the date  
17 of enactment of this Act, the interagency group shall sub-  
18 mit to Congress a report on the results of the study con-  
19 ducted under subsection (b), including recommendations  
20 for the oversight of existing and prospective carbon mar-  
21 kets to ensure an efficient, secure, and transparent carbon  
22 market, including oversight of spot markets and derivative  
23 markets.

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1 **SEC. 751. ENERGY AND ENVIRONMENTAL MARKETS ADVI-**  
2 **SORY COMMITTEE.**

3 Section 2(a) of the Commodity Exchange Act (7  
4 U.S.C. 2(a)) (as amended by section 727) is amended by  
5 adding at the end the following:

6 “(15) ENERGY AND ENVIRONMENTAL MARKETS  
7 ADVISORY COMMITTEE.—

8 “(A) ESTABLISHMENT.—

9 “(i) IN GENERAL.—An Energy and  
10 Environmental Markets Advisory Com-  
11 mittee is hereby established.

12 “(ii) MEMBERSHIP.—The Committee  
13 shall have 9 members.

14 “(iii) ACTIVITIES.—The Committee’s  
15 objectives and scope of activities shall be—

16 “(I) to conduct public meetings;

17 “(II) to submit reports and rec-  
18 ommendations to the Commission (in-  
19 cluding dissenting or minority views,  
20 if any); and

21 “(III) otherwise to serve as a ve-  
22 hicle for discussion and communica-  
23 tion on matters of concern to ex-  
24 changes, firms, end users, and regu-  
25 lators regarding energy and environ-

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1                   mental markets and their regulation  
2                   by the Commission.

3                   “(B) REQUIREMENTS.—

4                   “(i) IN GENERAL.—The Committee  
5                   shall hold public meetings at such intervals  
6                   as are necessary to carry out the functions  
7                   of the Committee, but not less frequently  
8                   than 2 times per year.

9                   “(ii) MEMBERS.—Members shall be  
10                  appointed to 3-year terms, but may be re-  
11                  moved for cause by vote of the Commis-  
12                  sion.

13                  “(C) APPOINTMENT.—The Commission  
14                  shall appoint members with a wide diversity of  
15                  opinion and who represent a broad spectrum of  
16                  interests, including hedgers and consumers.

17                  “(D) REIMBURSEMENT.—Members shall  
18                  be entitled to per diem and travel expense reim-  
19                  bursement by the Commission.

20                  “(E) FACA.—The Committee shall not be  
21                  subject to the Federal Advisory Committee Act  
22                  (5 U.S.C. App.).”.

23 **SEC. 752. INTERNATIONAL HARMONIZATION.**

24                  (a) In order to promote effective and consistent global  
25                  regulation of swaps and security-based swaps, the Com-

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1 modify Futures Trading Commission, the Securities and  
2 Exchange Commission, and the prudential regulators (as  
3 that term is defined in section 1a(39) of the Commodity  
4 Exchange Act), as appropriate, shall consult and coordi-  
5 nate with foreign regulatory authorities on the establish-  
6 ment of consistent international standards with respect to  
7 the regulation (including fees) of swaps, security-based  
8 swaps, swap entities, and security-based swap entities and  
9 may agree to such information-sharing arrangements as  
10 may be deemed to be necessary or appropriate in the pub-  
11 lic interest or for the protection of investors, swap counter-  
12 parties, and security-based swap counterparties.

13 (b) In order to promote effective and consistent global  
14 regulation of contracts of sale of a commodity for future  
15 delivery and options on such contracts, the Commodity  
16 Futures Trading Commission shall consult and coordinate  
17 with foreign regulatory authorities on the establishment  
18 of consistent international standards with respect to the  
19 regulation of contracts of sale of a commodity for future  
20 delivery and options on such contracts, and may agree to  
21 such information-sharing arrangements as may be deemed  
22 necessary or appropriate in the public interest for the pro-  
23 tection of users of contracts of sale of a commodity for  
24 future delivery.



1 **SEC. 753. ANTI-MANIPULATION AUTHORITY.**

2 (a) PROHIBITION REGARDING MANIPULATION AND  
3 FALSE INFORMATION.—Subsection (c) of section 6 of the  
4 Commodity Exchange Act (7 U.S.C. 9, 15) is amended  
5 to read as follows:

6 “(c) PROHIBITION REGARDING MANIPULATION AND  
7 FALSE INFORMATION.—

8 “(1) PROHIBITION AGAINST MANIPULATION.—

9 It shall be unlawful for any person, directly or indi-  
10 rectly, to use or employ, or attempt to use or em-  
11 ploy, in connection with any swap, or a contract of  
12 sale of any commodity in interstate commerce, or for  
13 future delivery on or subject to the rules of any reg-  
14 istered entity, any manipulative or deceptive device  
15 or contrivance, in contravention of such rules and  
16 regulations as the Commission shall promulgate by  
17 not later than 1 year after the date of enactment of  
18 the Dodd-Frank Wall Street Reform and Consumer  
19 Protection Act, provided no rule or regulation pro-  
20 mulgated by the Commission shall require any per-  
21 son to disclose to another person nonpublic informa-  
22 tion that may be material to the market price, rate,  
23 or level of the commodity transaction, except as nec-  
24 essary to make any statement made to the other  
25 person in or in connection with the transaction not  
26 misleading in any material respect.

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1           “(A) SPECIAL PROVISION FOR MANIPULA-  
2           TION BY FALSE REPORTING.—Unlawful manip-  
3           ulation for purposes of this paragraph shall in-  
4           clude, but not be limited to, delivering, or caus-  
5           ing to be delivered for transmission through the  
6           mails or interstate commerce, by any means of  
7           communication whatsoever, a false or mis-  
8           leading or inaccurate report concerning crop or  
9           market information or conditions that affect or  
10          tend to affect the price of any commodity in  
11          interstate commerce, knowing, or acting in  
12          reckless disregard of the fact that such report  
13          is false, misleading or inaccurate.

14          “(B) EFFECT ON OTHER LAW.—Nothing  
15          in this paragraph shall affect, or be construed  
16          to affect, the applicability of section 9(a)(2).

17          “(C) GOOD FAITH MISTAKES.—Mistakenly  
18          transmitting, in good faith, false or misleading  
19          or inaccurate information to a price reporting  
20          service would not be sufficient to violate sub-  
21          section (c)(1)(A).

22          “(2) PROHIBITION REGARDING FALSE INFOR-  
23          MATION.—It shall be unlawful for any person to  
24          make any false or misleading statement of a mate-  
25          rial fact to the Commission, including in any reg-

1       istration application or any report filed with the  
2       Commission under this Act, or any other informa-  
3       tion relating to a swap, or a contract of sale of a  
4       commodity, in interstate commerce, or for future de-  
5       livery on or subject to the rules of any registered en-  
6       tity, or to omit to state in any such statement any  
7       material fact that is necessary to make any state-  
8       ment of a material fact made not misleading in any  
9       material respect, if the person knew, or reasonably  
10      should have known, the statement to be false or mis-  
11      leading.

12           “(3) OTHER MANIPULATION.—In addition to  
13      the prohibition in paragraph (1), it shall be unlawful  
14      for any person, directly or indirectly, to manipulate  
15      or attempt to manipulate the price of any swap, or  
16      of any commodity in interstate commerce, or for fu-  
17      ture delivery on or subject to the rules of any reg-  
18      istered entity.

19           “(4) ENFORCEMENT.—

20           “(A) AUTHORITY OF COMMISSION.—If the  
21      Commission has reason to believe that any per-  
22      son (other than a registered entity) is violating  
23      or has violated this subsection, or any other  
24      provision of this Act (including any rule, regula-  
25      tion, or order of the Commission promulgated

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1 in accordance with this subsection or any other  
2 provision of this Act), the Commission may  
3 serve upon the person a complaint.

4 “(B) CONTENTS OF COMPLAINT.—A com-  
5 plaint under subparagraph (A) shall—

6 “(i) contain a description of the  
7 charges against the person that is the sub-  
8 ject of the complaint; and

9 “(ii) have attached or contain a notice  
10 of hearing that specifies the date and loca-  
11 tion of the hearing regarding the com-  
12 plaint.

13 “(C) HEARING.—A hearing described in  
14 subparagraph (B)(ii)—

15 “(i) shall be held not later than 3  
16 days after service of the complaint de-  
17 scribed in subparagraph (A);

18 “(ii) shall require the person to show  
19 cause regarding why—

20 “(I) an order should not be  
21 made—

22 “(aa) to prohibit the person  
23 from trading on, or subject to the  
24 rules of, any registered entity;  
25 and

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1                   “(bb) to direct all registered  
2                   entities to refuse all privileges to  
3                   the person until further notice of  
4                   the Commission; and

5                   “(II) the registration of the per-  
6                   son, if registered with the Commission  
7                   in any capacity, should not be sus-  
8                   pended or revoked; and

9                   “(iii) may be held before—

10                   “(I) the Commission; or

11                   “(II) an administrative law judge  
12                   designated by the Commission, under  
13                   which the administrative law judge  
14                   shall ensure that all evidence is re-  
15                   corded in written form and submitted  
16                   to the Commission.

17                   “(5) SUBPOENA.—For the purpose of securing  
18                   effective enforcement of the provisions of this Act,  
19                   for the purpose of any investigation or proceeding  
20                   under this Act, and for the purpose of any action  
21                   taken under section 12(f), any member of the Com-  
22                   mission or any Administrative Law Judge or other  
23                   officer designated by the Commission (except as pro-  
24                   vided in paragraph (7)) may administer oaths and  
25                   affirmations, subpoena witnesses, compel their at-

1       tendance, take evidence, and require the production  
2       of any books, papers, correspondence, memoranda,  
3       or other records that the Commission deems relevant  
4       or material to the inquiry.

5               “(6) WITNESSES.—The attendance of witnesses  
6       and the production of any such records may be re-  
7       quired from any place in the United States, any  
8       State, or any foreign country or jurisdiction at any  
9       designated place of hearing.

10              “(7) SERVICE.—A subpoena issued under this  
11       section may be served upon any person who is not  
12       to be found within the territorial jurisdiction of any  
13       court of the United States in such manner as the  
14       Federal Rules of Civil Procedure prescribe for serv-  
15       ice of process in a foreign country, except that a  
16       subpoena to be served on a person who is not to be  
17       found within the territorial jurisdiction of any court  
18       of the United States may be issued only on the prior  
19       approval of the Commission.

20              “(8) REFUSAL TO OBEY.—In case of contumacy  
21       by, or refusal to obey a subpoena issued to, any per-  
22       son, the Commission may invoke the aid of any  
23       court of the United States within the jurisdiction in  
24       which the investigation or proceeding is conducted,  
25       or where such person resides or transacts business,

1 in requiring the attendance and testimony of wit-  
2 nesses and the production of books, papers, cor-  
3 respondence, memoranda, and other records. Such  
4 court may issue an order requiring such person to  
5 appear before the Commission or member or Admin-  
6 istrative Law Judge or other officer designated by  
7 the Commission, there to produce records, if so or-  
8 dered, or to give testimony touching the matter  
9 under investigation or in question.

10 “(9) FAILURE TO OBEY.—Any failure to obey  
11 such order of the court may be punished by the  
12 court as a contempt thereof. All process in any such  
13 case may be served in the judicial district wherein  
14 such person is an inhabitant or transacts business or  
15 wherever such person may be found.

16 “(10) EVIDENCE.—On the receipt of evidence  
17 under paragraph (4)(C)(iii), the Commission may—

18 “(A) prohibit the person that is the subject  
19 of the hearing from trading on, or subject to  
20 the rules of, any registered entity and require  
21 all registered entities to refuse the person all  
22 privileges on the registered entities for such pe-  
23 riod as the Commission may require in the  
24 order;

1           “(B) if the person is registered with the  
2 Commission in any capacity, suspend, for a pe-  
3 riod not to exceed 180 days, or revoke, the reg-  
4 istration of the person;

5           “(C) assess such person—

6               “(i) a civil penalty of not more than  
7 an amount equal to the greater of—

8                   “(I) \$140,000; or

9                   “(II) triple the monetary gain to  
10 such person for each such violation; or

11               “(ii) in any case of manipulation or  
12 attempted manipulation in violation of this  
13 subsection or section 9(a)(2), a civil pen-  
14 alty of not more than an amount equal to  
15 the greater of—

16                   “(I) \$1,000,000; or

17                   “(II) triple the monetary gain to  
18 the person for each such violation;

19               and

20           “(D) require restitution to customers of  
21 damages proximately caused by violations of the  
22 person.

23           “(11) ORDERS.—

24               “(A) NOTICE.—The Commission shall pro-  
25 vide to a person described in paragraph (10)



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1 and the appropriate governing board of the reg-  
2 istered entity notice of the order described in  
3 paragraph (10) by—

4 “(i) registered mail;

5 “(ii) certified mail; or

6 “(iii) personal delivery.

7 “(B) REVIEW.—

8 “(i) IN GENERAL.—A person de-  
9 scribed in paragraph (10) may obtain a re-  
10 view of the order or such other equitable  
11 relief as determined to be appropriate by a  
12 court described in clause (ii).

13 “(ii) PETITION.—To obtain a review  
14 or other relief under clause (i), a person  
15 may, not later than 15 days after notice is  
16 given to the person under clause (i), file a  
17 written petition to set aside the order with  
18 the United States Court of Appeals—

19 “(I) for the circuit in which the  
20 petitioner carries out the business of  
21 the petitioner; or

22 “(II) in the case of an order de-  
23 nying registration, the circuit in which  
24 the principal place of business of the  
25 petitioner is located, as listed on the

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1 application for registration of the peti-  
2 tioner.

3 “(C) PROCEDURE.—

4 “(i) DUTY OF CLERK OF APPRO-  
5 PRIATE COURT.—The clerk of the appro-  
6 priate court under subparagraph (B)(ii)  
7 shall transmit to the Commission a copy of  
8 a petition filed under subparagraph (B)(ii).

9 “(ii) DUTY OF COMMISSION.—In ac-  
10 cordance with section 2112 of title 28,  
11 United States Code, the Commission shall  
12 file in the appropriate court described in  
13 subparagraph (B)(ii) the record theretofore  
14 made.

15 “(iii) JURISDICTION OF APPROPRIATE  
16 COURT.—Upon the filing of a petition  
17 under subparagraph (B)(ii), the appro-  
18 priate court described in subparagraph  
19 (B)(ii) may affirm, set aside, or modify the  
20 order of the Commission.”.

21 (b) CEASE AND DESIST ORDERS, FINES.—Section  
22 6(d) of the Commodity Exchange Act (7 U.S.C. 13b) is  
23 amended to read as follows:

24 “(d) If any person (other than a registered entity),  
25 is violating or has violated subsection (c) or any other pro-

1 visions of this Act or of the rules, regulations, or orders  
2 of the Commission thereunder, the Commission may, upon  
3 notice and hearing, and subject to appeal as in other cases  
4 provided for in subsection (c), make and enter an order  
5 directing that such person shall cease and desist therefrom  
6 and, if such person thereafter and after the lapse of the  
7 period allowed for appeal of such order or after the affirm-  
8 ance of such order, shall knowingly fail or refuse to obey  
9 or comply with such order, such person, upon conviction  
10 thereof, shall be fined not more than the higher of  
11 \$140,000 or triple the monetary gain to such person, or  
12 imprisoned for not more than 1 year, or both, except that  
13 if such knowing failure or refusal to obey or comply with  
14 such order involves any offense within subsection (a) or  
15 (b) of section 9, such person, upon conviction thereof, shall  
16 be subject to the penalties of said subsection (a) or (b):  
17 *Provided*, That any such cease and desist order under this  
18 subsection against any respondent in any case of manipu-  
19 lation shall be issued only in conjunction with an order  
20 issued against such respondent under subsection (c).”.

21 (c) MANIPULATIONS; PRIVATE RIGHTS OF ACTION.—  
22 Section 22(a)(1) of the Commodity Exchange Act (7  
23 U.S.C. 25(a)(1)) is amended by striking subparagraph  
24 (D) and inserting the following:

1           “(D) who purchased or sold a contract referred  
2 to in subparagraph (B) hereof or swap if the viola-  
3 tion constitutes—

4           “(i) the use or employment of, or an at-  
5 tempt to use or employ, in connection with a  
6 swap, or a contract of sale of a commodity, in  
7 interstate commerce, or for future delivery on  
8 or subject to the rules of any registered entity,  
9 any manipulative device or contrivance in con-  
10 travention of such rules and regulations as the  
11 Commission shall promulgate by not later than  
12 1 year after the date of enactment of the Dodd-  
13 Frank Wall Street Reform and Consumer Pro-  
14 tection Act; or

15           “(ii) a manipulation of the price of any  
16 such contract or swap or the price of the com-  
17 modity underlying such contract or swap.”.

18 (d) EFFECTIVE DATE.—

19           (1) The amendments made by this section shall  
20 take effect on the date on which the final rule pro-  
21 mulgated by the Commodity Futures Trading Com-  
22 mission pursuant to this Act takes effect.

23           (2) Paragraph (1) shall not preclude the Com-  
24 mission from undertaking prior to the effective date

1 any rulemaking necessary to implement the amend-  
2 ments contained in this section.

3 **SEC. 754. EFFECTIVE DATE.**

4 Unless otherwise provided in this title, the provisions  
5 of this subtitle shall take effect on the later of 360 days  
6 after the date of the enactment of this subtitle or, to the  
7 extent a provision of this subtitle requires a rulemaking,  
8 not less than 60 days after publication of the final rule  
9 or regulation implementing such provision of this subtitle.

10 **Subtitle B—Regulation of Security-**  
11 **Based Swap Markets**

12 **SEC. 761. DEFINITIONS UNDER THE SECURITIES EX-**  
13 **CHANGE ACT OF 1934.**

14 (a) DEFINITIONS.—Section 3(a) of the Securities Ex-  
15 change Act of 1934 (15 U.S.C. 78c(a)) is amended—

16 (1) in subparagraphs (A) and (B) of paragraph  
17 (5), by inserting “(not including security-based  
18 swaps, other than security-based swaps with or for  
19 persons that are not eligible contract participants)”  
20 after “securities” each place that term appears;

21 (2) in paragraph (10), by inserting “security-  
22 based swap,” after “security future,”;

23 (3) in paragraph (13), by adding at the end the  
24 following: “For security-based swaps, such terms in-  
25 clude the execution, termination (prior to its sched-

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1       uled maturity date), assignment, exchange, or simi-  
2       lar transfer or conveyance of, or extinguishing of  
3       rights or obligations under, a security-based swap,  
4       as the context may require.”;

5           (4) in paragraph (14), by adding at the end the  
6       following: “For security-based swaps, such terms in-  
7       clude the execution, termination (prior to its sched-  
8       uled maturity date), assignment, exchange, or simi-  
9       lar transfer or conveyance of, or extinguishing of  
10      rights or obligations under, a security-based swap,  
11      as the context may require.”;

12           (5) in paragraph (39)—

13           (A) in subparagraph (B)(i)—

14           (i) in subclause (I), by striking “or  
15           government securities dealer” and insert-  
16           ing “government securities dealer, security-  
17           based swap dealer, or major security-based  
18           swap participant”; and

19           (ii) in subclause (II), by inserting “se-  
20           curity-based swap dealer, major security-  
21           based swap participant,” after “govern-  
22           ment securities dealer,”;

23           (B) in subparagraph (C), by striking “or  
24           government securities dealer” and inserting  
25           “government securities dealer, security-based

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1 swap dealer, or major security-based swap par-  
2 ticipant”; and

3 (C) in subparagraph (D), by inserting “se-  
4 curity-based swap dealer, major security-based  
5 swap participant,” after “government securities  
6 dealer,”; and

7 (6) by adding at the end the following:

8 “(65) ELIGIBLE CONTRACT PARTICIPANT.—The  
9 term ‘eligible contract participant’ has the same  
10 meaning as in section 1a of the Commodity Ex-  
11 change Act (7 U.S.C. 1a).

12 “(66) MAJOR SWAP PARTICIPANT.—The term  
13 ‘major swap participant’ has the same meaning as in  
14 section 1a of the Commodity Exchange Act (7  
15 U.S.C. 1a).

16 “(67) MAJOR SECURITY-BASED SWAP PARTICI-  
17 PANT.—

18 “(A) IN GENERAL.—The term ‘major secu-  
19 rity-based swap participant’ means any per-  
20 son—

21 “(i) who is not a security-based swap  
22 dealer; and

23 “(ii)(I) who maintains a substantial  
24 position in security-based swaps for any of  
25 the major security-based swap categories,

1 as such categories are determined by the  
2 Commission, excluding both positions held  
3 for hedging or mitigating commercial risk  
4 and positions maintained by any employee  
5 benefit plan (or any contract held by such  
6 a plan) as defined in paragraphs (3) and  
7 (32) of section 3 of the Employee Retirement  
8 Income Security Act of 1974 (29  
9 U.S.C. 1002) for the primary purpose of  
10 hedging or mitigating any risk directly as-  
11 sociated with the operation of the plan;

12 “(II) whose outstanding security-  
13 based swaps create substantial  
14 counterparty exposure that could have seri-  
15 ous adverse effects on the financial sta-  
16 bility of the United States banking system  
17 or financial markets; or

18 “(III) that is a financial entity that—

19 “(aa) is highly leveraged relative  
20 to the amount of capital such entity  
21 holds and that is not subject to cap-  
22 ital requirements established by an  
23 appropriate Federal banking agency;  
24 and



1                   “(bb) maintains a substantial po-  
2                   sition in outstanding security-based  
3                   swaps in any major security-based  
4                   swap category, as such categories are  
5                   determined by the Commission.

6                   “(B) DEFINITION OF SUBSTANTIAL POSI-  
7                   TION.—For purposes of subparagraph (A), the  
8                   Commission shall define, by rule or regulation,  
9                   the term ‘substantial position’ at the threshold  
10                  that the Commission determines to be prudent  
11                  for the effective monitoring, management, and  
12                  oversight of entities that are systemically im-  
13                  portant or can significantly impact the financial  
14                  system of the United States. In setting the defi-  
15                  nition under this subparagraph, the Commis-  
16                  sion shall consider the person’s relative position  
17                  in uncleared as opposed to cleared security-  
18                  based swaps and may take into consideration  
19                  the value and quality of collateral held against  
20                  counterparty exposures.

21                  “(C) SCOPE OF DESIGNATION.—For pur-  
22                  poses of subparagraph (A), a person may be  
23                  designated as a major security-based swap par-  
24                  ticipant for 1 or more categories of security-  
25                  based swaps without being classified as a major

1 security-based swap participant for all classes  
2 of security-based swaps.

3 “(68) SECURITY-BASED SWAP.—

4 “(A) IN GENERAL.—Except as provided in  
5 subparagraph (B), the term ‘security-based  
6 swap’ means any agreement, contract, or trans-  
7 action that—

8 “(i) is a swap, as that term is defined  
9 under section 1a of the Commodity Ex-  
10 change Act (without regard to paragraph  
11 (47)(B)(x) of such section); and

12 “(ii) is based on—

13 “(I) an index that is a narrow-  
14 based security index, including any in-  
15 terest therein or on the value thereof;

16 “(II) a single security or loan, in-  
17 cluding any interest therein or on the  
18 value thereof; or

19 “(III) the occurrence, nonoccur-  
20 rence, or extent of the occurrence of  
21 an event relating to a single issuer of  
22 a security or the issuers of securities  
23 in a narrow-based security index, pro-  
24 vided that such event directly affects  
25 the financial statements, financial

1 condition, or financial obligations of  
2 the issuer.

3 “(B) RULE OF CONSTRUCTION REGARDING  
4 MASTER AGREEMENTS.—The term ‘security-  
5 based swap’ shall be construed to include a  
6 master agreement that provides for an agree-  
7 ment, contract, or transaction that is a secu-  
8 rity-based swap pursuant to subparagraph (A),  
9 together with all supplements to any such mas-  
10 ter agreement, without regard to whether the  
11 master agreement contains an agreement, con-  
12 tract, or transaction that is not a security-based  
13 swap pursuant to subparagraph (A), except  
14 that the master agreement shall be considered  
15 to be a security-based swap only with respect to  
16 each agreement, contract, or transaction under  
17 the master agreement that is a security-based  
18 swap pursuant to subparagraph (A).

19 “(C) EXCLUSIONS.—The term ‘security-  
20 based swap’ does not include any agreement,  
21 contract, or transaction that meets the defini-  
22 tion of a security-based swap only because such  
23 agreement, contract, or transaction references,  
24 is based upon, or settles through the transfer,  
25 delivery, or receipt of an exempted security

1 under paragraph (12), as in effect on the date  
2 of enactment of the Futures Trading Act of  
3 1982 (other than any municipal security as de-  
4 fined in paragraph (29) as in effect on the date  
5 of enactment of the Futures Trading Act of  
6 1982), unless such agreement, contract, or  
7 transaction is of the character of, or is com-  
8 monly known in the trade as, a put, call, or  
9 other option.

10 “(D) MIXED SWAP.—The term ‘security-  
11 based swap’ includes any agreement, contract,  
12 or transaction that is as described in subpara-  
13 graph (A) and also is based on the value of 1  
14 or more interest or other rates, currencies, com-  
15 modities, instruments of indebtedness, indices,  
16 quantitative measures, other financial or eco-  
17 nomic interest or property of any kind (other  
18 than a single security or a narrow-based secu-  
19 rity index), or the occurrence, non-occurrence,  
20 or the extent of the occurrence of an event or  
21 contingency associated with a potential finan-  
22 cial, economic, or commercial consequence  
23 (other than an event described in subparagraph  
24 (A)(ii)(III)).

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1           “(E) RULE OF CONSTRUCTION REGARDING  
2           USE OF THE TERM INDEX.—The term ‘index’  
3           means an index or group of securities, including  
4           any interest therein or based on the value  
5           thereof.

6           “(69) SWAP.—The term ‘swap’ has the same  
7           meaning as in section 1a of the Commodity Ex-  
8           change Act (7 U.S.C. 1a).

9           “(70) PERSON ASSOCIATED WITH A SECURITY-  
10          BASED SWAP DEALER OR MAJOR SECURITY-BASED  
11          SWAP PARTICIPANT.—

12           “(A) IN GENERAL.—The term ‘person as-  
13          sociated with a security-based swap dealer or  
14          major security-based swap participant’ or ‘asso-  
15          ciated person of a security-based swap dealer or  
16          major security-based swap participant’ means—

17           “(i) any partner, officer, director, or  
18          branch manager of such security-based  
19          swap dealer or major security-based swap  
20          participant (or any person occupying a  
21          similar status or performing similar func-  
22          tions);

23           “(ii) any person directly or indirectly  
24          controlling, controlled by, or under com-  
25          mon control with such security-based swap

1 dealer or major security-based swap partic-  
2 ipant; or

3 “(iii) any employee of such security-  
4 based swap dealer or major security-based  
5 swap participant.

6 “(B) EXCLUSION.—Other than for pur-  
7 poses of section 15F(1)(2), the term ‘person as-  
8 sociated with a security-based swap dealer or  
9 major security-based swap participant’ or ‘asso-  
10 ciated person of a security-based swap dealer or  
11 major security-based swap participant’ does not  
12 include any person associated with a security-  
13 based swap dealer or major security-based swap  
14 participant whose functions are solely clerical or  
15 ministerial.

16 “(71) SECURITY-BASED SWAP DEALER.—

17 “(A) IN GENERAL.—The term ‘security-  
18 based swap dealer’ means any person who—

19 “(i) holds themselves out as a dealer in  
20 security-based swaps;

21 “(ii) makes a market in security-based  
22 swaps;

23 “(iii) regularly enters into security-  
24 based swaps with counterparties as an or-

1           dinary course of business for its own ac-  
2           count; or

3           “(iv) engages in any activity causing  
4           it to be commonly known in the trade as  
5           a dealer or market maker in security-based  
6           swaps.

7           “(B) DESIGNATION BY TYPE OR CLASS.—  
8           A person may be designated as a security-based  
9           swap dealer for a single type or single class or  
10          category of security-based swap or activities  
11          and considered not to be a security-based swap  
12          dealer for other types, classes, or categories of  
13          security-based swaps or activities.

14          “(C) EXCEPTION.—The term ‘security-  
15          based swap dealer’ does not include a person  
16          that enters into security-based swaps for such  
17          person’s own account, either individually or in  
18          a fiduciary capacity, but not as a part of reg-  
19          ular business.

20          “(D) DE MINIMIS EXCEPTION.—The Com-  
21          mission shall exempt from designation as a se-  
22          curity-based swap dealer an entity that engages  
23          in a de minimis quantity of security-based swap  
24          dealing in connection with transactions with or  
25          on behalf of its customers. The Commission

1           shall promulgate regulations to establish factors  
2           with respect to the making of any determina-  
3           tion to exempt.

4           “(72) APPROPRIATE FEDERAL BANKING AGEN-  
5           CY.—The term ‘appropriate Federal banking agency’  
6           has the same meaning as in section 3(q) of the Fed-  
7           eral Deposit Insurance Act (12 U.S.C. 1813(q)).

8           “(73) BOARD.—The term ‘Board’ means the  
9           Board of Governors of the Federal Reserve System.

10          “(74) PRUDENTIAL REGULATOR.—The term  
11          ‘prudential regulator’ has the same meaning as in  
12          section 1a of the Commodity Exchange Act (7  
13          U.S.C. 1a).

14          “(75) SECURITY-BASED SWAP DATA REPOSI-  
15          TORY.—The term ‘security-based swap data reposi-  
16          tory’ means any person that collects and maintains  
17          information or records with respect to transactions  
18          or positions in, or the terms and conditions of, secu-  
19          rity-based swaps entered into by third parties for the  
20          purpose of providing a centralized recordkeeping fa-  
21          cility for security-based swaps.

22          “(76) SWAP DEALER.—The term ‘swap dealer’  
23          has the same meaning as in section 1a of the Com-  
24          modity Exchange Act (7 U.S.C. 1a).



1           “(77) SECURITY-BASED SWAP EXECUTION FA-  
2           CILITY.—The term ‘security-based swap execution  
3           facility’ means a trading system or platform in  
4           which multiple participants have the ability to exe-  
5           cute or trade security-based swaps by accepting bids  
6           and offers made by multiple participants in the facil-  
7           ity or system, through any means of interstate com-  
8           merce, including any trading facility, that—

9                   “(A) facilitates the execution of security-  
10                  based swaps between persons; and

11                  “(B) is not a national securities exchange.

12           “(78) SECURITY-BASED SWAP AGREEMENT.—

13                  “(A) IN GENERAL.—For purposes of sec-  
14                  tions 9, 10, 16, 20, and 21A of this Act, and  
15                  section 17 of the Securities Act of 1933 (15  
16                  U.S.C. 77q), the term ‘security-based swap  
17                  agreement’ means a swap agreement as defined  
18                  in section 206A of the Gramm-Leach-Bliley Act  
19                  (15 U.S.C. 78c note) of which a material term  
20                  is based on the price, yield, value, or volatility  
21                  of any security or any group or index of securi-  
22                  ties, or any interest therein.

23                  “(B) EXCLUSIONS.—The term ‘security-  
24                  based swap agreement’ does not include any se-  
25                  curity-based swap.”.

1 (b) AUTHORITY TO FURTHER DEFINE TERMS.—The  
2 Securities and Exchange Commission may, by rule, fur-  
3 ther define—

4 (1) the term “commercial risk”;

5 (2) any other term included in an amendment  
6 to the Securities Exchange Act of 1934 (15 U.S.C.  
7 78c(a)) made by this subtitle; and

8 (3) the terms “security-based swap”, “security-  
9 based swap dealer”, “major security-based swap par-  
10 ticipant”, and “eligible contract participant”, with  
11 regard to security-based swaps (as such terms are  
12 defined in the amendments made by subsection (a))  
13 for the purpose of including transactions and enti-  
14 ties that have been structured to evade this subtitle  
15 or the amendments made by this subtitle.

16 **SEC. 762. REPEAL OF PROHIBITION ON REGULATION OF SE-**  
17 **CURITY-BASED SWAP AGREEMENTS.**

18 (a) REPEAL.—Sections 206B and 206C of the  
19 Gramm-Leach-Bliley Act (Public Law 106–102; 15 U.S.C.  
20 78c note) are repealed.

21 (b) CONFORMING AMENDMENTS TO GRAMM-LEACH-  
22 BLILEY.—Section 206A(a) of the Gramm-Leach-Bliley  
23 Act (15 U.S.C. 78c note) is amended in the material pre-  
24 ceding paragraph (1), by striking “Except as” and all that  
25 follows through “that—” and inserting the following: “Ex-

1 cept as provided in subsection (b), as used in this section,  
2 the term ‘swap agreement’ means any agreement, con-  
3 tract, or transaction that—”.

4 (c) CONFORMING AMENDMENTS TO THE SECURITIES  
5 ACT OF 1933.—

6 (1) Section 2A of the Securities Act of 1933  
7 (15 U.S.C. 77b–1) is amended—

8 (A) by striking subsection (a) and reserv-  
9 ing that subsection; and

10 (B) by striking “(as defined in section  
11 206B of the Gramm-Leach-Bliley Act)” each  
12 place that such term appears and inserting “(as  
13 defined in section 3(a)(78) of the Securities Ex-  
14 change Act of 1934)”.

15 (2) Section 17 of the Securities Act of 1933 (15  
16 U.S.C. 77q) is amended—

17 (A) in subsection (a)—

18 (i) by inserting “(including security-  
19 based swaps)” after “securities”; and

20 (ii) by striking “(as defined in section  
21 206B of the Gramm-Leach-Bliley Act)”  
22 and inserting “(as defined in section  
23 3(a)(78) of the Securities Exchange Act”;  
24 and

1 (B) in subsection (d), by striking “206B of  
2 the Gramm-Leach-Bliley Act” and inserting  
3 “3(a)(78) of the Securities Exchange Act of  
4 1934”.

5 (d) CONFORMING AMENDMENTS TO THE SECURITIES  
6 EXCHANGE ACT OF 1934.—The Securities Exchange Act  
7 of 1934 (15 U.S.C. 78a et seq.) is amended—

8 (1) in section 3A (15 U.S.C. 78c–1)—

9 (A) by striking subsection (a) and reserv-  
10 ing that subsection; and

11 (B) by striking “(as defined in section  
12 206B of the Gramm-Leach-Bliley Act)” each  
13 place that the term appears;

14 (2) in section 9 (15 U.S.C. 78i)—

15 (A) in subsection (a), by striking para-  
16 graphs (2) through (5) and inserting the fol-  
17 lowing:

18 “(2) To effect, alone or with 1 or more other persons,  
19 a series of transactions in any security registered on a na-  
20 tional securities exchange, any security not so registered,  
21 or in connection with any security-based swap or security-  
22 based swap agreement with respect to such security cre-  
23 ating actual or apparent active trading in such security,  
24 or raising or depressing the price of such security, for the

1 purpose of inducing the purchase or sale of such security  
2 by others.

3 “(3) If a dealer, broker, security-based swap dealer,  
4 major security-based swap participant, or other person  
5 selling or offering for sale or purchasing or offering to  
6 purchase the security, a security-based swap, or a secu-  
7 rity-based swap agreement with respect to such security,  
8 to induce the purchase or sale of any security registered  
9 on a national securities exchange, any security not so reg-  
10 istered, any security-based swap, or any security-based  
11 swap agreement with respect to such security by the cir-  
12 culation or dissemination in the ordinary course of busi-  
13 ness of information to the effect that the price of any such  
14 security will or is likely to rise or fall because of market  
15 operations of any 1 or more persons conducted for the  
16 purpose of raising or depressing the price of such security.

17 “(4) If a dealer, broker, security-based swap dealer,  
18 major security-based swap participant, or other person  
19 selling or offering for sale or purchasing or offering to  
20 purchase the security, a security-based swap, or security-  
21 based swap agreement with respect to such security, to  
22 make, regarding any security registered on a national se-  
23 curities exchange, any security not so registered, any secu-  
24 rity-based swap, or any security-based swap agreement  
25 with respect to such security, for the purpose of inducing

1 the purchase or sale of such security, such security-based  
2 swap, or such security-based swap agreement any state-  
3 ment which was at the time and in the light of the cir-  
4 cumstances under which it was made, false or misleading  
5 with respect to any material fact, and which that person  
6 knew or had reasonable ground to believe was so false or  
7 misleading.

8 “(5) For a consideration, received directly or indi-  
9 rectly from a broker, dealer, security-based swap dealer,  
10 major security-based swap participant, or other person  
11 selling or offering for sale or purchasing or offering to  
12 purchase the security, a security-based swap, or security-  
13 based swap agreement with respect to such security, to  
14 induce the purchase of any security registered on a na-  
15 tional securities exchange, any security not so registered,  
16 any security-based swap, or any security-based swap  
17 agreement with respect to such security by the circulation  
18 or dissemination of information to the effect that the price  
19 of any such security will or is likely to rise or fall because  
20 of the market operations of any 1 or more persons con-  
21 ducted for the purpose of raising or depressing the price  
22 of such security.”; and

23 (B) in subsection (i), by striking “(as de-  
24 fined in section 206B of the Gramm-Leach-Bliley  
25 Act)”;

1 (3) in section 10 (15 U.S.C. 78j)—

2 (A) in subsection (b), by striking “(as de-  
3 fined in section 206B of the Gramm-Leach-Bliley  
4 Act),” each place that term appears; and

5 (B) in the matter following subsection (b),  
6 by striking “(as defined in section 206B of the  
7 Gramm-Leach-Bliley Act), in each place that  
8 such terms appear”;

9 (4) in section 15 (15 U.S.C. 78o)—

10 (A) in subsection (c)(1)(A), by striking  
11 “(as defined in section 206B of the Gramm-  
12 Leach-Bliley Act),”;

13 (B) in subparagraphs (B) and (C) of sub-  
14 section (c)(1), by striking “(as defined in sec-  
15 tion 206B of the Gramm-Leach-Bliley Act)”  
16 each place that term appears;

17 (C) by redesignating subsection (i), as  
18 added by section 303(f) of the Commodity Fu-  
19 tures Modernization Act of 2000 (Public Law  
20 106–554; 114 Stat. 2763A–455)), as subsection  
21 (j); and

22 (D) in subsection (j), as redesignated by  
23 subparagraph (C), by striking “(as defined in  
24 section 206B of the Gramm-Leach-Bliley Act)”;

25 (5) in section 16 (15 U.S.C. 78p)—

1 (A) in subsection (a)(2)(C), by striking  
2 “(as defined in section 206(b) of the Gramm-  
3 Leach-Bliley Act (15 U.S.C. 78c note))”;

4 (B) in subsection (a)(3)(B), by inserting  
5 “or security-based swaps” after “security-based  
6 swap agreement”;

7 (C) in the first sentence of subsection (b),  
8 by striking “(as defined in section 206B of the  
9 Gramm-Leach-Bliley Act)”;

10 (D) in the third sentence of subsection (b),  
11 by striking “(as defined in section 206B of the  
12 Gramm-Leach Bliley Act)” and inserting “or a  
13 security-based swap”; and

14 (E) in subsection (g), by striking “(as de-  
15 fined in section 206B of the Gramm-Leach-Bli-  
16 ley Act)”;

17 (6) in section 20 (15 U.S.C. 78t),

18 (A) in subsection (d), by striking “(as de-  
19 fined in section 206B of the Gramm-Leach-Bli-  
20 ley Act)”;

21 (B) in subsection (f), by striking “(as de-  
22 fined in section 206B of the Gramm-Leach-Bli-  
23 ley Act)”;

24 (7) in section 21A (15 U.S.C. 78u-1)—



1 (A) in subsection (a)(1), by striking “(as  
2 defined in section 206B of the Gramm-Leach-  
3 Bliley Act)”; and

4 (B) in subsection (g), by striking “(as de-  
5 fined in section 206B of the Gramm-Leach-Bli-  
6 ley Act)”.

7 **SEC. 763. AMENDMENTS TO THE SECURITIES EXCHANGE**

8 **ACT OF 1934.**

9 (a) **CLEARING FOR SECURITY-BASED SWAPS.**—The  
10 Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.)  
11 is amended by inserting after section 3B (as added by sec-  
12 tion 717 of this Act):

13 **“SEC. 3C. CLEARING FOR SECURITY-BASED SWAPS.**

14 **“(a) IN GENERAL.—**

15 **“(1) STANDARD FOR CLEARING.—**It shall be  
16 unlawful for any person to engage in a security-  
17 based swap unless that person submits such secu-  
18 rity-based swap for clearing to a clearing agency  
19 that is registered under this Act or a clearing agency  
20 that is exempt from registration under this Act if  
21 the security-based swap is required to be cleared.

22 **“(2) OPEN ACCESS.—**The rules of a clearing  
23 agency described in paragraph (1) shall—

24 **“(A) prescribe that all security-based**  
25 **swaps submitted to the clearing agency with the**

1 same terms and conditions are economically  
2 equivalent within the clearing agency and may  
3 be offset with each other within the clearing  
4 agency; and

5 “(B) provide for non-discriminatory clear-  
6 ing of a security-based swap executed bilaterally  
7 or on or through the rules of an unaffiliated na-  
8 tional securities exchange or security-based  
9 swap execution facility.

10 “(b) COMMISSION REVIEW.—

11 “(1) COMMISSION-INITIATED REVIEW.—

12 “(A) The Commission on an ongoing basis  
13 shall review each security-based swap, or any  
14 group, category, type, or class of security-based  
15 swaps to make a determination that such secu-  
16 rity-based swap, or group, category, type, or  
17 class of security-based swaps should be required  
18 to be cleared.

19 “(B) The Commission shall provide at  
20 least a 30-day public comment period regarding  
21 any determination under subparagraph (A).

22 “(2) SWAP SUBMISSIONS.—

23 “(A) A clearing agency shall submit to the  
24 Commission each security-based swap, or any  
25 group, category, type, or class of security-based

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1 swaps that it plans to accept for clearing and  
2 provide notice to its members (in a manner to  
3 be determined by the Commission) of such sub-  
4 mission.

5 “(B) Any security-based swap or group,  
6 category, type, or class of security-based swaps  
7 listed for clearing by a clearing agency as of the  
8 date of enactment of this subsection shall be  
9 considered submitted to the Commission.

10 “(C) The Commission shall—

11 “(i) make available to the public any  
12 submission received under subparagraphs  
13 (A) and (B);

14 “(ii) review each submission made  
15 under subparagraphs (A) and (B), and de-  
16 termine whether the security-based swap,  
17 or group, category, type, or class of secu-  
18 rity-based swaps, described in the submis-  
19 sion is required to be cleared; and

20 “(iii) provide at least a 30-day public  
21 comment period regarding its determina-  
22 tion whether the clearing requirement  
23 under subsection (a)(1) shall apply to the  
24 submission.

1           “(3) DEADLINE.—The Commission shall make  
2           its determination under paragraph (2)(C) not later  
3           than 90 days after receiving a submission made  
4           under paragraphs (2)(A) and (2)(B), unless the sub-  
5           mitting clearing agency agrees to an extension for  
6           the time limitation established under this paragraph.

7           “(4) DETERMINATION.—

8           “(A) In reviewing a submission made  
9           under paragraph (2), the Commission shall re-  
10          view whether the submission is consistent with  
11          section 17A.

12          “(B) In reviewing a security-based swap,  
13          group of security-based swaps or class of secu-  
14          rity-based swaps pursuant to paragraph (1) or  
15          a submission made under paragraph (2), the  
16          Commission shall take into account the fol-  
17          lowing factors:

18                  “(i) The existence of significant out-  
19                  standing notional exposures, trading liquid-  
20                  ity and adequate pricing data.

21                  “(ii) The availability of rule frame-  
22                  work, capacity, operational expertise and  
23                  resources, and credit support infrastruc-  
24                  ture to clear the contract on terms that are  
25                  consistent with the material terms and

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1 trading conventions on which the contract  
2 is then traded.

3 “(iii) The effect on the mitigation of  
4 systemic risk, taking into account the size  
5 of the market for such contract and the re-  
6 sources of the clearing agency available to  
7 clear the contract.

8 “(iv) The effect on competition, in-  
9 cluding appropriate fees and charges ap-  
10 plied to clearing.

11 “(v) The existence of reasonable legal  
12 certainty in the event of the insolvency of  
13 the relevant clearing agency or 1 or more  
14 of its clearing members with regard to the  
15 treatment of customer and security-based  
16 swap counterparty positions, funds, and  
17 property.

18 “(C) In making a determination under  
19 subsection (b)(1) or paragraph (2)(C) that the  
20 clearing requirement shall apply, the Commis-  
21 sion may require such terms and conditions to  
22 the requirement as the Commission determines  
23 to be appropriate.

24 “(5) RULES.—Not later than 1 year after the  
25 date of the enactment of this section, the Commis-

1        sion shall adopt rules for a clearing agency’s submis-  
2        sion for review, pursuant to this subsection, of a se-  
3        curity-based swap, or a group, category, type, or  
4        class of security-based swaps, that it seeks to accept  
5        for clearing. Nothing in this paragraph limits the  
6        Commission from making a determination under  
7        paragraph (2)(C) for security-based swaps described  
8        in paragraph (2)(B).

9        “(c) STAY OF CLEARING REQUIREMENT.—

10            “(1) IN GENERAL.—After making a determina-  
11            tion pursuant to subsection (b)(2), the Commission,  
12            on application of a counterparty to a security-based  
13            swap or on its own initiative, may stay the clearing  
14            requirement of subsection (a)(1) until the Commis-  
15            sion completes a review of the terms of the security-  
16            based swap (or the group, category, type, or class of  
17            security-based swaps) and the clearing arrangement.

18            “(2) DEADLINE.—The Commission shall com-  
19            plete a review undertaken pursuant to paragraph (1)  
20            not later than 90 days after issuance of the stay, un-  
21            less the clearing agency that clears the security-  
22            based swap, or group, category, type, or class of se-  
23            curity-based swaps, agrees to an extension of the  
24            time limitation established under this paragraph.

1           “(3) DETERMINATION.—Upon completion of  
2 the review undertaken pursuant to paragraph (1),  
3 the Commission may—

4           “(A) determine, unconditionally or subject  
5 to such terms and conditions as the Commis-  
6 sion determines to be appropriate, that the se-  
7 curity-based swap, or group, category, type, or  
8 class of security-based swaps, must be cleared  
9 pursuant to this subsection if it finds that such  
10 clearing is consistent with subsection (b)(4); or

11           “(B) determine that the clearing require-  
12 ment of subsection (a)(1) shall not apply to the  
13 security-based swap, or group, category, type,  
14 or class of security-based swaps.

15           “(4) RULES.—Not later than 1 year after the  
16 date of the enactment of this section, the Commis-  
17 sion shall adopt rules for reviewing, pursuant to this  
18 subsection, a clearing agency’s clearing of a security-  
19 based swap, or a group, category, type, or class of  
20 security-based swaps, that it has accepted for clear-  
21 ing.

22           “(d) PREVENTION OF EVASION.—

23           “(1) IN GENERAL.—The Commission shall pre-  
24 scribe rules under this section (and issue interpreta-  
25 tions of rules prescribed under this section), as de-

1       terminated by the Commission to be necessary to pre-  
2       vent evasions of the mandatory clearing require-  
3       ments under this Act.

4               “(2) DUTY OF COMMISSION TO INVESTIGATE  
5       AND TAKE CERTAIN ACTIONS.—To the extent the  
6       Commission finds that a particular security-based  
7       swap or any group, category, type, or class of secu-  
8       rity-based swaps that would otherwise be subject to  
9       mandatory clearing but no clearing agency has listed  
10      the security-based swap or the group, category, type,  
11      or class of security-based swaps for clearing, the  
12      Commission shall—

13              “(A) investigate the relevant facts and cir-  
14              cumstances;

15              “(B) within 30 days issue a public report  
16              containing the results of the investigation; and

17              “(C) take such actions as the Commission  
18              determines to be necessary and in the public in-  
19              terest, which may include requiring the retain-  
20              ing of adequate margin or capital by parties to  
21              the security-based swap or the group, category,  
22              type, or class of security-based swaps.

23              “(3) EFFECT ON AUTHORITY.—Nothing in this  
24      subsection—



1           “(A) authorizes the Commission to adopt  
2           rules requiring a clearing agency to list for  
3           clearing a security-based swap or any group,  
4           category, type, or class of security-based swaps  
5           if the clearing of the security-based swap or the  
6           group, category, type, or class of security-based  
7           swaps would threaten the financial integrity of  
8           the clearing agency; and

9           “(B) affects the authority of the Commis-  
10          sion to enforce the open access provisions of  
11          subsection (a)(2) with respect to a security-  
12          based swap or the group, category, type, or  
13          class of security-based swaps that is listed for  
14          clearing by a clearing agency.

15          “(e) REPORTING TRANSITION RULES.—Rules adopt-  
16          ed by the Commission under this section shall provide for  
17          the reporting of data, as follows:

18               “(1) Security-based swaps entered into before  
19               the date of the enactment of this section shall be re-  
20               ported to a registered security-based swap data re-  
21               pository or the Commission no later than 180 days  
22               after the effective date of this section.

23               “(2) Security-based swaps entered into on or  
24               after such date of enactment shall be reported to a

1 registered security-based swap data repository or the  
2 Commission no later than the later of—

3 “(A) 90 days after such effective date; or

4 “(B) such other time after entering into  
5 the security-based swap as the Commission may  
6 prescribe by rule or regulation.

7 “(f) CLEARING TRANSITION RULES.—

8 “(1) Security-based swaps entered into before  
9 the date of the enactment of this section are exempt  
10 from the clearing requirements of this subsection if  
11 reported pursuant to subsection (e)(1).

12 “(2) Security-based swaps entered into before  
13 application of the clearing requirement pursuant to  
14 this section are exempt from the clearing require-  
15 ments of this section if reported pursuant to sub-  
16 section (e)(2).

17 “(g) EXCEPTIONS.—

18 “(1) IN GENERAL.—The requirements of sub-  
19 section (a)(1) shall not apply to a security-based  
20 swap if 1 of the counterparties to the security-based  
21 swap—

22 “(A) is not a financial entity;

23 “(B) is using security-based swaps to  
24 hedge or mitigate commercial risk; and

1           “(C) notifies the Commission, in a manner  
2           set forth by the Commission, how it generally  
3           meets its financial obligations associated with  
4           entering into non-cleared security-based swaps.

5           “(2) OPTION TO CLEAR.—The application of  
6           the clearing exception in paragraph (1) is solely at  
7           the discretion of the counterparty to the security-  
8           based swap that meets the conditions of subpara-  
9           graphs (A) through (C) of paragraph (1).

10          “(3) FINANCIAL ENTITY DEFINITION.—

11           “(A) IN GENERAL.—For the purposes of  
12           this subsection, the term ‘financial entity’  
13           means—

14                   “(i) a swap dealer;

15                   “(ii) a security-based swap dealer;

16                   “(iii) a major swap participant;

17                   “(iv) a major security-based swap par-  
18           ticipant;

19                   “(v) a commodity pool as defined in  
20           section 1a(10) of the Commodity Exchange  
21           Act;

22                   “(vi) a private fund as defined in sec-  
23           tion 202(a) of the Investment Advisers Act  
24           of 1940 (15 U.S.C. 80–b–2(a));

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1           “(vii) an employee benefit plan as de-  
2           fined in paragraphs (3) and (32) of section  
3           3 of the Employee Retirement Income Se-  
4           curity Act of 1974 (29 U.S.C. 1002);

5           “(viii) a person predominantly en-  
6           gaged in activities that are in the business  
7           of banking or financial in nature, as de-  
8           fined in section 4(k) of the Bank Holding  
9           Company Act of 1956.

10          “(B) EXCLUSION.—The Commission shall  
11          consider whether to exempt small banks, sav-  
12          ings associations, farm credit system institu-  
13          tions, and credit unions, including—

14               “(i) depository institutions with total  
15               assets of \$10,000,000,000 or less;

16               “(ii) farm credit system institutions  
17               with total assets of \$10,000,000,000 or  
18               less; or

19               “(iii) credit unions with total assets of  
20               \$10,000,000,000 or less.

21          “(4) TREATMENT OF AFFILIATES.—

22               “(A) IN GENERAL.—An affiliate of a per-  
23               son that qualifies for an exception under this  
24               subsection (including affiliate entities predomi-  
25               nantly engaged in providing financing for the

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1 purchase of the merchandise or manufactured  
2 goods of the person) may qualify for the excep-  
3 tion only if the affiliate, acting on behalf of the  
4 person and as an agent, uses the security-based  
5 swap to hedge or mitigate the commercial risk  
6 of the person or other affiliate of the person  
7 that is not a financial entity.

8 “(B) PROHIBITION RELATING TO CERTAIN  
9 AFFILIATES.—The exception in subparagraph  
10 (A) shall not apply if the affiliate is—

11 “(i) a swap dealer;

12 “(ii) a security-based swap dealer;

13 “(iii) a major swap participant;

14 “(iv) a major security-based swap par-  
15 ticipant;

16 “(v) an issuer that would be an in-  
17 vestment company, as defined in section 3  
18 of the Investment Company Act of 1940  
19 (15 U.S.C. 80a–3), but for paragraph (1)  
20 or (7) of subsection (c) of that Act (15  
21 U.S.C. 80a–3(c));

22 “(vi) a commodity pool; or

23 “(vii) a bank holding company with  
24 over \$50,000,000,000 in consolidated as-  
25 sets.

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1           “(C) TRANSITION RULE FOR AFFILI-  
2           ATES.—An affiliate, subsidiary, or a wholly  
3           owned entity of a person that qualifies for an  
4           exception under subparagraph (A) and is pre-  
5           dominantly engaged in providing financing for  
6           the purchase or lease of merchandise or manu-  
7           factured goods of the person shall be exempt  
8           from the margin requirement described in sec-  
9           tion 15F(e) and the clearing requirement de-  
10          scribed in subsection (a) with regard to secu-  
11          rity-based swaps entered into to mitigate the  
12          risk of the financing activities for not less than  
13          a 2-year period beginning on the date of enact-  
14          ment of this subparagraph.

15          “(5) ELECTION OF COUNTERPARTY.—

16                 “(A) SECURITY-BASED SWAPS REQUIRED  
17                 TO BE CLEARED.—With respect to any security-  
18                 based swap that is subject to the mandatory  
19                 clearing requirement under subsection (a) and  
20                 entered into by a security-based swap dealer or  
21                 a major security-based swap participant with a  
22                 counterparty that is not a swap dealer, major  
23                 swap participant, security-based swap dealer, or  
24                 major security-based swap participant, the  
25                 counterparty shall have the sole right to select

1 the clearing agency at which the security-based  
2 swap will be cleared.

3 “(B) SECURITY-BASED SWAPS NOT RE-  
4 QUIRED TO BE CLEARED.—With respect to any  
5 security-based swap that is not subject to the  
6 mandatory clearing requirement under sub-  
7 section (a) and entered into by a security-based  
8 swap dealer or a major security-based swap  
9 participant with a counterparty that is not a  
10 swap dealer, major swap participant, security-  
11 based swap dealer, or major security-based  
12 swap participant, the counterparty—

13 “(i) may elect to require clearing of  
14 the security-based swap; and

15 “(ii) shall have the sole right to select  
16 the clearing agency at which the security-  
17 based swap will be cleared.

18 “(6) ABUSE OF EXCEPTION.—The Commission  
19 may prescribe such rules or issue interpretations of  
20 the rules as the Commission determines to be nec-  
21 essary to prevent abuse of the exceptions described  
22 in this subsection. The Commission may also request  
23 information from those persons claiming the clearing  
24 exception as necessary to prevent abuse of the excep-  
25 tions described in this subsection.

1 “(h) TRADE EXECUTION.—

2 “(1) IN GENERAL.—With respect to trans-  
3 actions involving security-based swaps subject to the  
4 clearing requirement of subsection (a)(1), counter-  
5 parties shall—

6 “(A) execute the transaction on an ex-  
7 change; or

8 “(B) execute the transaction on a security-  
9 based swap execution facility registered under  
10 section 3D or a security-based swap execution  
11 facility that is exempt from registration under  
12 section 3D(e).

13 “(2) EXCEPTION.—The requirements of sub-  
14 paragraphs (A) and (B) of paragraph (1) shall not  
15 apply if no exchange or security-based swap execu-  
16 tion facility makes the security-based swap available  
17 to trade or for security-based swap transactions sub-  
18 ject to the clearing exception under subsection (g).

19 “(i) BOARD APPROVAL.—Exemptions from the re-  
20 quirements of this section to clear a security-based swap  
21 or execute a security-based swap through a national secu-  
22 rities exchange or security-based swap execution facility  
23 shall be available to a counterparty that is an issuer of  
24 securities that are registered under section 12 or that is  
25 required to file reports pursuant to section 15(d), only if



1 an appropriate committee of the issuer's board or gov-  
2 erning body has reviewed and approved the issuer's deci-  
3 sion to enter into security-based swaps that are subject  
4 to such exemptions.

5 “(j) DESIGNATION OF CHIEF COMPLIANCE OFFI-  
6 CER.—

7 “(1) IN GENERAL.—Each registered clearing  
8 agency shall designate an individual to serve as a  
9 chief compliance officer.

10 “(2) DUTIES.—The chief compliance officer  
11 shall—

12 “(A) report directly to the board or to the  
13 senior officer of the clearing agency;

14 “(B) in consultation with its board, a body  
15 performing a function similar thereto, or the  
16 senior officer of the registered clearing agency,  
17 resolve any conflicts of interest that may arise;

18 “(C) be responsible for administering each  
19 policy and procedure that is required to be es-  
20 tablished pursuant to this section;

21 “(D) ensure compliance with this title (in-  
22 cluding regulations issued under this title) re-  
23 lating to agreements, contracts, or transactions,  
24 including each rule prescribed by the Commis-  
25 sion under this section;

1           “(E) establish procedures for the remedi-  
2           ation of noncompliance issues identified by the  
3           compliance officer through any—

4                   “(i) compliance office review;

5                   “(ii) look-back;

6                   “(iii) internal or external audit find-  
7           ing;

8                   “(iv) self-reported error; or

9                   “(v) validated complaint; and

10           “(F) establish and follow appropriate pro-  
11           cedures for the handling, management response,  
12           remediation, retesting, and closing of non-  
13           compliance issues.

14           “(3) ANNUAL REPORTS.—

15                   “(A) IN GENERAL.—In accordance with  
16           rules prescribed by the Commission, the chief  
17           compliance officer shall annually prepare and  
18           sign a report that contains a description of—

19                   “(i) the compliance of the registered  
20           clearing agency or security-based swap exe-  
21           cution facility of the compliance officer  
22           with respect to this title (including regula-  
23           tions under this title); and

24                   “(ii) each policy and procedure of the  
25           registered clearing agency of the compli-

1                   ance officer (including the code of ethics  
2                   and conflict of interest policies of the reg-  
3                   istered clearing agency).

4                   “(B) REQUIREMENTS.—A compliance re-  
5                   port under subparagraph (A) shall—

6                                 “(i) accompany each appropriate fi-  
7                                 nancial report of the registered clearing  
8                                 agency that is required to be furnished to  
9                                 the Commission pursuant to this section;  
10                                and

11                               “(ii) include a certification that, under  
12                                penalty of law, the compliance report is ac-  
13                                curate and complete.”.

14           (b) CLEARING AGENCY REQUIREMENTS.—Section  
15 17A of the Securities Exchange Act of 1934 (15 U.S.C.  
16 78q-1) is amended by adding at the end the following:

17           “(g) REGISTRATION REQUIREMENT.—It shall be un-  
18 lawful for a clearing agency, unless registered with the  
19 Commission, directly or indirectly to make use of the mails  
20 or any means or instrumentality of interstate commerce  
21 to perform the functions of a clearing agency with respect  
22 to a security-based swap.

23           “(h) VOLUNTARY REGISTRATION.—A person that  
24 clears agreements, contracts, or transactions that are not

1 required to be cleared under this title may register with  
2 the Commission as a clearing agency.

3       “(i) STANDARDS FOR CLEARING AGENCIES CLEAR-  
4 ING SECURITY-BASED SWAP TRANSACTIONS.—To be reg-  
5 istered and to maintain registration as a clearing agency  
6 that clears security-based swap transactions, a clearing  
7 agency shall comply with such standards as the Commis-  
8 sion may establish by rule. In establishing any such stand-  
9 ards, and in the exercise of its oversight of such a clearing  
10 agency pursuant to this title, the Commission may con-  
11 form such standards or oversight to reflect evolving  
12 United States and international standards. Except where  
13 the Commission determines otherwise by rule or regula-  
14 tion, a clearing agency shall have reasonable discretion in  
15 establishing the manner in which it complies with any such  
16 standards.

17       “(j) RULES.—The Commission shall adopt rules gov-  
18 erning persons that are registered as clearing agencies for  
19 security-based swaps under this title.

20       “(k) EXEMPTIONS.—The Commission may exempt,  
21 conditionally or unconditionally, a clearing agency from  
22 registration under this section for the clearing of security-  
23 based swaps if the Commission determines that the clear-  
24 ing agency is subject to comparable, comprehensive super-  
25 vision and regulation by the Commodity Futures Trading

1 Commission or the appropriate government authorities in  
2 the home country of the agency. Such conditions may in-  
3 clude, but are not limited to, requiring that the clearing  
4 agency be available for inspection by the Commission and  
5 make available all information requested by the Commis-  
6 sion.

7 “(1) EXISTING DEPOSITORY INSTITUTIONS AND DE-  
8 RIVATIVE CLEARING ORGANIZATIONS.—

9 “(1) IN GENERAL.—A depository institution or  
10 derivative clearing organization registered with the  
11 Commodity Futures Trading Commission under the  
12 Commodity Exchange Act that is required to be reg-  
13 istered as a clearing agency under this section is  
14 deemed to be registered under this section solely for  
15 the purpose of clearing security-based swaps to the  
16 extent that, before the date of enactment of this  
17 subsection—

18 “(A) the depository institution cleared  
19 swaps as a multilateral clearing organization; or

20 “(B) the derivative clearing organization  
21 cleared swaps pursuant to an exemption from  
22 registration as a clearing agency.

23 “(2) CONVERSION OF DEPOSITORY INSTITU-  
24 TIONS.—A depository institution to which this sub-  
25 section applies may, by the vote of the shareholders

1 owning not less than 51 percent of the voting inter-  
2 ests of the depository institution, be converted into  
3 a State corporation, partnership, limited liability  
4 company, or similar legal form pursuant to a plan  
5 of conversion, if the conversion is not in contraven-  
6 tion of applicable State law.

7 “(3) SHARING OF INFORMATION.—The Com-  
8 modity Futures Trading Commission shall make  
9 available to the Commission, upon request, all infor-  
10 mation determined to be relevant by the Commodity  
11 Futures Trading Commission regarding a derivatives  
12 clearing organization deemed to be registered with  
13 the Commission under paragraph (1).

14 “(m) MODIFICATION OF CORE PRINCIPLES.—The  
15 Commission may conform the core principles established  
16 in this section to reflect evolving United States and inter-  
17 national standards.”.

18 (c) SECURITY-BASED SWAP EXECUTION FACILI-  
19 TIES.—The Securities Exchange Act of 1934 (15 U.S.C.  
20 78a et seq.) is amended by inserting after section 3C (as  
21 added by subsection (a) of this section) the following:

22 **“SEC. 3D. SECURITY-BASED SWAP EXECUTION FACILITIES.**

23 “(a) REGISTRATION.—

24 “(1) IN GENERAL.—No person may operate a  
25 facility for the trading or processing of security-

1 based swaps, unless the facility is registered as a se-  
2 curity-based swap execution facility or as a national  
3 securities exchange under this section.

4 “(2) DUAL REGISTRATION.—Any person that is  
5 registered as a security-based swap execution facility  
6 under this section shall register with the Commis-  
7 sion regardless of whether the person also is reg-  
8 istered with the Commodity Futures Trading Com-  
9 mission as a swap execution facility.

10 “(b) TRADING AND TRADE PROCESSING.—A secu-  
11 rity-based swap execution facility that is registered under  
12 subsection (a) may—

13 “(1) make available for trading any security-  
14 based swap; and

15 “(2) facilitate trade processing of any security-  
16 based swap.

17 “(c) IDENTIFICATION OF FACILITY USED TO TRADE  
18 SECURITY-BASED SWAPS BY NATIONAL SECURITIES EX-  
19 CHANGES.—A national securities exchange shall, to the ex-  
20 tent that the exchange also operates a security-based swap  
21 execution facility and uses the same electronic trade execu-  
22 tion system for listing and executing trades of security-  
23 based swaps on or through the exchange and the facility,  
24 identify whether electronic trading of such security-based

1 swaps is taking place on or through the national securities  
2 exchange or the security-based swap execution facility.

3 “(d) CORE PRINCIPLES FOR SECURITY-BASED SWAP  
4 EXECUTION FACILITIES.—

5 “(1) COMPLIANCE WITH CORE PRINCIPLES.—

6 “(A) IN GENERAL.—To be registered, and  
7 maintain registration, as a security-based swap  
8 execution facility, the security-based swap exe-  
9 cution facility shall comply with—

10 “(i) the core principles described in  
11 this subsection; and

12 “(ii) any requirement that the Com-  
13 mission may impose by rule or regulation.

14 “(B) REASONABLE DISCRETION OF SECUR-  
15 RITY-BASED SWAP EXECUTION FACILITY.—Un-  
16 less otherwise determined by the Commission,  
17 by rule or regulation, a security-based swap  
18 execution facility described in subparagraph (A)  
19 shall have reasonable discretion in establishing  
20 the manner in which it complies with the core  
21 principles described in this subsection.

22 “(2) COMPLIANCE WITH RULES.—A security-  
23 based swap execution facility shall—



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1           “(A) establish and enforce compliance with  
2 any rule established by such security-based  
3 swap execution facility, including—

4           “(i) the terms and conditions of the  
5 security-based swaps traded or processed  
6 on or through the facility; and

7           “(ii) any limitation on access to the  
8 facility;

9           “(B) establish and enforce trading, trade  
10 processing, and participation rules that will  
11 deter abuses and have the capacity to detect,  
12 investigate, and enforce those rules, including  
13 means—

14           “(i) to provide market participants  
15 with impartial access to the market; and

16           “(ii) to capture information that may  
17 be used in establishing whether rule viola-  
18 tions have occurred; and

19           “(C) establish rules governing the oper-  
20 ation of the facility, including rules specifying  
21 trading procedures to be used in entering and  
22 executing orders traded or posted on the facil-  
23 ity, including block trades.

24           “(3) SECURITY-BASED SWAPS NOT READILY  
25 SUSCEPTIBLE TO MANIPULATION.—The security-

1 based swap execution facility shall permit trading  
2 only in security-based swaps that are not readily  
3 susceptible to manipulation.

4 “(4) MONITORING OF TRADING AND TRADE  
5 PROCESSING.—The security-based swap execution  
6 facility shall—

7 “(A) establish and enforce rules or terms  
8 and conditions defining, or specifications detail-  
9 ing—

10 “(i) trading procedures to be used in  
11 entering and executing orders traded on or  
12 through the facilities of the security-based  
13 swap execution facility; and

14 “(ii) procedures for trade processing  
15 of security-based swaps on or through the  
16 facilities of the security-based swap execu-  
17 tion facility; and

18 “(B) monitor trading in security-based  
19 swaps to prevent manipulation, price distortion,  
20 and disruptions of the delivery or cash settle-  
21 ment process through surveillance, compliance,  
22 and disciplinary practices and procedures, in-  
23 cluding methods for conducting real-time moni-  
24 toring of trading and comprehensive and accu-  
25 rate trade reconstructions.

1           “(5) ABILITY TO OBTAIN INFORMATION.—The  
2 security-based swap execution facility shall—

3           “(A) establish and enforce rules that will  
4 allow the facility to obtain any necessary infor-  
5 mation to perform any of the functions de-  
6 scribed in this subsection;

7           “(B) provide the information to the Com-  
8 mission on request; and

9           “(C) have the capacity to carry out such  
10 international information-sharing agreements as  
11 the Commission may require.

12           “(6) FINANCIAL INTEGRITY OF TRANS-  
13 ACTIONS.—The security-based swap execution facil-  
14 ity shall establish and enforce rules and procedures  
15 for ensuring the financial integrity of security-based  
16 swaps entered on or through the facilities of the se-  
17 curity-based swap execution facility, including the  
18 clearance and settlement of security-based swaps  
19 pursuant to section 3C(a)(1).

20           “(7) EMERGENCY AUTHORITY.—The security-  
21 based swap execution facility shall adopt rules to  
22 provide for the exercise of emergency authority, in  
23 consultation or cooperation with the Commission, as  
24 is necessary and appropriate, including the authority  
25 to liquidate or transfer open positions in any secu-

1 rity-based swap or to suspend or curtail trading in  
2 a security-based swap.

3 “(8) TIMELY PUBLICATION OF TRADING INFOR-  
4 MATION.—

5 “(A) IN GENERAL.—The security-based  
6 swap execution facility shall make public timely  
7 information on price, trading volume, and other  
8 trading data on security-based swaps to the ex-  
9 tent prescribed by the Commission.

10 “(B) CAPACITY OF SECURITY-BASED SWAP  
11 EXECUTION FACILITY.—The security-based  
12 swap execution facility shall be required to have  
13 the capacity to electronically capture and trans-  
14 mit and disseminate trade information with re-  
15 spect to transactions executed on or through  
16 the facility.

17 “(9) RECORDKEEPING AND REPORTING.—

18 “(A) IN GENERAL.—A security-based swap  
19 execution facility shall—

20 “(i) maintain records of all activities  
21 relating to the business of the facility, in-  
22 cluding a complete audit trail, in a form  
23 and manner acceptable to the Commission  
24 for a period of 5 years; and

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1           “(ii) report to the Commission, in a  
2           form and manner acceptable to the Com-  
3           mission, such information as the Commis-  
4           sion determines to be necessary or appro-  
5           priate for the Commission to perform the  
6           duties of the Commission under this title.

7           “(B) REQUIREMENTS.—The Commission  
8           shall adopt data collection and reporting re-  
9           quirements for security-based swap execution  
10          facilities that are comparable to corresponding  
11          requirements for clearing agencies and security-  
12          based swap data repositories.

13          “(10) ANTITRUST CONSIDERATIONS.—Unless  
14          necessary or appropriate to achieve the purposes of  
15          this title, the security-based swap execution facility  
16          shall not—

17                 “(A) adopt any rules or taking any actions  
18                 that result in any unreasonable restraint of  
19                 trade; or

20                 “(B) impose any material anticompetitive  
21                 burden on trading or clearing.

22          “(11) CONFLICTS OF INTEREST.—The security-  
23          based swap execution facility shall—

1           “(A) establish and enforce rules to mini-  
2           mize conflicts of interest in its decision-making  
3           process; and

4           “(B) establish a process for resolving the  
5           conflicts of interest.

6           “(12) FINANCIAL RESOURCES.—

7           “(A) IN GENERAL.—The security-based  
8           swap execution facility shall have adequate fi-  
9           nancial, operational, and managerial resources  
10          to discharge each responsibility of the security-  
11          based swap execution facility, as determined by  
12          the Commission.

13          “(B) DETERMINATION OF RESOURCE ADE-  
14          QUACY.—The financial resources of a security-  
15          based swap execution facility shall be consid-  
16          ered to be adequate if the value of the financial  
17          resources—

18                 “(i) enables the organization to meet  
19                 its financial obligations to its members and  
20                 participants notwithstanding a default by  
21                 the member or participant creating the  
22                 largest financial exposure for that organi-  
23                 zation in extreme but plausible market  
24                 conditions; and

1           “(ii) exceeds the total amount that  
2           would enable the security-based swap exe-  
3           cution facility to cover the operating costs  
4           of the security-based swap execution facil-  
5           ity for a 1-year period, as calculated on a  
6           rolling basis.

7           “(13) SYSTEM SAFEGUARDS.—The security-  
8           based swap execution facility shall—

9           “(A) establish and maintain a program of  
10          risk analysis and oversight to identify and mini-  
11          mize sources of operational risk, through the  
12          development of appropriate controls and proce-  
13          dures, and automated systems, that—

14                  “(i) are reliable and secure; and

15                  “(ii) have adequate scalable capacity;

16          “(B) establish and maintain emergency  
17          procedures, backup facilities, and a plan for dis-  
18          aster recovery that allow for—

19                  “(i) the timely recovery and resump-  
20          tion of operations; and

21                  “(ii) the fulfillment of the responsibil-  
22          ities and obligations of the security-based  
23          swap execution facility; and

24          “(C) periodically conduct tests to verify  
25          that the backup resources of the security-based

1 swap execution facility are sufficient to ensure  
2 continued—

3 “(i) order processing and trade  
4 matching;

5 “(ii) price reporting;

6 “(iii) market surveillance; and

7 “(iv) maintenance of a comprehensive  
8 and accurate audit trail.

9 “(14) DESIGNATION OF CHIEF COMPLIANCE  
10 OFFICER.—

11 “(A) IN GENERAL.—Each security-based  
12 swap execution facility shall designate an indi-  
13 vidual to serve as a chief compliance officer.

14 “(B) DUTIES.—The chief compliance offi-  
15 cer shall—

16 “(i) report directly to the board or to  
17 the senior officer of the facility;

18 “(ii) review compliance with the core  
19 principles in this subsection;

20 “(iii) in consultation with the board of  
21 the facility, a body performing a function  
22 similar to that of a board, or the senior of-  
23 ficer of the facility, resolve any conflicts of  
24 interest that may arise;



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1           “(iv) be responsible for establishing  
2           and administering the policies and proce-  
3           dures required to be established pursuant  
4           to this section;

5           “(v) ensure compliance with this title  
6           and the rules and regulations issued under  
7           this title, including rules prescribed by the  
8           Commission pursuant to this section;

9           “(vi) establish procedures for the re-  
10          mediation of noncompliance issues found  
11          during—

12                   “(I) compliance office reviews;

13                   “(II) look backs;

14                   “(III) internal or external audit  
15          findings;

16                   “(IV) self-reported errors; or

17                   “(V) through validated com-  
18          plaints; and

19          “(vii) establish and follow appropriate  
20          procedures for the handling, management  
21          response, remediation, retesting, and clos-  
22          ing of noncompliance issues.

23          “(C) ANNUAL REPORTS.—

24                   “(i) IN GENERAL.—In accordance  
25          with rules prescribed by the Commission,

1 the chief compliance officer shall annually  
2 prepare and sign a report that contains a  
3 description of—

4 “(I) the compliance of the secu-  
5 rity-based swap execution facility with  
6 this title; and

7 “(II) the policies and procedures,  
8 including the code of ethics and con-  
9 flict of interest policies, of the secu-  
10 rity-based security-based swap execu-  
11 tion facility.

12 “(ii) REQUIREMENTS.—The chief  
13 compliance officer shall—

14 “(I) submit each report described  
15 in clause (i) with the appropriate fi-  
16 nancial report of the security-based  
17 swap execution facility that is re-  
18 quired to be submitted to the Com-  
19 mission pursuant to this section; and

20 “(II) include in the report a cer-  
21 tification that, under penalty of law,  
22 the report is accurate and complete.

23 “(e) EXEMPTIONS.—The Commission may exempt,  
24 conditionally or unconditionally, a security-based swap  
25 execution facility from registration under this section if

1 the Commission finds that the facility is subject to com-  
2 parable, comprehensive supervision and regulation on a  
3 consolidated basis by the Commodity Futures Trading  
4 Commission.

5 “(f) RULES.—The Commission shall prescribe rules  
6 governing the regulation of security-based swap execution  
7 facilities under this section.”.

8 (d) SEGREGATION OF ASSETS HELD AS COLLATERAL  
9 IN SECURITY-BASED SWAP TRANSACTIONS.—The Securi-  
10 ties Exchange Act of 1934 (15 U.S.C. 78a et seq.) is  
11 amended by inserting after section 3D (as added by sub-  
12 section (b)) the following:

13 **“SEC. 3E. SEGREGATION OF ASSETS HELD AS COLLATERAL**  
14 **IN SECURITY-BASED SWAP TRANSACTIONS.**

15 “(a) REGISTRATION REQUIREMENT.—It shall be un-  
16 lawful for any person to accept any money, securities, or  
17 property (or to extend any credit in lieu of money, securi-  
18 ties, or property) from, for, or on behalf of a security-  
19 based swaps customer to margin, guarantee, or secure a  
20 security-based swap cleared by or through a clearing agen-  
21 cy (including money, securities, or property accruing to  
22 the customer as the result of such a security-based swap),  
23 unless the person shall have registered under this title  
24 with the Commission as a broker, dealer, or security-based

1 swap dealer, and the registration shall not have expired  
2 nor been suspended nor revoked.

3 “(b) CLEARED SECURITY-BASED SWAPS.—

4 “(1) SEGREGATION REQUIRED.—A broker,  
5 dealer, or security-based swap dealer shall treat and  
6 deal with all money, securities, and property of any  
7 security-based swaps customer received to margin,  
8 guarantee, or secure a security-based swap cleared  
9 by or through a clearing agency (including money, se-  
10 curities, or property accruing to the security-based  
11 swaps customer as the result of such a security-  
12 based swap) as belonging to the security-based  
13 swaps customer.

14 “(2) COMMINGLING PROHIBITED.—Money, se-  
15 curities, and property of a security-based swaps cus-  
16 tomer described in paragraph (1) shall be separately  
17 accounted for and shall not be commingled with the  
18 funds of the broker, dealer, or security-based swap  
19 dealer or be used to margin, secure, or guarantee  
20 any trades or contracts of any security-based swaps  
21 customer or person other than the person for whom  
22 the same are held.

23 “(c) EXCEPTIONS.—

24 “(1) USE OF FUNDS.—

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1           “(A) IN GENERAL.—Notwithstanding sub-  
2 section (b), money, securities, and property of a  
3 security-based swaps customer of a broker,  
4 dealer, or security-based swap dealer described  
5 in subsection (b) may, for convenience, be com-  
6 mingled and deposited in the same 1 or more  
7 accounts with any bank or trust company or  
8 with a clearing agency.

9           “(B) WITHDRAWAL.—Notwithstanding  
10 subsection (b), such share of the money, securi-  
11 ties, and property described in subparagraph  
12 (A) as in the normal course of business shall be  
13 necessary to margin, guarantee, secure, trans-  
14 fer, adjust, or settle a cleared security-based  
15 swap with a clearing agency, or with any mem-  
16 ber of the clearing agency, may be withdrawn  
17 and applied to such purposes, including the  
18 payment of commissions, brokerage, interest,  
19 taxes, storage, and other charges, lawfully ac-  
20 cruing in connection with the cleared security-  
21 based swap.

22           “(2) COMMISSION ACTION.—Notwithstanding  
23 subsection (b), in accordance with such terms and  
24 conditions as the Commission may prescribe by rule,  
25 regulation, or order, any money, securities, or prop-

1       erty of the security-based swaps customer of a  
2       broker, dealer, or security-based swap dealer de-  
3       scribed in subsection (b) may be commingled and de-  
4       posited as provided in this section with any other  
5       money, securities, or property received by the  
6       broker, dealer, or security-based swap dealer and re-  
7       quired by the Commission to be separately ac-  
8       counted for and treated and dealt with as belonging  
9       to the security-based swaps customer of the broker,  
10      dealer, or security-based swap dealer.

11      “(d) PERMITTED INVESTMENTS.—Money described  
12      in subsection (b) may be invested in obligations of the  
13      United States, in general obligations of any State or of  
14      any political subdivision of a State, and in obligations fully  
15      guaranteed as to principal and interest by the United  
16      States, or in any other investment that the Commission  
17      may by rule or regulation prescribe, and such investments  
18      shall be made in accordance with such rules and regula-  
19      tions and subject to such conditions as the Commission  
20      may prescribe.

21      “(e) PROHIBITION.—It shall be unlawful for any per-  
22      son, including any clearing agency and any depository in-  
23      stitution, that has received any money, securities, or prop-  
24      erty for deposit in a separate account or accounts as pro-  
25      vided in subsection (b) to hold, dispose of, or use any such

1 money, securities, or property as belonging to the depos-  
2 iting broker, dealer, or security-based swap dealer or any  
3 person other than the swaps customer of the broker, deal-  
4 er, or security-based swap dealer.

5 “(f) SEGREGATION REQUIREMENTS FOR UNCLEARED  
6 SECURITY-BASED SWAPS.—

7 “(1) SEGREGATION OF ASSETS HELD AS COL-  
8 LATERAL IN UNCLEARED SECURITY-BASED SWAP  
9 TRANSACTIONS.—

10 “(A) NOTIFICATION.—A security-based  
11 swap dealer or major security-based swap partic-  
12 ipant shall be required to notify the  
13 counterparty of the security-based swap dealer  
14 or major security-based swap participant at the  
15 beginning of a security-based swap transaction  
16 that the counterparty has the right to require  
17 segregation of the funds of other property sup-  
18 plied to margin, guarantee, or secure the obliga-  
19 tions of the counterparty.

20 “(B) SEGREGATION AND MAINTENANCE OF  
21 FUNDS.—At the request of a counterparty to a  
22 security-based swap that provides funds or  
23 other property to a security-based swap dealer  
24 or major security-based swap participant to  
25 margin, guarantee, or secure the obligations of

1 the counterparty, the security-based swap deal-  
2 er or major security-based swap participant  
3 shall—

4 “(i) segregate the funds or other  
5 property for the benefit of the  
6 counterparty; and

7 “(ii) in accordance with such rules  
8 and regulations as the Commission may  
9 promulgate, maintain the funds or other  
10 property in a segregated account separate  
11 from the assets and other interests of the  
12 security-based swap dealer or major secu-  
13 rity-based swap participant.

14 “(2) APPLICABILITY.—The requirements de-  
15 scribed in paragraph (1) shall—

16 “(A) apply only to a security-based swap  
17 between a counterparty and a security-based  
18 swap dealer or major security-based swap par-  
19 ticipant that is not submitted for clearing to a  
20 clearing agency; and

21 “(B)(i) not apply to variation margin pay-  
22 ments; or

23 “(ii) not preclude any commercial arrange-  
24 ment regarding—



1           “(I) the investment of segregated  
2           funds or other property that may only be  
3           invested in such investments as the Com-  
4           mission may permit by rule or regulation;  
5           and

6           “(II) the related allocation of gains  
7           and losses resulting from any investment  
8           of the segregated funds or other property.

9           “(3) USE OF INDEPENDENT THIRD-PARTY  
10          CUSTODIANS.—The segregated account described in  
11          paragraph (1) shall be—

12           “(A) carried by an independent third-party  
13          custodian; and

14           “(B) designated as a segregated account  
15          for and on behalf of the counterparty.

16          “(4) REPORTING REQUIREMENT.—If the  
17          counterparty does not choose to require segregation  
18          of the funds or other property supplied to margin,  
19          guarantee, or secure the obligations of the  
20          counterparty, the security-based swap dealer or  
21          major security-based swap participant shall report to  
22          the counterparty of the security-based swap dealer  
23          or major security-based swap participant on a quar-  
24          terly basis that the back office procedures of the se-  
25          curity-based swap dealer or major security-based

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1 swap participant relating to margin and collateral  
2 requirements are in compliance with the agreement  
3 of the counterparties.

4 “(g) BANKRUPTCY.—A security-based swap, as de-  
5 fined in section 3(a)(68) shall be considered to be a secu-  
6 rity as such term is used in section 101(53A)(B) and sub-  
7 chapter III of title 11, United States Code. An account  
8 that holds a security-based swap, other than a portfolio  
9 margining account referred to in section 15(c)(3)(C) shall  
10 be considered to be a securities account, as that term is  
11 defined in section 741 of title 11, United States Code. The  
12 definitions of the terms ‘purchase’ and ‘sale’ in section  
13 3(a)(13) and (14) shall be applied to the terms ‘purchase’  
14 and ‘sale’, as used in section 741 of title 11, United States  
15 Code. The term ‘customer’, as defined in section 741 of  
16 title 11, United States Code, excludes any person, to the  
17 extent that such person has a claim based on any open  
18 repurchase agreement, open reverse repurchase agree-  
19 ment, stock borrowed agreement, non-cleared option, or  
20 non-cleared security-based swap except to the extent of  
21 any margin delivered to or by the customer with respect  
22 to which there is a customer protection requirement under  
23 section 15(c)(3) or a segregation requirement.”.

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1 (e) TRADING IN SECURITY-BASED SWAPS.—Section  
2 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f)  
3 is amended by adding at the end the following:

4 “(l) SECURITY-BASED SWAPS.—It shall be unlawful  
5 for any person to effect a transaction in a security-based  
6 swap with or for a person that is not an eligible contract  
7 participant, unless such transaction is effected on a na-  
8 tional securities exchange registered pursuant to sub-  
9 section (b).”.

10 (f) ADDITIONS OF SECURITY-BASED SWAPS TO CER-  
11 TAIN ENFORCEMENT PROVISIONS.—Section 9(b) of the  
12 Securities Exchange Act of 1934 (15 U.S.C. 78i(b)) is  
13 amended by striking paragraphs (1) through (3) and in-  
14 serting the following:

15 “(1) any transaction in connection with any se-  
16 curity whereby any party to such transaction ac-  
17 quires—

18 “(A) any put, call, straddle, or other op-  
19 tion or privilege of buying the security from or  
20 selling the security to another without being  
21 bound to do so;

22 “(B) any security futures product on the  
23 security; or

24 “(C) any security-based swap involving the  
25 security or the issuer of the security;

1           “(2) any transaction in connection with any se-  
2           curity with relation to which such person has, di-  
3           rectly or indirectly, any interest in any—

4                   “(A) such put, call, straddle, option, or  
5           privilege;

6                   “(B) such security futures product; or

7                   “(C) such security-based swap; or

8           “(3) any transaction in any security for the ac-  
9           count of any person who such person has reason to  
10          believe has, and who actually has, directly or indi-  
11          rectly, any interest in any—

12                   “(A) such put, call, straddle, option, or  
13          privilege;

14                   “(B) such security futures product with re-  
15          lation to such security; or

16                   “(C) any security-based swap involving  
17          such security or the issuer of such security.”.

18          (g) RULEMAKING AUTHORITY TO PREVENT FRAUD,  
19          MANIPULATION AND DECEPTIVE CONDUCT IN SECURITY-  
20          BASED SWAPS.—Section 9 of the Securities Exchange Act  
21          of 1934 (15 U.S.C. 78i) is amended by adding at the end  
22          the following:

23           “(j) It shall be unlawful for any person, directly or  
24          indirectly, by the use of any means or instrumentality of  
25          interstate commerce or of the mails, or of any facility of

1 any national securities exchange, to effect any transaction  
2 in, or to induce or attempt to induce the purchase or sale  
3 of, any security-based swap, in connection with which such  
4 person engages in any fraudulent, deceptive, or manipula-  
5 tive act or practice, makes any fictitious quotation, or en-  
6 gages in any transaction, practice, or course of business  
7 which operates as a fraud or deceit upon any person. The  
8 Commission shall, for the purposes of this subsection, by  
9 rules and regulations define, and prescribe means reason-  
10 ably designed to prevent, such transactions, acts, prac-  
11 tices, and courses of business as are fraudulent, deceptive,  
12 or manipulative, and such quotations as are fictitious.”.

13 (h) POSITION LIMITS AND POSITION ACCOUNT-  
14 ABILITY FOR SECURITY-BASED SWAPS.—The Securities  
15 Exchange Act of 1934 is amended by inserting after sec-  
16 tion 10A (15 U.S.C. 78j–1) the following:

17 **“SEC. 10B. POSITION LIMITS AND POSITION ACCOUNT-**  
18 **ABILITY FOR SECURITY-BASED SWAPS AND**  
19 **LARGE TRADER REPORTING.**

20 “(a) POSITION LIMITS.—As a means reasonably de-  
21 signed to prevent fraud and manipulation, the Commission  
22 shall, by rule or regulation, as necessary or appropriate  
23 in the public interest or for the protection of investors,  
24 establish limits (including related hedge exemption provi-  
25 sions) on the size of positions in any security-based swap

1 that may be held by any person. In establishing such lim-  
2 its, the Commission may require any person to aggregate  
3 positions in—

4 “(1) any security-based swap and any security  
5 or loan or group of securities or loans on which such  
6 security-based swap is based, which such security-  
7 based swap references, or to which such security-  
8 based swap is related as described in paragraph (68)  
9 of section 3(a), and any other instrument relating to  
10 such security or loan or group or index of securities  
11 or loans; or

12 “(2) any security-based swap and—

13 “(A) any security or group or index of se-  
14 curities, the price, yield, value, or volatility of  
15 which, or of which any interest therein, is the  
16 basis for a material term of such security-based  
17 swap as described in paragraph (68) of section  
18 3(a); and

19 “(B) any other instrument relating to the  
20 same security or group or index of securities de-  
21 scribed under subparagraph (A).

22 “(b) EXEMPTIONS.—The Commission, by rule, regu-  
23 lation, or order, may conditionally or unconditionally ex-  
24 empt any person or class of persons, any security-based  
25 swap or class of security-based swaps, or any transaction

1 or class of transactions from any requirement the Com-  
2 mission may establish under this section with respect to  
3 position limits.

4 “(c) SRO RULES.—

5 “(1) IN GENERAL.—As a means reasonably de-  
6 signed to prevent fraud or manipulation, the Com-  
7 mission, by rule, regulation, or order, as necessary  
8 or appropriate in the public interest, for the protec-  
9 tion of investors, or otherwise in furtherance of the  
10 purposes of this title, may direct a self-regulatory  
11 organization—

12 “(A) to adopt rules regarding the size of  
13 positions in any security-based swap that may  
14 be held by—

15 “(i) any member of such self-regu-  
16 latory organization; or

17 “(ii) any person for whom a member  
18 of such self-regulatory organization effects  
19 transactions in such security-based swap;  
20 and

21 “(B) to adopt rules reasonably designed to  
22 ensure compliance with requirements prescribed  
23 by the Commission under this subsection.

24 “(2) REQUIREMENT TO AGGREGATE POSI-  
25 TIONS.—In establishing the limits under paragraph

1 (1), the self-regulatory organization may require  
2 such member or person to aggregate positions in—

3 “(A) any security-based swap and any se-  
4 curity or loan or group or narrow-based secu-  
5 rity index of securities or loans on which such  
6 security-based swap is based, which such secu-  
7 rity-based swap references, or to which such se-  
8 curity-based swap is related as described in sec-  
9 tion 3(a)(68), and any other instrument relat-  
10 ing to such security or loan or group or narrow-  
11 based security index of securities or loans; or

12 “(B)(i) any security-based swap; and

13 “(ii) any security-based swap and any  
14 other instrument relating to the same security  
15 or group or narrow-based security index of se-  
16 curities.

17 “(d) LARGE TRADER REPORTING.—The Commis-  
18 sion, by rule or regulation, may require any person that  
19 effects transactions for such person’s own account or the  
20 account of others in any securities-based swap or  
21 uncleared security-based swap and any security or loan or  
22 group or narrow-based security index of securities or loans  
23 as set forth in paragraphs (1) and (2) of subsection (a)  
24 under this section to report such information as the Com-  
25 mission may prescribe regarding any position or positions



1 in any security-based swap or uncleared security-based  
2 swap and any security or loan or group or narrow-based  
3 security index of securities or loans and any other instru-  
4 ment relating to such security or loan or group or narrow-  
5 based security index of securities or loans as set forth in  
6 paragraphs (1) and (2) of subsection (a) under this sec-  
7 tion.”.

8 (i) PUBLIC REPORTING AND REPOSITORIES FOR SE-  
9 CURITY-BASED SWAPS.—Section 13 of the Securities Ex-  
10 change Act of 1934 (15 U.S.C. 78m) is amended by add-  
11 ing at the end the following:

12 “(m) PUBLIC AVAILABILITY OF SECURITY-BASED  
13 SWAP TRANSACTION DATA.—

14 “(1) IN GENERAL.—

15 “(A) DEFINITION OF REAL-TIME PUBLIC  
16 REPORTING.—In this paragraph, the term ‘real-  
17 time public reporting’ means to report data re-  
18 lating to a security-based swap transaction, in-  
19 cluding price and volume, as soon as techno-  
20 logically practicable after the time at which the  
21 security-based swap transaction has been exe-  
22 cuted.

23 “(B) PURPOSE.—The purpose of this sub-  
24 section is to authorize the Commission to make  
25 security-based swap transaction and pricing

1 data available to the public in such form and at  
2 such times as the Commission determines ap-  
3 propriate to enhance price discovery.

4 “(C) GENERAL RULE.—The Commission is  
5 authorized to provide by rule for the public  
6 availability of security-based swap transaction,  
7 volume, and pricing data as follows:

8 “(i) With respect to those security-  
9 based swaps that are subject to the man-  
10 datory clearing requirement described in  
11 section 3C(a)(1) (including those security-  
12 based swaps that are excepted from the re-  
13 quirement pursuant to section 3C(g)), the  
14 Commission shall require real-time public  
15 reporting for such transactions.

16 “(ii) With respect to those security-  
17 based swaps that are not subject to the  
18 mandatory clearing requirement described  
19 in section 3C(a)(1), but are cleared at a  
20 registered clearing agency, the Commission  
21 shall require real-time public reporting for  
22 such transactions.

23 “(iii) With respect to security-based  
24 swaps that are not cleared at a registered  
25 clearing agency and which are reported to

1 a security-based swap data repository or  
2 the Commission under section 3C(a)(6),  
3 the Commission shall require real-time  
4 public reporting for such transactions, in a  
5 manner that does not disclose the business  
6 transactions and market positions of any  
7 person.

8 “(iv) With respect to security-based  
9 swaps that are determined to be required  
10 to be cleared under section 3C(b) but are  
11 not cleared, the Commission shall require  
12 real-time public reporting for such trans-  
13 actions.

14 “(D) REGISTERED ENTITIES AND PUBLIC  
15 REPORTING.—The Commission may require  
16 registered entities to publicly disseminate the  
17 security-based swap transaction and pricing  
18 data required to be reported under this para-  
19 graph.

20 “(E) RULEMAKING REQUIRED.—With re-  
21 spect to the rule providing for the public avail-  
22 ability of transaction and pricing data for secu-  
23 rity-based swaps described in clauses (i) and (ii)  
24 of subparagraph (C), the rule promulgated by  
25 the Commission shall contain provisions—

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1 “(i) to ensure such information does  
2 not identify the participants;

3 “(ii) to specify the criteria for deter-  
4 mining what constitutes a large notional  
5 security-based swap transaction (block  
6 trade) for particular markets and con-  
7 tracts;

8 “(iii) to specify the appropriate time  
9 delay for reporting large notional security-  
10 based swap transactions (block trades) to  
11 the public; and

12 “(iv) that take into account whether  
13 the public disclosure will materially reduce  
14 market liquidity.

15 “(F) TIMELINESS OF REPORTING.—Par-  
16 ties to a security-based swap (including agents  
17 of the parties to a security-based swap) shall be  
18 responsible for reporting security-based swap  
19 transaction information to the appropriate reg-  
20 istered entity in a timely manner as may be  
21 prescribed by the Commission.

22 “(G) REPORTING OF SWAPS TO REG-  
23 ISTERED SECURITY-BASED SWAP DATA REPOSI-  
24 TORIES.—Each security-based swap (whether

1 cleared or uncleared) shall be reported to a reg-  
2 istered security-based swap data repository.

3 “(H) REGISTRATION OF CLEARING AGEN-  
4 CIES.—A clearing agency may register as a se-  
5 curity-based swap data repository.

6 “(2) SEMIANNUAL AND ANNUAL PUBLIC RE-  
7 PORTING OF AGGREGATE SECURITY-BASED SWAP  
8 DATA.—

9 “(A) IN GENERAL.—In accordance with  
10 subparagraph (B), the Commission shall issue a  
11 written report on a semiannual and annual  
12 basis to make available to the public informa-  
13 tion relating to—

14 “(i) the trading and clearing in the  
15 major security-based swap categories; and

16 “(ii) the market participants and de-  
17 velopments in new products.

18 “(B) USE; CONSULTATION.—In preparing  
19 a report under subparagraph (A), the Commis-  
20 sion shall—

21 “(i) use information from security-  
22 based swap data repositories and clearing  
23 agencies; and

24 “(ii) consult with the Office of the  
25 Comptroller of the Currency, the Bank for

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1 International Settlements, and such other  
2 regulatory bodies as may be necessary.

3 “(C) AUTHORITY OF COMMISSION.—The  
4 Commission may, by rule, regulation, or order,  
5 delegate the public reporting responsibilities of  
6 the Commission under this paragraph in ac-  
7 cordance with such terms and conditions as the  
8 Commission determines to be appropriate and  
9 in the public interest.

10 “(n) SECURITY-BASED SWAP DATA REPOSITORIES.—

11 “(1) REGISTRATION REQUIREMENT.—It shall  
12 be unlawful for any person, unless registered with  
13 the Commission, directly or indirectly, to make use  
14 of the mails or any means or instrumentality of  
15 interstate commerce to perform the functions of a  
16 security-based swap data repository.

17 “(2) INSPECTION AND EXAMINATION.—Each  
18 registered security-based swap data repository shall  
19 be subject to inspection and examination by any rep-  
20 resentative of the Commission.

21 “(3) COMPLIANCE WITH CORE PRINCIPLES.—

22 “(A) IN GENERAL.—To be registered, and  
23 maintain registration, as a security-based swap  
24 data repository, the security-based swap data  
25 repository shall comply with—

1 “(i) the requirements and core prin-  
2 ciples described in this subsection; and

3 “(ii) any requirement that the Com-  
4 mission may impose by rule or regulation.

5 “(B) REASONABLE DISCRETION OF SECUR-  
6 RITY-BASED SWAP DATA REPOSITORY.—Unless  
7 otherwise determined by the Commission, by  
8 rule or regulation, a security-based swap data  
9 repository described in subparagraph (A) shall  
10 have reasonable discretion in establishing the  
11 manner in which the security-based swap data  
12 repository complies with the core principles de-  
13 scribed in this subsection.

14 “(4) STANDARD SETTING.—

15 “(A) DATA IDENTIFICATION.—

16 “(i) IN GENERAL.—In accordance  
17 with clause (ii), the Commission shall pre-  
18 scribe standards that specify the data ele-  
19 ments for each security-based swap that  
20 shall be collected and maintained by each  
21 registered security-based swap data reposi-  
22 tory.

23 “(ii) REQUIREMENT.—In carrying out  
24 clause (i), the Commission shall prescribe  
25 consistent data element standards applica-

1           ble to registered entities and reporting  
2           counterparties.

3           “(B) DATA COLLECTION AND MAINTENANCE.—The Commission shall prescribe data  
4           collection and data maintenance standards for  
5           security-based swap data repositories.  
6

7           “(C) COMPARABILITY.—The standards  
8           prescribed by the Commission under this sub-  
9           section shall be comparable to the data stand-  
10          ards imposed by the Commission on clearing  
11          agencies in connection with their clearing of se-  
12          curity-based swaps.

13          “(5) DUTIES.—A security-based swap data re-  
14          pository shall—

15               “(A) accept data prescribed by the Com-  
16               mission for each security-based swap under sub-  
17               section (b);

18               “(B) confirm with both counterparties to  
19               the security-based swap the accuracy of the  
20               data that was submitted;

21               “(C) maintain the data described in sub-  
22               paragraph (A) in such form, in such manner,  
23               and for such period as may be required by the  
24               Commission;



1           “(D)(i) provide direct electronic access to  
2           the Commission (or any designee of the Com-  
3           mission, including another registered entity);  
4           and

5           “(ii) provide the information described in  
6           subparagraph (A) in such form and at such fre-  
7           quency as the Commission may require to com-  
8           ply with the public reporting requirements set  
9           forth in subsection (m);

10          “(E) at the direction of the Commission,  
11          establish automated systems for monitoring,  
12          screening, and analyzing security-based swap  
13          data;

14          “(F) maintain the privacy of any and all  
15          security-based swap transaction information  
16          that the security-based swap data repository re-  
17          ceives from a security-based swap dealer,  
18          counterparty, or any other registered entity;  
19          and

20          “(G) on a confidential basis pursuant to  
21          section 24, upon request, and after notifying  
22          the Commission of the request, make available  
23          all data obtained by the security-based swap  
24          data repository, including individual  
25          counterparty trade and position data, to—

1 “(i) each appropriate prudential regu-  
2 lator;

3 “(ii) the Financial Stability Oversight  
4 Council;

5 “(iii) the Commodity Futures Trading  
6 Commission;

7 “(iv) the Department of Justice; and

8 “(v) any other person that the Com-  
9 mission determines to be appropriate, in-  
10 cluding—

11 “(I) foreign financial supervisors  
12 (including foreign futures authorities);

13 “(II) foreign central banks; and

14 “(III) foreign ministries.

15 “(H) CONFIDENTIALITY AND INDEM-  
16 NIFICATION AGREEMENT.—Before the security-  
17 based swap data repository may share informa-  
18 tion with any entity described in subparagraph  
19 (G)—

20 “(i) the security-based swap data re-  
21 pository shall receive a written agreement  
22 from each entity stating that the entity  
23 shall abide by the confidentiality require-  
24 ments described in section 24 relating to

1 the information on security-based swap  
2 transactions that is provided; and

3 “(ii) each entity shall agree to indem-  
4 nify the security-based swap data reposi-  
5 tory and the Commission for any expenses  
6 arising from litigation relating to the infor-  
7 mation provided under section 24.

8 “(6) DESIGNATION OF CHIEF COMPLIANCE OF-  
9 FICER.—

10 “(A) IN GENERAL.—Each security-based  
11 swap data repository shall designate an indi-  
12 vidual to serve as a chief compliance officer.

13 “(B) DUTIES.—The chief compliance offi-  
14 cer shall—

15 “(i) report directly to the board or to  
16 the senior officer of the security-based  
17 swap data repository;

18 “(ii) review the compliance of the se-  
19 curity-based swap data repository with re-  
20 spect to the requirements and core prin-  
21 ciples described in this subsection;

22 “(iii) in consultation with the board of  
23 the security-based swap data repository, a  
24 body performing a function similar to the  
25 board of the security-based swap data re-

1           pository, or the senior officer of the secu-  
2           rity-based swap data repository, resolve  
3           any conflicts of interest that may arise;

4                   “(iv) be responsible for administering  
5           each policy and procedure that is required  
6           to be established pursuant to this section;

7                   “(v) ensure compliance with this title  
8           (including regulations) relating to agree-  
9           ments, contracts, or transactions, including  
10          each rule prescribed by the Commission  
11          under this section;

12                   “(vi) establish procedures for the re-  
13          mediation of noncompliance issues identi-  
14          fied by the chief compliance officer through  
15          any—

16                           “(I) compliance office review;

17                           “(II) look-back;

18                           “(III) internal or external audit  
19          finding;

20                           “(IV) self-reported error; or

21                           “(V) validated complaint; and

22                   “(vii) establish and follow appropriate  
23          procedures for the handling, management  
24          response, remediation, retesting, and clos-  
25          ing of noncompliance issues.

1 “(C) ANNUAL REPORTS.—

2 “(i) IN GENERAL.—In accordance  
3 with rules prescribed by the Commission,  
4 the chief compliance officer shall annually  
5 prepare and sign a report that contains a  
6 description of—

7 “(I) the compliance of the secu-  
8 rity-based swap data repository of the  
9 chief compliance officer with respect  
10 to this title (including regulations);  
11 and

12 “(II) each policy and procedure  
13 of the security-based swap data repos-  
14 itory of the chief compliance officer  
15 (including the code of ethics and con-  
16 flict of interest policies of the secu-  
17 rity-based swap data repository).

18 “(ii) REQUIREMENTS.—A compliance  
19 report under clause (i) shall—

20 “(I) accompany each appropriate  
21 financial report of the security-based  
22 swap data repository that is required  
23 to be furnished to the Commission  
24 pursuant to this section; and

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1                   “(II) include a certification that,  
2                   under penalty of law, the compliance  
3                   report is accurate and complete.

4                   “(7) CORE PRINCIPLES APPLICABLE TO SECUR-  
5                   RITY-BASED SWAP DATA REPOSITORIES.—

6                   “(A) ANTITRUST CONSIDERATIONS.—Un-  
7                   less necessary or appropriate to achieve the  
8                   purposes of this title, the swap data repository  
9                   shall not—

10                   “(i) adopt any rule or take any action  
11                   that results in any unreasonable restraint  
12                   of trade; or

13                   “(ii) impose any material anticompeti-  
14                   tive burden on the trading, clearing, or re-  
15                   porting of transactions.

16                   “(B) GOVERNANCE ARRANGEMENTS.—  
17                   Each security-based swap data repository shall  
18                   establish governance arrangements that are  
19                   transparent—

20                   “(i) to fulfill public interest require-  
21                   ments; and

22                   “(ii) to support the objectives of the  
23                   Federal Government, owners, and partici-  
24                   pants.

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1           “(C) CONFLICTS OF INTEREST.—Each se-  
2           curity-based swap data repository shall—

3                   “(i) establish and enforce rules to  
4                   minimize conflicts of interest in the deci-  
5                   sion-making process of the security-based  
6                   swap data repository; and

7                   “(ii) establish a process for resolving  
8                   any conflicts of interest described in clause  
9                   (i).

10           “(D) ADDITIONAL DUTIES DEVELOPED BY  
11           COMMISSION.—

12                   “(i) IN GENERAL.—The Commission  
13                   may develop 1 or more additional duties  
14                   applicable to security-based swap data re-  
15                   positories.

16                   “(ii) CONSIDERATION OF EVOLVING  
17                   STANDARDS.—In developing additional du-  
18                   ties under subparagraph (A), the Commis-  
19                   sion may take into consideration any evolv-  
20                   ing standard of the United States or the  
21                   international community.

22                   “(iii) ADDITIONAL DUTIES FOR COM-  
23                   MISSION DESIGNEES.—The Commission  
24                   shall establish additional duties for any  
25                   registrant described in section 13(m)(2)(C)

1 in order to minimize conflicts of interest,  
2 protect data, ensure compliance, and guar-  
3 antee the safety and security of the secu-  
4 rity-based swap data repository.

5 “(8) REQUIRED REGISTRATION FOR SECURITY-  
6 BASED SWAP DATA REPOSITORIES.—Any person that  
7 is required to be registered as a security-based swap  
8 data repository under this subsection shall register  
9 with the Commission, regardless of whether that  
10 person is also licensed under the Commodity Ex-  
11 change Act as a swap data repository.

12 “(9) RULES.—The Commission shall adopt  
13 rules governing persons that are registered under  
14 this subsection.”.

15 **SEC. 764. REGISTRATION AND REGULATION OF SECURITY-**  
16 **BASED SWAP DEALERS AND MAJOR SECU-**  
17 **RITY-BASED SWAP PARTICIPANTS.**

18 (a) IN GENERAL.—The Securities Exchange Act of  
19 1934 (15 U.S.C. 78a et seq.) is amended by inserting after  
20 section 15E (15 U.S.C. 78o–7) the following:

21 **“SEC. 15F. REGISTRATION AND REGULATION OF SECURITY-**  
22 **BASED SWAP DEALERS AND MAJOR SECU-**  
23 **RITY-BASED SWAP PARTICIPANTS.**

24 “(a) REGISTRATION.—



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1           “(1) SECURITY-BASED SWAP DEALERS.—It  
2 shall be unlawful for any person to act as a security-  
3 based swap dealer unless the person is registered as  
4 a security-based swap dealer with the Commission.

5           “(2) MAJOR SECURITY-BASED SWAP PARTICI-  
6 PANTS.—It shall be unlawful for any person to act  
7 as a major security-based swap participant unless  
8 the person is registered as a major security-based  
9 swap participant with the Commission.

10          “(b) REQUIREMENTS.—

11           “(1) IN GENERAL.—A person shall register as  
12 a security-based swap dealer or major security-based  
13 swap participant by filing a registration application  
14 with the Commission.

15           “(2) CONTENTS.—

16           “(A) IN GENERAL.—The application shall  
17 be made in such form and manner as prescribed  
18 by the Commission, and shall contain such in-  
19 formation, as the Commission considers nec-  
20 essary concerning the business in which the ap-  
21 plicant is or will be engaged.

22           “(B) CONTINUAL REPORTING.—A person  
23 that is registered as a security-based swap deal-  
24 er or major security-based swap participant  
25 shall continue to submit to the Commission re-

1           ports that contain such information pertaining  
2           to the business of the person as the Commission  
3           may require.

4           “(3) EXPIRATION.—Each registration under  
5           this section shall expire at such time as the Commis-  
6           sion may prescribe by rule or regulation.

7           “(4) RULES.—Except as provided in sub-  
8           sections (d) and (e), the Commission may prescribe  
9           rules applicable to security-based swap dealers and  
10          major security-based swap participants, including  
11          rules that limit the activities of non-bank security-  
12          based swap dealers and major security-based swap  
13          participants.

14          “(5) TRANSITION.—Not later than 1 year after  
15          the date of enactment of the Wall Street Trans-  
16          parency and Accountability Act of 2010, the Com-  
17          mission shall issue rules under this section to pro-  
18          vide for the registration of security-based swap deal-  
19          ers and major security-based swap participants.

20          “(6) STATUTORY DISQUALIFICATION.—Except  
21          to the extent otherwise specifically provided by rule,  
22          regulation, or order of the Commission, it shall be  
23          unlawful for a security-based swap dealer or a major  
24          security-based swap participant to permit any person  
25          associated with a security-based swap dealer or a

1 major security-based swap participant who is subject  
2 to a statutory disqualification to effect or be involved  
3 in effecting security-based swaps on behalf of the se-  
4 curity-based swap dealer or major security-based  
5 swap participant, if the security-based swap dealer  
6 or major security-based swap participant knew, or in  
7 the exercise of reasonable care should have known,  
8 of the statutory disqualification.

9 “(c) DUAL REGISTRATION.—

10 “(1) SECURITY-BASED SWAP DEALER.—Any  
11 person that is required to be registered as a secu-  
12 rity-based swap dealer under this section shall reg-  
13 ister with the Commission, regardless of whether the  
14 person also is registered with the Commodity Fu-  
15 tures Trading Commission as a swap dealer.

16 “(2) MAJOR SECURITY-BASED SWAP PARTICI-  
17 PANT.—Any person that is required to be registered  
18 as a major security-based swap participant under  
19 this section shall register with the Commission, re-  
20 gardless of whether the person also is registered  
21 with the Commodity Futures Trading Commission  
22 as a major swap participant.

23 “(d) RULEMAKING.—

24 “(1) IN GENERAL.—The Commission shall  
25 adopt rules for persons that are registered as secu-

1 rity-based swap dealers or major security-based swap  
2 participants under this section.

3 “(2) EXCEPTION FOR PRUDENTIAL REQUIRE-  
4 MENTS.—

5 “(A) IN GENERAL.—The Commission may  
6 not prescribe rules imposing prudential require-  
7 ments on security-based swap dealers or major  
8 security-based swap participants for which there  
9 is a prudential regulator.

10 “(B) APPLICABILITY.—Subparagraph (A)  
11 does not limit the authority of the Commission  
12 to prescribe rules as directed under this section.

13 “(e) CAPITAL AND MARGIN REQUIREMENTS.—

14 “(1) IN GENERAL.—

15 “(A) SECURITY-BASED SWAP DEALERS  
16 AND MAJOR SECURITY-BASED SWAP PARTICI-  
17 PANTS THAT ARE BANKS.—Each registered se-  
18 curity-based swap dealer and major security-  
19 based swap participant for which there is not a  
20 prudential regulator shall meet such minimum  
21 capital requirements and minimum initial and  
22 variation margin requirements as the prudential  
23 regulator shall by rule or regulation prescribe  
24 under paragraph (2)(A).



1           that are not cleared by a registered clear-  
2           ing agency.

3           “(B) SECURITY-BASED SWAP DEALERS  
4           AND MAJOR SECURITY-BASED SWAP PARTICI-  
5           PANTS THAT ARE NOT BANKS.—The Commis-  
6           sion shall adopt rules for security-based swap  
7           dealers and major security-based swap partici-  
8           pants, with respect to their activities as a swap  
9           dealer or major swap participant, for which  
10          there is not a prudential regulator imposing—

11                   “(i) capital requirements; and

12                   “(ii) both initial and variation margin  
13           requirements on all swaps that are not  
14           cleared by a registered clearing agency.

15          “(C) CAPITAL.—In setting capital require-  
16          ments for a person that is designated as a secu-  
17          rity-based swap dealer or a major security-  
18          based swap participant for a single type or sin-  
19          gle class or category of security-based swap or  
20          activities, the prudential regulator and the  
21          Commission shall take into account the risks  
22          associated with other types of security-based  
23          swaps or classes of security-based swaps or cat-  
24          egories of security-based swaps engaged in and  
25          the other activities conducted by that person

1 that are not otherwise subject to regulation ap-  
2 plicable to that person by virtue of the status  
3 of the person.

4 “(3) STANDARDS FOR CAPITAL AND MARGIN.—

5 “(A) IN GENERAL.—To offset the greater  
6 risk to the security-based swap dealer or major  
7 security-based swap participant and the finan-  
8 cial system arising from the use of security-  
9 based swaps that are not cleared, the require-  
10 ments imposed under paragraph (2) shall —

11 “(i) help ensure the safety and sound-  
12 ness of the security-based swap dealer or  
13 major security-based swap participant; and

14 “(ii) be appropriate for the risk asso-  
15 ciated with the non-cleared security-based  
16 swaps held as a security-based swap dealer  
17 or major security-based swap participant.

18 “(B) RULE OF CONSTRUCTION.—

19 “(i) IN GENERAL.—Nothing in this  
20 section shall limit, or be construed to limit,  
21 the authority—

22 “(I) of the Commission to set fi-  
23 nancial responsibility rules for a  
24 broker or dealer registered pursuant  
25 to section 15(b) (except for section

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1 15(b)(11) thereof) in accordance with  
2 section 15(c)(3); or

3 “(II) of the Commodity Futures  
4 Trading Commission to set financial  
5 responsibility rules for a futures com-  
6 mission merchant or introducing  
7 broker registered pursuant to section  
8 4f(a) of the Commodity Exchange Act  
9 (except for section 4f(a)(3) thereof) in  
10 accordance with section 4f(b) of the  
11 Commodity Exchange Act.

12 “(ii) FUTURES COMMISSION MER-  
13 CHANTS AND OTHER DEALERS.—A futures  
14 commission merchant, introducing broker,  
15 broker, or dealer shall maintain sufficient  
16 capital to comply with the stricter of any  
17 applicable capital requirements to which  
18 such futures commission merchant, intro-  
19 ducing broker, broker, or dealer is subject  
20 to under this title or the Commodity Ex-  
21 change Act.

22 “(C) MARGIN REQUIREMENTS.—In pre-  
23 scribing margin requirements under this sub-  
24 section, the prudential regulator with respect to  
25 security-based swap dealers and major security-



1 based swap participants that are depository in-  
2 stitutions, and the Commission with respect to  
3 security-based swap dealers and major security-  
4 based swap participants that are not depository  
5 institutions shall permit the use of noncash col-  
6 lateral, as the regulator or the Commission de-  
7 termines to be consistent with—

8 “(i) preserving the financial integrity  
9 of markets trading security-based swaps;  
10 and

11 “(ii) preserving the stability of the  
12 United States financial system.

13 “(D) COMPARABILITY OF CAPITAL AND  
14 MARGIN REQUIREMENTS.—

15 “(i) IN GENERAL.—The prudential  
16 regulators, the Commission, and the Secu-  
17 rities and Exchange Commission shall peri-  
18 odically (but not less frequently than annu-  
19 ally) consult on minimum capital require-  
20 ments and minimum initial and variation  
21 margin requirements.

22 “(ii) COMPARABILITY.—The entities  
23 described in clause (i) shall, to the max-  
24 imum extent practicable, establish and  
25 maintain comparable minimum capital re-

1                    requirements and minimum initial and vari-  
2                    ation margin requirements, including the  
3                    use of noncash collateral, for—

4                                       “(I) security-based swap dealers;  
5                                       and

6                                       “(II) major security-based swap  
7                                       participants.

8                    “(f) REPORTING AND RECORDKEEPING.—

9                                       “(1) IN GENERAL.—Each registered security-  
10                    based swap dealer and major security-based swap  
11                    participant—

12                                       “(A) shall make such reports as are re-  
13                                       quired by the Commission, by rule or regula-  
14                                       tion, regarding the transactions and positions  
15                                       and financial condition of the registered secu-  
16                                       rity-based swap dealer or major security-based  
17                                       swap participant;

18                                       “(B)(i) for which there is a prudential reg-  
19                                       ulator, shall keep books and records of all ac-  
20                                       tivities related to the business as a security-  
21                                       based swap dealer or major security-based swap  
22                                       participant in such form and manner and for  
23                                       such period as may be prescribed by the Com-  
24                                       mission by rule or regulation; and

1           “(ii) for which there is no prudential regu-  
2           lator, shall keep books and records in such form  
3           and manner and for such period as may be pre-  
4           scribed by the Commission by rule or regula-  
5           tion; and

6           “(C) shall keep books and records de-  
7           scribed in subparagraph (B) open to inspection  
8           and examination by any representative of the  
9           Commission.

10          “(2) RULES.—The Commission shall adopt  
11          rules governing reporting and recordkeeping for se-  
12          curity-based swap dealers and major security-based  
13          swap participants.

14          “(g) DAILY TRADING RECORDS.—

15          “(1) IN GENERAL.—Each registered security-  
16          based swap dealer and major security-based swap  
17          participant shall maintain daily trading records of  
18          the security-based swaps of the registered security-  
19          based swap dealer and major security-based swap  
20          participant and all related records (including related  
21          cash or forward transactions) and recorded commu-  
22          nications, including electronic mail, instant mes-  
23          sages, and recordings of telephone calls, for such pe-  
24          riod as may be required by the Commission by rule  
25          or regulation.

1           “(2) INFORMATION REQUIREMENTS.—The daily  
2 trading records shall include such information as the  
3 Commission shall require by rule or regulation.

4           “(3) COUNTERPARTY RECORDS.—Each reg-  
5 istered security-based swap dealer and major secu-  
6 rity-based swap participant shall maintain daily  
7 trading records for each counterparty in a manner  
8 and form that is identifiable with each security-  
9 based swap transaction.

10           “(4) AUDIT TRAIL.—Each registered security-  
11 based swap dealer and major security-based swap  
12 participant shall maintain a complete audit trail for  
13 conducting comprehensive and accurate trade recon-  
14 structions.

15           “(5) RULES.—The Commission shall adopt  
16 rules governing daily trading records for security-  
17 based swap dealers and major security-based swap  
18 participants.

19           “(h) BUSINESS CONDUCT STANDARDS.—

20           “(1) IN GENERAL.—Each registered security-  
21 based swap dealer and major security-based swap  
22 participant shall conform with such business conduct  
23 standards as prescribed in paragraph (3) and as  
24 may be prescribed by the Commission by rule or reg-  
25 ulation that relate to—

1           “(A) fraud, manipulation, and other abu-  
2           sive practices involving security-based swaps  
3           (including security-based swaps that are offered  
4           but not entered into);

5           “(B) diligent supervision of the business of  
6           the registered security-based swap dealer and  
7           major security-based swap participant;

8           “(C) adherence to all applicable position  
9           limits; and

10           “(D) such other matters as the Commis-  
11           sion determines to be appropriate.

12           “(2) RESPONSIBILITIES WITH RESPECT TO SPE-  
13           CIAL ENTITIES.—

14           “(A) ADVISING SPECIAL ENTITIES.—A se-  
15           curity-based swap dealer or major security-  
16           based swap participant that acts as an advisor  
17           to special entity regarding a security-based  
18           swap shall comply with the requirements of  
19           paragraph (4) with respect to such special enti-  
20           ty.

21           “(B) ENTERING OF SECURITY-BASED  
22           SWAPS WITH RESPECT TO SPECIAL ENTITIES.—  
23           A security-based swap dealer that enters into or  
24           offers to enter into security-based swap with a  
25           special entity shall comply with the require-

1           ments of paragraph (5) with respect to such  
2           special entity.

3           “(C) SPECIAL ENTITY DEFINED.—For  
4           purposes of this subsection, the term ‘special  
5           entity’ means—

6                   “(i) a Federal agency;

7                   “(ii) a State, State agency, city, coun-  
8                   ty, municipality, or other political subdivi-  
9                   sion of a State or;

10                   “(iii) any employee benefit plan, as  
11                   defined in section 3 of the Employee Re-  
12                   tirement Income Security Act of 1974 (29  
13                   U.S.C. 1002);

14                   “(iv) any governmental plan, as de-  
15                   fined in section 3 of the Employee Retire-  
16                   ment Income Security Act of 1974 (29  
17                   U.S.C. 1002); or

18                   “(v) any endowment, including an en-  
19                   dowment that is an organization described  
20                   in section 501(c)(3) of the Internal Rev-  
21                   enue Code of 1986.

22           “(3) BUSINESS CONDUCT REQUIREMENTS.—  
23           Business conduct requirements adopted by the Com-  
24           mission shall—

1           “(A) establish a duty for a security-based  
2 swap dealer or major security-based swap par-  
3 ticipant to verify that any counterparty meets  
4 the eligibility standards for an eligible contract  
5 participant;

6           “(B) require disclosure by the security-  
7 based swap dealer or major security-based swap  
8 participant to any counterparty to the trans-  
9 action (other than a security-based swap dealer,  
10 major security-based swap participant, security-  
11 based swap dealer, or major security-based  
12 swap participant) of—

13           “(i) information about the material  
14 risks and characteristics of the security-  
15 based swap;

16           “(ii) any material incentives or con-  
17 flicts of interest that the security-based  
18 swap dealer or major security-based swap  
19 participant may have in connection with  
20 the security-based swap; and

21           “(iii)(I) for cleared security-based  
22 swaps, upon the request of the  
23 counterparty, receipt of the daily mark of  
24 the transaction from the appropriate de-  
25 rivatives clearing organization; and

1           “(II) for uncleared security-based  
2           swaps, receipt of the daily mark of the  
3           transaction from the security-based swap  
4           dealer or the major security-based swap  
5           participant;

6           “(C) establish a duty for a security-based  
7           swap dealer or major security-based swap par-  
8           ticipant to communicate in a fair and balanced  
9           manner based on principles of fair dealing and  
10          good faith; and

11          “(D) establish such other standards and  
12          requirements as the Commission may determine  
13          are appropriate in the public interest, for the  
14          protection of investors, or otherwise in further-  
15          ance of the purposes of this Act.

16          “(4) SPECIAL REQUIREMENTS FOR SECURITY-  
17          BASED SWAP DEALERS ACTING AS ADVISORS.—

18                 “(A) IN GENERAL.—It shall be unlawful  
19                 for a security-based swap dealer or major secu-  
20                 rity-based swap participant—

21                         “(i) to employ any device, scheme, or  
22                         artifice to defraud any special entity or  
23                         prospective customer who is a special enti-  
24                         ty;



1           “(ii) to engage in any transaction,  
2           practice, or course of business that oper-  
3           ates as a fraud or deceit on any special en-  
4           tity or prospective customer who is a spe-  
5           cial entity; or

6           “(iii) to engage in any act, practice,  
7           or course of business that is fraudulent,  
8           deceptive, or manipulative.

9           “(B) DUTY.—Any security-based swap  
10          dealer that acts as an advisor to a special entity  
11          shall have a duty to act in the best interests of  
12          the special entity.

13          “(C) REASONABLE EFFORTS.—Any secu-  
14          rity-based swap dealer that acts as an advisor  
15          to a special entity shall make reasonable efforts  
16          to obtain such information as is necessary to  
17          make a reasonable determination that any secu-  
18          rity-based swap recommended by the security-  
19          based swap dealer is in the best interests of the  
20          special entity, including information relating  
21          to—

22                 “(i) the financial status of the special  
23                 entity;

24                 “(ii) the tax status of the special enti-  
25                 ty;

1                   “(iii) the investment or financing ob-  
2                   jectives of the special entity; and

3                   “(iv) any other information that the  
4                   Commission may prescribe by rule or regu-  
5                   lation.

6                   “(5) SPECIAL REQUIREMENTS FOR SECURITY-  
7                   BASED SWAP DEALERS AS COUNTERPARTIES TO SPE-  
8                   CIAL ENTITIES.—

9                   “(A) IN GENERAL.—Any security-based  
10                  swap dealer or major security-based swap par-  
11                  ticipant that offers to or enters into a security-  
12                  based swap with a special entity shall—

13                  “(i) comply with any duty established  
14                  by the Commission for a security-based  
15                  swap dealer or major security-based swap  
16                  participant, with respect to a counterparty  
17                  that is an eligible contract participant  
18                  within the meaning of subclause (I) or (II)  
19                  of clause (vii) of section 1a(18) of the  
20                  Commodity Exchange Act, that requires  
21                  the security-based swap dealer or major se-  
22                  curity-based swap participant to have a  
23                  reasonable basis to believe that the  
24                  counterparty that is a special entity has an  
25                  independent representative that—

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1           “(I) has sufficient knowledge to  
2 evaluate the transaction and risks;

3           “(II) is not subject to a statutory  
4 disqualification;

5           “(III) is independent of the secu-  
6 rity-based swap dealer or major secu-  
7 rity-based swap participant;

8           “(IV) undertakes a duty to act in  
9 the best interests of the counterparty  
10 it represents;

11           “(V) makes appropriate disclo-  
12 sures;

13           “(VI) will provide written rep-  
14 resentations to the special entity re-  
15 garding fair pricing and the appro-  
16 priateness of the transaction; and

17           “(VII) in the case of employee  
18 benefit plans subject to the Employee  
19 Retirement Income Security act of  
20 1974, is a fiduciary as defined in sec-  
21 tion 3 of that Act (29 U.S.C. 1002);  
22 and

23           “(ii) before the initiation of the trans-  
24 action, disclose to the special entity in

1 writing the capacity in which the security-  
2 based swap dealer is acting.

3 “(B) COMMISSION AUTHORITY.—The Com-  
4 mission may establish such other standards and  
5 requirements under this paragraph as the Com-  
6 mission may determine are appropriate in the  
7 public interest, for the protection of investors,  
8 or otherwise in furtherance of the purposes of  
9 this Act.

10 “(6) RULES.—The Commission shall prescribe  
11 rules under this subsection governing business con-  
12 duct standards for security-based swap dealers and  
13 major security-based swap participants.

14 “(7) APPLICABILITY.—This subsection shall not  
15 apply with respect to a transaction that is—

16 “(A) initiated by a special entity on an ex-  
17 change or security-based swaps execution facil-  
18 ity; and

19 “(B) the security-based swap dealer or  
20 major security-based swap participant does not  
21 know the identity of the counterparty to the  
22 transaction.”

23 “(i) DOCUMENTATION STANDARDS.—

24 “(1) IN GENERAL.—Each registered security-  
25 based swap dealer and major security-based swap

1 participant shall conform with such standards as  
2 may be prescribed by the Commission, by rule or  
3 regulation, that relate to timely and accurate con-  
4 firmation, processing, netting, documentation, and  
5 valuation of all security-based swaps.

6 “(2) RULES.—The Commission shall adopt  
7 rules governing documentation standards for secu-  
8 rity-based swap dealers and major security-based  
9 swap participants.

10 “(j) DUTIES.—Each registered security-based swap  
11 dealer and major security-based swap participant shall, at  
12 all times, comply with the following requirements:

13 “(1) MONITORING OF TRADING.—The security-  
14 based swap dealer or major security-based swap par-  
15 ticipant shall monitor its trading in security-based  
16 swaps to prevent violations of applicable position  
17 limits.

18 “(2) RISK MANAGEMENT PROCEDURES.—The  
19 security-based swap dealer or major security-based  
20 swap participant shall establish robust and profes-  
21 sional risk management systems adequate for man-  
22 aging the day-to-day business of the security-based  
23 swap dealer or major security-based swap partici-  
24 pant.

1           “(3) DISCLOSURE OF GENERAL INFORMA-  
2           TION.—The security-based swap dealer or major se-  
3           curity-based swap participant shall disclose to the  
4           Commission and to the prudential regulator for the  
5           security-based swap dealer or major security-based  
6           swap participant, as applicable, information con-  
7           cerning—

8                   “(A) terms and conditions of its security-  
9                   based swaps;

10                   “(B) security-based swap trading oper-  
11                   ations, mechanisms, and practices;

12                   “(C) financial integrity protections relating  
13                   to security-based swaps; and

14                   “(D) other information relevant to its trad-  
15                   ing in security-based swaps.

16           “(4) ABILITY TO OBTAIN INFORMATION.—The  
17           security-based swap dealer or major security-based  
18           swap participant shall—

19                   “(A) establish and enforce internal systems  
20                   and procedures to obtain any necessary infor-  
21                   mation to perform any of the functions de-  
22                   scribed in this section; and

23                   “(B) provide the information to the Com-  
24                   mission and to the prudential regulator for the  
25                   security-based swap dealer or major security-

1 based swap participant, as applicable, on re-  
2 quest.

3 “(5) CONFLICTS OF INTEREST.—The security-  
4 based swap dealer and major security-based swap  
5 participant shall implement conflict-of-interest sys-  
6 tems and procedures that—

7 “(A) establish structural and institutional  
8 safeguards to ensure that the activities of any  
9 person within the firm relating to research or  
10 analysis of the price or market for any security-  
11 based swap or acting in a role of providing  
12 clearing activities or making determinations as  
13 to accepting clearing customers are separated  
14 by appropriate informational partitions within  
15 the firm from the review, pressure, or oversight  
16 of persons whose involvement in pricing, trad-  
17 ing, or clearing activities might potentially bias  
18 their judgment or supervision and contravene  
19 the core principles of open access and the busi-  
20 ness conduct standards described in this title;  
21 and

22 “(B) address such other issues as the  
23 Commission determines to be appropriate.

24 “(6) ANTITRUST CONSIDERATIONS.—Unless  
25 necessary or appropriate to achieve the purposes of

1 this title, the security-based swap dealer or major se-  
2 curity-based swap participant shall not—

3 “(A) adopt any process or take any action  
4 that results in any unreasonable restraint of  
5 trade; or

6 “(B) impose any material anticompetitive  
7 burden on trading or clearing.

8 “(7) RULES.—The Commission shall prescribe  
9 rules under this subsection governing duties of secu-  
10 rity-based swap dealers and major security-based  
11 swap participants.

12 “(k) DESIGNATION OF CHIEF COMPLIANCE OFFI-  
13 CER.—

14 “(1) IN GENERAL.—Each security-based swap  
15 dealer and major security-based swap participant  
16 shall designate an individual to serve as a chief com-  
17 pliance officer.

18 “(2) DUTIES.—The chief compliance officer  
19 shall—

20 “(A) report directly to the board or to the  
21 senior officer of the security-based swap dealer  
22 or major security-based swap participant;

23 “(B) review the compliance of the security-  
24 based swap dealer or major security-based swap  
25 participant with respect to the security-based



1 swap dealer and major security-based swap par-  
2 ticipant requirements described in this section;

3 “(C) in consultation with the board of di-  
4 rectors, a body performing a function similar to  
5 the board, or the senior officer of the organiza-  
6 tion, resolve any conflicts of interest that may  
7 arise;

8 “(D) be responsible for administering each  
9 policy and procedure that is required to be es-  
10 tablished pursuant to this section;

11 “(E) ensure compliance with this title (in-  
12 cluding regulations) relating to security-based  
13 swaps, including each rule prescribed by the  
14 Commission under this section;

15 “(F) establish procedures for the remedi-  
16 ation of noncompliance issues identified by the  
17 chief compliance officer through any—

18 “(i) compliance office review;

19 “(ii) look-back;

20 “(iii) internal or external audit find-  
21 ing;

22 “(iv) self-reported error; or

23 “(v) validated complaint; and

24 “(G) establish and follow appropriate pro-  
25 cedures for the handling, management response,

1 remediation, retesting, and closing of non-  
2 compliance issues.

3 “(3) ANNUAL REPORTS.—

4 “(A) IN GENERAL.—In accordance with  
5 rules prescribed by the Commission, the chief  
6 compliance officer shall annually prepare and  
7 sign a report that contains a description of—

8 “(i) the compliance of the security-  
9 based swap dealer or major swap partici-  
10 pant with respect to this title (including  
11 regulations); and

12 “(ii) each policy and procedure of the  
13 security-based swap dealer or major secu-  
14 rity-based swap participant of the chief  
15 compliance officer (including the code of  
16 ethics and conflict of interest policies).

17 “(B) REQUIREMENTS.—A compliance re-  
18 port under subparagraph (A) shall—

19 “(i) accompany each appropriate fi-  
20 nancial report of the security-based swap  
21 dealer or major security-based swap partici-  
22 pant that is required to be furnished to  
23 the Commission pursuant to this section;  
24 and

1                   “(ii) include a certification that, under  
2                   penalty of law, the compliance report is ac-  
3                   curate and complete.

4           “(1) ENFORCEMENT AND ADMINISTRATIVE PRO-  
5 CEEDING AUTHORITY.—

6                   “(1) PRIMARY ENFORCEMENT AUTHORITY.—

7                           “(A) SECURITIES AND EXCHANGE COMMIS-  
8                   SION.—Except as provided in subparagraph  
9                   (B), (C), or (D), the Commission shall have pri-  
10                   mary authority to enforce subtitle B, and the  
11                   amendments made by subtitle B of the Wall  
12                   Street Transparency and Accountability Act of  
13                   2010, with respect to any person.

14                           “(B) PRUDENTIAL REGULATORS.—The  
15                   prudential regulators shall have exclusive au-  
16                   thority to enforce the provisions of subsection  
17                   (e) and other prudential requirements of this  
18                   title (including risk management standards),  
19                   with respect to security-based swap dealers or  
20                   major security-based swap participants for  
21                   which they are the prudential regulator.

22                           “(C) REFERRAL.—

23                                   “(i) VIOLATIONS OF NONPRUDENTIAL  
24                   REQUIREMENTS.—If the appropriate Fed-  
25                   eral banking agency for security-based

1 swap dealers or major security-based swap  
2 participants that are depository institu-  
3 tions has cause to believe that such secu-  
4 rity-based swap dealer or major security-  
5 based swap participant may have engaged  
6 in conduct that constitutes a violation of  
7 the nonprudential requirements of this sec-  
8 tion or rules adopted by the Commission  
9 thereunder, the agency may recommend in  
10 writing to the Commission that the Com-  
11 mission initiate an enforcement proceeding  
12 as authorized under this title. The rec-  
13 ommendation shall be accompanied by a  
14 written explanation of the concerns giving  
15 rise to the recommendation.

16 “(ii) VIOLATIONS OF PRUDENTIAL RE-  
17 QUIREMENTS.—If the Commission has  
18 cause to believe that a securities-based  
19 swap dealer or major securities-based swap  
20 participant that has a prudential regulator  
21 may have engaged in conduct that con-  
22 stitute a violation of the prudential re-  
23 quirements of subsection (e) or rules  
24 adopted thereunder, the Commission may  
25 recommend in writing to the prudential

1 regulator that the prudential regulator ini-  
2 tiate an enforcement proceeding as author-  
3 ized under this title. The recommendation  
4 shall be accompanied by a written expla-  
5 nation of the concerns giving rise to the  
6 recommendation.

7 “(D) BACKSTOP ENFORCEMENT AUTHOR-  
8 ITY.—

9 “(i) INITIATION OF ENFORCEMENT  
10 PROCEEDING BY PRUDENTIAL REGU-  
11 LATOR.—If the Commission does not ini-  
12 tiate an enforcement proceeding before the  
13 end of the 90-day period beginning on the  
14 date on which the Commission receives a  
15 written report under subsection (C)(i), the  
16 prudential regulator may initiate an en-  
17 forcement proceeding.

18 “(ii) INITIATION OF ENFORCEMENT  
19 PROCEEDING BY COMMISSION.—If the pru-  
20 dential regulator does not initiate an en-  
21 forcement proceeding before the end of the  
22 90-day period beginning on the date on  
23 which the prudential regulator receives a  
24 written report under subsection (C)(ii), the

1           Commission may initiate an enforcement  
2           proceeding.

3           “(2) CENSURE, DENIAL, SUSPENSION; NOTICE  
4           AND HEARING.—The Commission, by order, shall  
5           censure, place limitations on the activities, functions,  
6           or operations of, or revoke the registration of any se-  
7           curity-based swap dealer or major security-based  
8           swap participant that has registered with the Com-  
9           mission pursuant to subsection (b) if the Commis-  
10          sion finds, on the record after notice and oppor-  
11          tunity for hearing, that such censure, placing of lim-  
12          itations, or revocation is in the public interest and  
13          that such security-based swap dealer or major secu-  
14          rity-based swap participant, or any person associated  
15          with such security-based swap dealer or major secu-  
16          rity-based swap participant effecting or involved in  
17          effecting transactions in security-based swaps on be-  
18          half of such security-based swap dealer or major se-  
19          curity-based swap participant, whether prior or sub-  
20          sequent to becoming so associated—

21                  “(A) has committed or omitted any act, or  
22                  is subject to an order or finding, enumerated in  
23                  subparagraph (A), (D), or (E) of paragraph (4)  
24                  of section 15(b);

1           “(B) has been convicted of any offense  
2           specified in subparagraph (B) of such para-  
3           graph (4) within 10 years of the commencement  
4           of the proceedings under this subsection;

5           “(C) is enjoined from any action, conduct,  
6           or practice specified in subparagraph (C) of  
7           such paragraph (4);

8           “(D) is subject to an order or a final order  
9           specified in subparagraph (F) or (H), respec-  
10          tively, of such paragraph (4); or

11          “(E) has been found by a foreign financial  
12          regulatory authority to have committed or omit-  
13          ted any act, or violated any foreign statute or  
14          regulation, enumerated in subparagraph (G) of  
15          such paragraph (4).

16          “(3) ASSOCIATED PERSONS.—With respect to  
17          any person who is associated, who is seeking to be-  
18          come associated, or, at the time of the alleged mis-  
19          conduct, who was associated or was seeking to be-  
20          come associated with a security-based swap dealer or  
21          major security-based swap participant for the pur-  
22          pose of effecting or being involved in effecting secu-  
23          rity-based swaps on behalf of such security-based  
24          swap dealer or major security-based swap partici-  
25          pant, the Commission, by order, shall censure, place

1 limitations on the activities or functions of such per-  
2 son, or suspend for a period not exceeding 12  
3 months, or bar such person from being associated  
4 with a security-based swap dealer or major security-  
5 based swap participant, if the Commission finds, on  
6 the record after notice and opportunity for a hear-  
7 ing, that such censure, placing of limitations, sus-  
8 pension, or bar is in the public interest and that  
9 such person—

10 “(A) has committed or omitted any act, or  
11 is subject to an order or finding, enumerated in  
12 subparagraph (A), (D), or (E) of paragraph (4)  
13 of section 15(b);

14 “(B) has been convicted of any offense  
15 specified in subparagraph (B) of such para-  
16 graph (4) within 10 years of the commencement  
17 of the proceedings under this subsection;

18 “(C) is enjoined from any action, conduct,  
19 or practice specified in subparagraph (C) of  
20 such paragraph (4);

21 “(D) is subject to an order or a final order  
22 specified in subparagraph (F) or (H), respec-  
23 tively, of such paragraph (4); or

24 “(E) has been found by a foreign financial  
25 regulatory authority to have committed or omit-



1           ted any act, or violated any foreign statute or  
2           regulation, enumerated in subparagraph (G) of  
3           such paragraph (4).

4           “(4) UNLAWFUL CONDUCT.—It shall be unlaw-  
5           ful—

6                   “(A) for any person as to whom an order  
7                   under paragraph (3) is in effect, without the  
8                   consent of the Commission, willfully to become,  
9                   or to be, associated with a security-based swap  
10                  dealer or major security-based swap participant  
11                  in contravention of such order; or

12                   “(B) for any security-based swap dealer or  
13                   major security-based swap participant to permit  
14                   such a person, without the consent of the Com-  
15                   mission, to become or remain a person associ-  
16                   ated with the security-based swap dealer or  
17                   major security-based swap participant in con-  
18                   travention of such order, if such security-based  
19                   swap dealer or major security-based swap par-  
20                   ticipant knew, or in the exercise of reasonable  
21                   care should have known, of such order.”.

22           (b) SAVINGS CLAUSE.—Notwithstanding any other  
23           provision of this title, nothing in this subtitle shall be con-  
24           strued as divesting any appropriate Federal banking agen-  
25           cy of any authority it may have to establish or enforce,

1 with respect to a person for which such agency is the ap-  
2 propriate Federal banking agency, prudential or other  
3 standards pursuant to authority by Federal law other than  
4 this title.

5 **SEC. 765. RULEMAKING ON CONFLICT OF INTEREST.**

6 (a) IN GENERAL.—In order to mitigate conflicts of  
7 interest, not later than 180 days after the date of enact-  
8 ment of the Wall Street Transparency and Accountability  
9 Act of 2010, the Securities and Exchange Commission  
10 shall adopt rules which may include numerical limits on  
11 the control of, or the voting rights with respect to, any  
12 clearing agency that clears security-based swaps, or on the  
13 control of any security-based swap execution facility or na-  
14 tional securities exchange that posts or makes available  
15 for trading security-based swaps, by a bank holding com-  
16 pany (as defined in section 2 of the Bank Holding Com-  
17 pany Act of 1956 (12 U.S.C. 1841)) with total consoli-  
18 dated assets of \$50,000,000,000 or more, a nonbank fi-  
19 nancial company (as defined in section 102) supervised by  
20 the Board of Governors of the Federal Reserve System,  
21 affiliate of such a bank holding company or nonbank fi-  
22 nancial company, a security-based swap dealer, major se-  
23 curity-based swap participant, or person associated with  
24 a security-based swap dealer or major security-based swap  
25 participant.

1           (b) PURPOSES.—The Securities and Exchange Com-  
2 mission shall adopt rules if the Commission determines,  
3 after the review described in subsection (a), that such  
4 rules are necessary or appropriate to improve the govern-  
5 ance of, or to mitigate systemic risk, promote competition,  
6 or mitigate conflicts of interest in connection with a secu-  
7 rity-based swap dealer or major security-based swap par-  
8 ticipant’s conduct of business with, a clearing agency, na-  
9 tional securities exchange, or security-based swap execu-  
10 tion facility that clears, posts, or makes available for trad-  
11 ing security-based swaps and in which such security-based  
12 swap dealer or major security-based swap participant has  
13 a material debt or equity investment.

14           (c) CONSIDERATIONS.—In adopting rules pursuant to  
15 this section, the Securities and Exchange Commission  
16 shall consider any conflicts of interest arising from the  
17 amount of equity owned by a single investor, the ability  
18 to vote, cause the vote of, or withhold votes entitled to  
19 be cast on any matters by the holders of the ownership  
20 interest, and the governance arrangements of any deriva-  
21 tives clearing organization that clears swaps, or swap exe-  
22 cution facility or board of trade designated as a contract  
23 market that posts swaps or makes swaps available for  
24 trading.

1 **SEC. 766. REPORTING AND RECORDKEEPING.**

2 (a) IN GENERAL.—The Securities Exchange Act of  
3 1934 (15 U.S.C. 78a et seq.) is amended by inserting after  
4 section 13 the following:

5 **“SEC. 13A. REPORTING AND RECORDKEEPING FOR CER-**  
6 **TAIN SECURITY-BASED SWAPS.**

7 “(a) REQUIRED REPORTING OF SECURITY-BASED  
8 SWAPS NOT ACCEPTED BY ANY CLEARING AGENCY OR  
9 DERIVATIVES CLEARING ORGANIZATION.—

10 “(1) IN GENERAL.—Each security-based swap  
11 that is not accepted for clearing by any clearing  
12 agency or derivatives clearing organization shall be  
13 reported to—

14 “(A) a security-based swap data repository  
15 described in section 13(n); or

16 “(B) in the case in which there is no secu-  
17 rity-based swap data repository that would ac-  
18 cept the security-based swap, to the Commis-  
19 sion pursuant to this section within such time  
20 period as the Commission may by rule or regu-  
21 lation prescribe.

22 “(2) TRANSITION RULE FOR PREENACTMENT  
23 SECURITY-BASED SWAPS.—

24 “(A) SECURITY-BASED SWAPS ENTERED  
25 INTO BEFORE THE DATE OF ENACTMENT OF  
26 THE WALL STREET TRANSPARENCY AND AC-

1           COURTABILITY ACT OF 2010.—Each security-  
2           based swap entered into before the date of en-  
3           actment of the Wall Street Transparency and  
4           Accountability Act of 2010, the terms of which  
5           have not expired as of the date of enactment of  
6           that Act, shall be reported to a registered secu-  
7           rity-based swap data repository or the Commis-  
8           sion by a date that is not later than—

9                   “(i) 30 days after issuance of the in-  
10                   terim final rule; or

11                   “(ii) such other period as the Com-  
12                   mission determines to be appropriate.

13           “(B) COMMISSION RULEMAKING.—The  
14           Commission shall promulgate an interim final  
15           rule within 90 days of the date of enactment of  
16           this section providing for the reporting of each  
17           security-based swap entered into before the date  
18           of enactment as referenced in subparagraph  
19           (A).

20           “(C) EFFECTIVE DATE.—The reporting  
21           provisions described in this section shall be ef-  
22           fective upon the date of the enactment of this  
23           section.

24           “(3) REPORTING OBLIGATIONS.—

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1           “(A) SECURITY-BASED SWAPS IN WHICH  
2 ONLY 1 COUNTERPARTY IS A SECURITY-BASED  
3 SWAP DEALER OR MAJOR SECURITY-BASED  
4 SWAP PARTICIPANT.—With respect to a secu-  
5 rity-based swap in which only 1 counterparty is  
6 a security-based swap dealer or major security-  
7 based swap participant, the security-based swap  
8 dealer or major security-based swap participant  
9 shall report the security-based swap as required  
10 under paragraphs (1) and (2).

11           “(B) SECURITY-BASED SWAPS IN WHICH 1  
12 COUNTERPARTY IS A SECURITY-BASED SWAP  
13 DEALER AND THE OTHER A MAJOR SECURITY-  
14 BASED SWAP PARTICIPANT.—With respect to a  
15 security-based swap in which 1 counterparty is  
16 a security-based swap dealer and the other a  
17 major security-based swap participant, the secu-  
18 rity-based swap dealer shall report the security-  
19 based swap as required under paragraphs (1)  
20 and (2).

21           “(C) OTHER SECURITY-BASED SWAPS.—  
22 With respect to any other security-based swap  
23 not described in subparagraph (A) or (B), the  
24 counterparties to the security-based swap shall  
25 select a counterparty to report the security-

1           based swap as required under paragraphs (1)  
2           and (2).

3           “(b) DUTIES OF CERTAIN INDIVIDUALS.—Any indi-  
4           vidual or entity that enters into a security-based swap  
5           shall meet each requirement described in subsection (c)  
6           if the individual or entity did not—

7           “(1) clear the security-based swap in accord-  
8           ance with section 3C(a)(1); or

9           “(2) have the data regarding the security-based  
10          swap accepted by a security-based swap data reposi-  
11          tory in accordance with rules (including timeframes)  
12          adopted by the Commission under this title.

13          “(c) REQUIREMENTS.—An individual or entity de-  
14          scribed in subsection (b) shall—

15          “(1) upon written request from the Commis-  
16          sion, provide reports regarding the security-based  
17          swaps held by the individual or entity to the Com-  
18          mission in such form and in such manner as the  
19          Commission may request; and

20          “(2) maintain books and records pertaining to  
21          the security-based swaps held by the individual or  
22          entity in such form, in such manner, and for such  
23          period as the Commission may require, which shall  
24          be open to inspection by—

1           “(A) any representative of the Commis-  
2           sion;

3           “(B) an appropriate prudential regulator;

4           “(C) the Commodity Futures Trading  
5           Commission;

6           “(D) the Financial Stability Oversight  
7           Council; and

8           “(E) the Department of Justice.

9           “(d) IDENTICAL DATA.—In prescribing rules under  
10 this section, the Commission shall require individuals and  
11 entities described in subsection (b) to submit to the Com-  
12 mission a report that contains data that is not less com-  
13 prehensive than the data required to be collected by secu-  
14 rity-based swap data repositories under this title.”.

15           (b) BENEFICIAL OWNERSHIP REPORTING.—Section  
16 13 of the Securities Exchange Act of 1934 (15 U.S.C.  
17 78m) is amended—

18           (1) in subsection (d)(1), by inserting “or other-  
19           wise becomes or is deemed to become a beneficial  
20           owner of any of the foregoing upon the purchase or  
21           sale of a security-based swap that the Commission  
22           may define by rule, and” after “Alaska Native  
23           Claims Settlement Act,”; and

24           (2) in subsection (g)(1), by inserting “or other-  
25           wise becomes or is deemed to become a beneficial



1 owner of any security of a class described in sub-  
2 section (d)(1) upon the purchase or sale of a secu-  
3 rity-based swap that the Commission may define by  
4 rule” after “subsection (d)(1) of this section”.

5 (c) REPORTS BY INSTITUTIONAL INVESTMENT MAN-  
6 AGERS.—Section 13(f)(1) of the Securities Exchange Act  
7 of 1934 (15 U.S.C. 78m(f)(1)) is amended by inserting  
8 “or otherwise becomes or is deemed to become a beneficial  
9 owner of any security of a class described in subsection  
10 (d)(1) upon the purchase or sale of a security-based swap  
11 that the Commission may define by rule,” after “sub-  
12 section (d)(1) of this section”.

13 (d) ADMINISTRATIVE PROCEEDING AUTHORITY.—  
14 Section 15(b)(4) of the Securities Exchange Act of 1934  
15 (15 U.S.C. 78o(b)(4)) is amended—

16 (1) in subparagraph (C), by inserting “security-  
17 based swap dealer, major security-based swap partic-  
18 ipant,” after “government securities dealer,”; and

19 (2) in subparagraph (F), by striking “broker or  
20 dealer” and inserting “broker, dealer, security-based  
21 swap dealer, or a major security-based swap partici-  
22 pant”.

23 (e) SECURITY-BASED SWAP BENEFICIAL OWNER-  
24 SHIP.—Section 13 of the Securities Exchange Act of 1934

1 (15 U.S.C. 78m) is amended by adding at the end the  
2 following:

3 “(o) **BENEFICIAL OWNERSHIP.**—For purposes of this  
4 section and section 16, a person shall be deemed to acquire  
5 beneficial ownership of an equity security based on the  
6 purchase or sale of a security-based swap, only to the ex-  
7 tent that the Commission, by rule, determines after con-  
8 sultation with the prudential regulators and the Secretary  
9 of the Treasury, that the purchase or sale of the security-  
10 based swap, or class of security-based swap, provides inci-  
11 dents of ownership comparable to direct ownership of the  
12 equity security, and that it is necessary to achieve the pur-  
13 poses of this section that the purchase or sale of the secu-  
14 rity-based swaps, or class of security-based swap, be  
15 deemed the acquisition of beneficial ownership of the eq-  
16 uity security.”.

17 **SEC. 767. STATE GAMING AND BUCKET SHOP LAWS.**

18 Section 28(a) of the Securities Exchange Act of 1934  
19 (15 U.S.C. 78bb(a)) is amended to read as follows:

20 “(a) **LIMITATION ON JUDGMENTS.**—

21 “(1) **IN GENERAL.**—No person permitted to  
22 maintain a suit for damages under the provisions of  
23 this title shall recover, through satisfaction of judg-  
24 ment in 1 or more actions, a total amount in excess  
25 of the actual damages to that person on account of

1 the act complained of. Except as otherwise specifi-  
2 cally provided in this title, nothing in this title shall  
3 affect the jurisdiction of the securities commission  
4 (or any agency or officer performing like functions)  
5 of any State over any security or any person insofar  
6 as it does not conflict with the provisions of this title  
7 or the rules and regulations under this title.

8 “(2) RULE OF CONSTRUCTION.—Except as pro-  
9 vided in subsection (f), the rights and remedies pro-  
10 vided by this title shall be in addition to any and all  
11 other rights and remedies that may exist at law or  
12 in equity.

13 “(3) STATE BUCKET SHOP LAWS.—No State  
14 law which prohibits or regulates the making or pro-  
15 moting of wagering or gaming contracts, or the op-  
16 eration of ‘bucket shops’ or other similar or related  
17 activities, shall invalidate—

18 “(A) any put, call, straddle, option, privi-  
19 lege, or other security subject to this title (ex-  
20 cept any security that has a pari-mutuel payout  
21 or otherwise is determined by the Commission,  
22 acting by rule, regulation, or order, to be appro-  
23 priately subject to such laws), or apply to any  
24 activity which is incidental or related to the

1 offer, purchase, sale, exercise, settlement, or  
2 closeout of any such security;

3 “(B) any security-based swap between eli-  
4 gible contract participants; or

5 “(C) any security-based swap effected on a  
6 national securities exchange registered pursuant  
7 to section 6(b).

8 “(4) OTHER STATE PROVISIONS.—No provision  
9 of State law regarding the offer, sale, or distribution  
10 of securities shall apply to any transaction in a secu-  
11 rity-based swap or a security futures product, except  
12 that this paragraph may not be construed as lim-  
13 iting any State antifraud law of general applica-  
14 bility. A security-based swap may not be regulated  
15 as an insurance contract under any provision of  
16 State law.”.

17 **SEC. 768. AMENDMENTS TO THE SECURITIES ACT OF 1933;**  
18 **TREATMENT OF SECURITY-BASED SWAPS.**

19 (a) DEFINITIONS.—Section 2(a) of the Securities Act  
20 of 1933 (15 U.S.C. 77b(a)) is amended—

21 (1) in paragraph (1), by inserting “security-  
22 based swap,” after “security future,”;

23 (2) in paragraph (3), by adding at the end the  
24 following: “Any offer or sale of a security-based  
25 swap by or on behalf of the issuer of the securities

1       upon which such security-based swap is based or is  
2       referenced, an affiliate of the issuer, or an under-  
3       writer, shall constitute a contract for sale of, sale of,  
4       offer for sale, or offer to sell such securities.”; and

5               (3) by adding at the end the following:

6               “(17) The terms ‘swap’ and ‘security-based  
7       swap’ have the same meanings as in section 1a of  
8       the Commodity Exchange Act (7 U.S.C. 1a).

9               “(18) The terms ‘purchase’ or ‘sale’ of a secu-  
10       rity-based swap shall be deemed to mean the execu-  
11       tion, termination (prior to its scheduled maturity  
12       date), assignment, exchange, or similar transfer or  
13       conveyance of, or extinguishing of rights or obliga-  
14       tions under, a security-based swap, as the context  
15       may require.”.

16       (b) REGISTRATION OF SECURITY-BASED SWAPS.—  
17       Section 5 of the Securities Act of 1933 (15 U.S.C. 77e)  
18       is amended by adding at the end the following:

19               “(d) Notwithstanding the provisions of section 3 or  
20       4, unless a registration statement meeting the require-  
21       ments of section 10(a) is in effect as to a security-based  
22       swap, it shall be unlawful for any person, directly or indi-  
23       rectly, to make use of any means or instruments of trans-  
24       portation or communication in interstate commerce or of  
25       the mails to offer to sell, offer to buy or purchase or sell

1 a security-based swap to any person who is not an eligible  
2 contract participant as defined in section 1a(18) of the  
3 Commodity Exchange Act (7 U.S.C. 1a(18)).”.

4 **SEC. 769. DEFINITIONS UNDER THE INVESTMENT COMPANY**  
5 **ACT OF 1940.**

6 Section 2(a) of the Investment Company Act of 1940  
7 (15 U.S.C. 80a–2) is amended by adding at the end the  
8 following:

9 “(54) The terms ‘commodity pool’, ‘commodity  
10 pool operator’, ‘commodity trading advisor’, ‘major  
11 swap participant’, ‘swap’, ‘swap dealer’, and ‘swap  
12 execution facility’ have the same meanings as in sec-  
13 tion 1a of the Commodity Exchange Act (7 U.S.C.  
14 1a).”.

15 **SEC. 770. DEFINITIONS UNDER THE INVESTMENT ADVISERS**  
16 **ACT OF 1940.**

17 Section 202(a) of the Investment Advisers Act of  
18 1940 (15 U.S.C. 80b–2) is amended by adding at the end  
19 the following:

20 “(29) The terms ‘commodity pool’, ‘commodity  
21 pool operator’, ‘commodity trading advisor’, ‘major  
22 swap participant’, ‘swap’, ‘swap dealer’, and ‘swap  
23 execution facility’ have the same meanings as in sec-  
24 tion 1a of the Commodity Exchange Act (7 U.S.C.  
25 1a).”.

1 **SEC. 771. OTHER AUTHORITY.**

2 Unless otherwise provided by its terms, this subtitle  
3 does not divest any appropriate Federal banking agency,  
4 the Securities and Exchange Commission, the Commodity  
5 Futures Trading Commission, or any other Federal or  
6 State agency, of any authority derived from any other pro-  
7 vision of applicable law.

8 **SEC. 772. JURISDICTION.**

9 (a) IN GENERAL.—Section 36 of the Securities Ex-  
10 change Act of 1934 (15 U.S.C. 78mm) is amended by add-  
11 ing at the end the following:

12 “(c) DERIVATIVES.—Unless the Commission is ex-  
13 pressly authorized by any provision described in this sub-  
14 section to grant exemptions, the Commission shall not  
15 grant exemptions, with respect to amendments made by  
16 subtitle B of the Wall Street Transparency and Account-  
17 ability Act of 2010, with respect to paragraphs (65), (66),  
18 (68), (69), (70), (71), (72), (73), (74), (75), (76), and  
19 (79) of section 3(a), and sections 10B(a), 10B(b), 10B(c),  
20 13A, 15F, 17A(g), 17A(h), 17A(i), 17A(j), 17A(k), and  
21 17A(l); provided that the Commission shall have exemp-  
22 tive authority under this title with respect to security-  
23 based swaps as to the same matters that the Commodity  
24 Futures Trading Commission has under the Wall Street  
25 Transparency and Accountability Act of 2010 with respect

1 to swaps, including under section 4(c) of the Commodity  
2 Exchange Act.”.

3 (b) **RULE OF CONSTRUCTION.**—Section 30 of the Se-  
4 curities Exchange Act of 1934 (15 U.S.C. 78dd) is amend-  
5 ed by adding at the end the following:

6 “(c) **RULE OF CONSTRUCTION.**—No provision of this  
7 title that was added by the Wall Street Transparency and  
8 Accountability Act of 2010, or any rule or regulation  
9 thereunder, shall apply to any person insofar as such per-  
10 son transacts a business in security-based swaps without  
11 the jurisdiction of the United States, unless such person  
12 transacts such business in contravention of such rules and  
13 regulations as the Commission may prescribe as necessary  
14 or appropriate to prevent the evasion of any provision of  
15 this title that was added by the Wall Street Transparency  
16 and Accountability Act of 2010. This subsection shall not  
17 be construed to limit the jurisdiction of the Commission  
18 under any provision of this title, as in effect prior to the  
19 date of enactment of the Wall Street Transparency and  
20 Accountability Act of 2010.”.

21 **SEC. 773. CIVIL PENALTIES.**

22 Section 21B of the Securities Exchange Act of 1934  
23 (15 U.S.C. 78p-2) is amended by adding at the end the  
24 following:

25 “(f) **SECURITY-BASED SWAPS.**—



1           “(1) CLEARING AGENCY.—Any clearing agency  
2           that knowingly or recklessly evades or participates in  
3           or facilitates an evasion of the requirements of sec-  
4           tion 3C shall be liable for a civil money penalty in  
5           twice the amount otherwise available for a violation  
6           of section 3C.

7           “(2) SECURITY-BASED SWAP DEALER OR MAJOR  
8           SECURITY-BASED SWAP PARTICIPANT.—Any secu-  
9           rity-based swap dealer or major security-based swap  
10          participant that knowingly or recklessly evades or  
11          participates in or facilitates an evasion of the re-  
12          quirements of section 3C shall be liable for a civil  
13          money penalty in twice the amount otherwise avail-  
14          able for a violation of section 3C.”.

15 **SEC. 774. EFFECTIVE DATE.**

16          Unless otherwise provided, the provisions of this sub-  
17          title shall take effect on the later of 360 days after the  
18          date of the enactment of this subtitle or, to the extent  
19          a provision of this subtitle requires a rulemaking, not less  
20          than 60 days after publication of the final rule or regula-  
21          tion implementing such provision of this subtitle.

1 **TITLE VIII—PAYMENT, CLEAR-**  
2 **ING, AND SETTLEMENT SU-**  
3 **PERVISION**

4 **SEC. 801. SHORT TITLE.**

5 This title may be cited as the “Payment, Clearing,  
6 and Settlement Supervision Act of 2010”.

7 **SEC. 802. FINDINGS AND PURPOSES.**

8 (a) FINDINGS.—Congress finds the following:

9 (1) The proper functioning of the financial mar-  
10 kets is dependent upon safe and efficient arrange-  
11 ments for the clearing and settlement of payment,  
12 securities, and other financial transactions.

13 (2) Financial market utilities that conduct or  
14 support multilateral payment, clearing, or settlement  
15 activities may reduce risks for their participants and  
16 the broader financial system, but such utilities may  
17 also concentrate and create new risks and thus must  
18 be well designed and operated in a safe and sound  
19 manner.

20 (3) Payment, clearing, and settlement activities  
21 conducted by financial institutions also present im-  
22 portant risks to the participating financial institu-  
23 tions and to the financial system.

24 (4) Enhancements to the regulation and super-  
25 vision of systemically important financial market

1 utilities and the conduct of systemically important  
2 payment, clearing, and settlement activities by finan-  
3 cial institutions are necessary—

4 (A) to provide consistency;

5 (B) to promote robust risk management  
6 and safety and soundness;

7 (C) to reduce systemic risks; and

8 (D) to support the stability of the broader  
9 financial system.

10 (b) PURPOSE.—The purpose of this title is to miti-  
11 gate systemic risk in the financial system and promote fi-  
12 nancial stability by—

13 (1) authorizing the Board of Governors to pro-  
14 mote uniform standards for the—

15 (A) management of risks by systemically  
16 important financial market utilities; and

17 (B) conduct of systemically important pay-  
18 ment, clearing, and settlement activities by fi-  
19 nancial institutions;

20 (2) providing the Board of Governors an en-  
21 hanced role in the supervision of risk management  
22 standards for systemically important financial mar-  
23 ket utilities;

24 (3) strengthening the liquidity of systemically  
25 important financial market utilities; and

1           (4) providing the Board of Governors an en-  
2           hanced role in the supervision of risk management  
3           standards for systemically important payment, clear-  
4           ing, and settlement activities by financial institu-  
5           tions.

6 **SEC. 803. DEFINITIONS.**

7           In this title, the following definitions shall apply:

8           (1) **APPROPRIATE FINANCIAL REGULATOR.**—

9           The term “appropriate financial regulator” means—

10           (A) the primary financial regulatory agen-  
11           cy, as defined in section 2 of this Act;

12           (B) the National Credit Union Administra-  
13           tion, with respect to any insured credit union  
14           under the Federal Credit Union Act (12 U.S.C.  
15           1751 et seq.); and

16           (C) the Board of Governors, with respect  
17           to organizations operating under section 25A of  
18           the Federal Reserve Act (12 U.S.C. 611), and  
19           any other financial institution engaged in a des-  
20           ignated activity.

21           (2) **DESIGNATED ACTIVITY.**—The term “des-  
22           ignated activity” means a payment, clearing, or set-  
23           tlement activity that the Council has designated as  
24           systemically important under section 804.



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1 Act (12 U.S.C. 601–604a and 611 through  
2 631);

3 (iv) a credit union, as defined in sec-  
4 tion 101 of the Federal Credit Union Act  
5 (12 U.S.C. 1752);

6 (v) a broker or dealer, as defined in  
7 section 3 of the Securities Exchange Act of  
8 1934 (15 U.S.C. 78c);

9 (vi) an investment company, as de-  
10 fined in section 3 of the Investment Com-  
11 pany Act of 1940 (15 U.S.C. 80a–3);

12 (vii) an insurance company, as defined  
13 in section 2 of the Investment Company  
14 Act of 1940 (15 U.S.C. 80a–2);

15 (viii) an investment adviser, as de-  
16 fined in section 202 of the Investment Ad-  
17 visers Act of 1940 (15 U.S.C. 80b–2);

18 (ix) a futures commission merchant,  
19 commodity trading advisor, or commodity  
20 pool operator, as defined in section 1a of  
21 the Commodity Exchange Act (7 U.S.C.  
22 1a); and

23 (x) any company engaged in activities  
24 that are financial in nature or incidental to  
25 a financial activity, as described in section

1                   4 of the Bank Holding Company Act of  
2                   1956 (12 U.S.C. 1843(k)).

3                   (B) EXCLUSIONS.—The term “financial in-  
4                   stitution” does not include designated contract  
5                   markets, registered futures associations, swap  
6                   data repositories, and swap execution facilities  
7                   registered under the Commodity Exchange Act  
8                   (7 U.S.C. 1 et seq.), or national securities ex-  
9                   changes, national securities associations, alter-  
10                  native trading systems, securities information  
11                  processors solely with respect to the activities of  
12                  the entity as a securities information processor,  
13                  security-based swap data repositories, and swap  
14                  execution facilities registered under the Securi-  
15                  ties Exchange Act of 1934 (15 U.S.C. 78a et  
16                  seq.), or designated clearing entities, provided  
17                  that the exclusions in this subparagraph apply  
18                  only with respect to the activities that require  
19                  the entity to be so registered.

20                  (6) FINANCIAL MARKET UTILITY.—

21                  (A) INCLUSION.—The term “financial  
22                  market utility” means any person that manages  
23                  or operates a multilateral system for the pur-  
24                  pose of transferring, clearing, or settling pay-  
25                  ments, securities, or other financial transactions

1           among financial institutions or between finan-  
2           cial institutions and the person.

3           (B) EXCLUSIONS.—The term “financial  
4           market utility” does not include—

5                   (i) designated contract markets, reg-  
6                   istered futures associations, swap data re-  
7                   positories, and swap execution facilities  
8                   registered under the Commodity Exchange  
9                   Act (7 U.S.C. 1 et seq.), or national secu-  
10                  rities exchanges, national securities asso-  
11                  ciations, alternative trading systems, secu-  
12                  rity-based swap data repositories, and  
13                  swap execution facilities registered under  
14                  the Securities Exchange Act of 1934 (15  
15                  U.S.C. 78a et seq.), solely by reason of  
16                  their providing facilities for comparison of  
17                  data respecting the terms of settlement of  
18                  securities or futures transactions effected  
19                  on such exchange or by means of any elec-  
20                  tronic system operated or controlled by  
21                  such entities, provided that the exclusions  
22                  in this clause apply only with respect to  
23                  the activities that require the entity to be  
24                  so registered; and



1                   (ii) any broker, dealer, transfer agent,  
2                   or investment company, or any futures  
3                   commission merchant, introducing broker,  
4                   commodity trading advisor, or commodity  
5                   pool operator, solely by reason of functions  
6                   performed by such institution as part of  
7                   brokerage, dealing, transfer agency, or in-  
8                   vestment company activities, or solely by  
9                   reason of acting on behalf of a financial  
10                  market utility or a participant therein in  
11                  connection with the furnishing by the fi-  
12                  nancial market utility of services to its  
13                  participants or the use of services of the fi-  
14                  nancial market utility by its participants,  
15                  provided that services performed by such  
16                  institution do not constitute critical risk  
17                  management or processing functions of the  
18                  financial market utility.

19                  (7) PAYMENT, CLEARING, OR SETTLEMENT AC-  
20                  TIVITY.—

21                  (A) IN GENERAL.—The term “payment,  
22                  clearing, or settlement activity” means an activ-  
23                  ity carried out by 1 or more financial institu-  
24                  tions to facilitate the completion of financial  
25                  transactions, but shall not include any offer or

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1 sale of a security under the Securities Act of  
2 1933 (15 U.S.C. 77a et seq.), or any quotation,  
3 order entry, negotiation, or other pre-trade ac-  
4 tivity or execution activity.

5 (B) FINANCIAL TRANSACTION.—For the  
6 purposes of subparagraph (A), the term “finan-  
7 cial transaction” includes—

- 8 (i) funds transfers;  
9 (ii) securities contracts;  
10 (iii) contracts of sale of a commodity  
11 for future delivery;  
12 (iv) forward contracts;  
13 (v) repurchase agreements;  
14 (vi) swaps;  
15 (vii) security-based swaps;  
16 (viii) swap agreements;  
17 (ix) security-based swap agreements;  
18 (x) foreign exchange contracts;  
19 (xi) financial derivatives contracts;  
20 and  
21 (xii) any similar transaction that the  
22 Council determines to be a financial trans-  
23 action for purposes of this title.

24 (C) INCLUDED ACTIVITIES.—When con-  
25 ducted with respect to a financial transaction,

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1 payment, clearing, and settlement activities may  
2 include—

3 (i) the calculation and communication  
4 of unsettled financial transactions between  
5 counterparties;

6 (ii) the netting of transactions;

7 (iii) provision and maintenance of  
8 trade, contract, or instrument information;

9 (iv) the management of risks and ac-  
10 tivities associated with continuing financial  
11 transactions;

12 (v) transmittal and storage of pay-  
13 ment instructions;

14 (vi) the movement of funds;

15 (vii) the final settlement of financial  
16 transactions; and

17 (viii) other similar functions that the  
18 Council may determine.

19 (D) EXCLUSION.—Payment, clearing, and  
20 settlement activities shall not include public re-  
21 porting of swap transaction data under section  
22 727 or 763(i) of the Wall Street Transparency  
23 and Accountability Act of 2010.

24 (8) SUPERVISORY AGENCY.—

1 (A) IN GENERAL.—The term “Supervisory  
2 Agency” means the Federal agency that has  
3 primary jurisdiction over a designated financial  
4 market utility under Federal banking, securi-  
5 ties, or commodity futures laws, as follows:

6 (i) The Securities and Exchange Com-  
7 mission, with respect to a designated fi-  
8 nancial market utility that is a clearing  
9 agency registered with the Securities and  
10 Exchange Commission.

11 (ii) The Commodity Futures Trading  
12 Commission, with respect to a designated  
13 financial market utility that is a deriva-  
14 tives clearing organization registered with  
15 the Commodity Futures Trading Commis-  
16 sion.

17 (iii) The appropriate Federal banking  
18 agency, with respect to a designated finan-  
19 cial market utility that is an institution de-  
20 scribed in section 3(q) of the Federal De-  
21 posit Insurance Act.

22 (iv) The Board of Governors, with re-  
23 spect to a designated financial market util-  
24 ity that is otherwise not subject to the ju-

1 jurisdiction of any agency listed in clauses  
2 (i), (ii), and (iii).

3 (B) MULTIPLE AGENCY JURISDICTION.—If  
4 a designated financial market utility is subject  
5 to the jurisdictional supervision of more than 1  
6 agency listed in subparagraph (A), then such  
7 agencies should agree on 1 agency to act as the  
8 Supervisory Agency, and if such agencies can-  
9 not agree on which agency has primary jurisdic-  
10 tion, the Council shall decide which agency is  
11 the Supervisory Agency for purposes of this  
12 title.

13 (9) SYSTEMICALLY IMPORTANT AND SYSTEMIC  
14 IMPORTANCE.—The terms “systemically important”  
15 and “systemic importance” mean a situation where  
16 the failure of or a disruption to the functioning of  
17 a financial market utility or the conduct of a pay-  
18 ment, clearing, or settlement activity could create, or  
19 increase, the risk of significant liquidity or credit  
20 problems spreading among financial institutions or  
21 markets and thereby threaten the stability of the fi-  
22 nancial system of the United States.

23 **SEC. 804. DESIGNATION OF SYSTEMIC IMPORTANCE.**

24 (a) DESIGNATION.—

1           (1) FINANCIAL STABILITY OVERSIGHT COUN-  
2           CIL.—The Council, on a nondelegable basis and by  
3           a vote of not fewer than  $\frac{2}{3}$  of members then serving,  
4           including an affirmative vote by the Chairperson of  
5           the Council, shall designate those financial market  
6           utilities or payment, clearing, or settlement activities  
7           that the Council determines are, or are likely to be-  
8           come, systemically important.

9           (2) CONSIDERATIONS.—In determining whether  
10          a financial market utility or payment, clearing, or  
11          settlement activity is, or is likely to become, system-  
12          ically important, the Council shall take into consid-  
13          eration the following:

14                 (A) The aggregate monetary value of  
15                 transactions processed by the financial market  
16                 utility or carried out through the payment,  
17                 clearing, or settlement activity.

18                 (B) The aggregate exposure of the finan-  
19                 cial market utility or a financial institution en-  
20                 gaged in payment, clearing, or settlement activi-  
21                 ties to its counterparties.

22                 (C) The relationship, interdependencies, or  
23                 other interactions of the financial market utility  
24                 or payment, clearing, or settlement activity with

1 other financial market utilities or payment,  
2 clearing, or settlement activities.

3 (D) The effect that the failure of or a dis-  
4 ruption to the financial market utility or pay-  
5 ment, clearing, or settlement activity would  
6 have on critical markets, financial institutions,  
7 or the broader financial system.

8 (E) Any other factors that the Council  
9 deems appropriate.

10 (b) RESCISSION OF DESIGNATION.—

11 (1) IN GENERAL.—The Council, on a nondele-  
12 gable basis and by a vote of not fewer than  $\frac{2}{3}$  of  
13 members then serving, including an affirmative vote  
14 by the Chairperson of the Council, shall rescind a  
15 designation of systemic importance for a designated  
16 financial market utility or designated activity if the  
17 Council determines that the utility or activity no  
18 longer meets the standards for systemic importance.

19 (2) EFFECT OF RESCISSION.—Upon rescission,  
20 the financial market utility or financial institutions  
21 conducting the activity will no longer be subject to  
22 the provisions of this title or any rules or orders pre-  
23 scribed under this title.

24 (c) CONSULTATION AND NOTICE AND OPPORTUNITY  
25 FOR HEARING.—

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1           (1) CONSULTATION.—Before making any deter-  
2           mination under subsection (a) or (b), the Council  
3           shall consult with the relevant Supervisory Agency  
4           and the Board of Governors.

5           (2) ADVANCE NOTICE AND OPPORTUNITY FOR  
6           HEARING.—

7           (A) IN GENERAL.—Before making any de-  
8           termination under subsection (a) or (b), the  
9           Council shall provide the financial market util-  
10          ity or, in the case of a payment, clearing, or  
11          settlement activity, financial institutions with  
12          advance notice of the proposed determination of  
13          the Council.

14          (B) NOTICE IN FEDERAL REGISTER.—The  
15          Council shall provide such advance notice to fi-  
16          nancial institutions by publishing a notice in  
17          the Federal Register.

18          (C) REQUESTS FOR HEARING.—Within 30  
19          days from the date of any notice of the pro-  
20          posed determination of the Council, the finan-  
21          cial market utility or, in the case of a payment,  
22          clearing, or settlement activity, a financial insti-  
23          tution engaged in the designated activity may  
24          request, in writing, an opportunity for a written  
25          or oral hearing before the Council to dem-



1           onstrate that the proposed designation or re-  
2           scission of designation is not supported by sub-  
3           stantial evidence.

4           (D) WRITTEN SUBMISSIONS.—Upon re-  
5           ceipt of a timely request, the Council shall fix  
6           a time, not more than 30 days after receipt of  
7           the request, unless extended at the request of  
8           the financial market utility or financial institu-  
9           tion, and place at which the financial market  
10          utility or financial institution may appear, per-  
11          sonally or through counsel, to submit written  
12          materials, or, at the sole discretion of the Coun-  
13          cil, oral testimony or oral argument.

14          (3) EMERGENCY EXCEPTION.—

15          (A) WAIVER OR MODIFICATION BY VOTE  
16          OF THE COUNCIL.—The Council may waive or  
17          modify the requirements of paragraph (2) if the  
18          Council determines, by an affirmative vote of  
19          not fewer than  $\frac{2}{3}$  of members then serving, in-  
20          cluding an affirmative vote by the Chairperson  
21          of the Council, that the waiver or modification  
22          is necessary to prevent or mitigate an imme-  
23          diate threat to the financial system posed by  
24          the financial market utility or the payment,  
25          clearing, or settlement activity.

1 (B) NOTICE OF WAIVER OR MODIFICA-  
2 TION.—The Council shall provide notice of the  
3 waiver or modification to the financial market  
4 utility concerned or, in the case of a payment,  
5 clearing, or settlement activity, to financial in-  
6 stitutions, as soon as practicable, which shall be  
7 no later than 24 hours after the waiver or  
8 modification in the case of a financial market  
9 utility and 3 business days in the case of finan-  
10 cial institutions. The Council shall provide the  
11 notice to financial institutions by posting a no-  
12 tice on the website of the Council and by pub-  
13 lishing a notice in the Federal Register.

14 (d) NOTIFICATION OF FINAL DETERMINATION.—

15 (1) AFTER HEARING.—Within 60 days of any  
16 hearing under subsection (c)(2), the Council shall  
17 notify the financial market utility or financial insti-  
18 tutions of the final determination of the Council in  
19 writing, which shall include findings of fact upon  
20 which the determination of the Council is based.

21 (2) WHEN NO HEARING REQUESTED.—If the  
22 Council does not receive a timely request for a hear-  
23 ing under subsection (c)(2), the Council shall notify  
24 the financial market utility or financial institutions  
25 of the final determination of the Council in writing

1 not later than 30 days after the expiration of the  
2 date by which a financial market utility or a finan-  
3 cial institution could have requested a hearing. All  
4 notices to financial institutions under this subsection  
5 shall be published in the Federal Register.

6 (e) **EXTENSION OF TIME PERIODS.**—The Council  
7 may extend the time periods established in subsections (c)  
8 and (d) as the Council determines to be necessary or ap-  
9 propriate.

10 **SEC. 805. STANDARDS FOR SYSTEMICALLY IMPORTANT FI-**  
11 **NANCIAL MARKET UTILITIES AND PAYMENT,**  
12 **CLEARING, OR SETTLEMENT ACTIVITIES.**

13 (a) **AUTHORITY TO PRESCRIBE STANDARDS.**—

14 (1) **BOARD OF GOVERNORS.**—Except as pro-  
15 vided in paragraph (2), the Board of Governors, by  
16 rule or order, and in consultation with the Council  
17 and the Supervisory Agencies, shall prescribe risk  
18 management standards, taking into consideration  
19 relevant international standards and existing pru-  
20 dential requirements, governing—

21 (A) the operations related to the payment,  
22 clearing, and settlement activities of designated  
23 financial market utilities; and

24 (B) the conduct of designated activities by  
25 financial institutions.

1           (2) SPECIAL PROCEDURES FOR DESIGNATED  
2 CLEARING ENTITIES AND DESIGNATED ACTIVITIES  
3 OF CERTAIN FINANCIAL INSTITUTIONS.—

4           (A) CFTC AND COMMISSION.—The Com-  
5 modity Futures Trading Commission and the  
6 Commission may each prescribe regulations, in  
7 consultation with the Council and the Board of  
8 Governors, containing risk management stand-  
9 ards, taking into consideration relevant inter-  
10 national standards and existing prudential re-  
11 quirements, for those designated clearing enti-  
12 ties and financial institutions engaged in des-  
13 ignated activities for which each is the Super-  
14 visory Agency or the appropriate financial regu-  
15 lator, governing—

16           (i) the operations related to payment,  
17 clearing, and settlement activities of such  
18 designated clearing entities; and

19           (ii) the conduct of designated activi-  
20 ties by such financial institutions.

21           (B) REVIEW AND DETERMINATION.—The  
22 Board of Governors may determine that exist-  
23 ing prudential requirements of the Commodity  
24 Futures Trading Commission, the Commission,  
25 or both (including requirements prescribed pur-

1           suant to subparagraph (A)) with respect to des-  
2           ignated clearing entities and financial institu-  
3           tions engaged in designated activities for which  
4           the Commission or the Commodity Futures  
5           Trading Commission is the Supervisory Agency  
6           or the appropriate financial regulator are insuf-  
7           ficient to prevent or mitigate significant liquid-  
8           ity, credit, operational, or other risks to the fi-  
9           nancial markets or to the financial stability of  
10          the United States.

11           (C) WRITTEN DETERMINATION.—Any de-  
12          termination by the Board of Governors under  
13          subparagraph (B) shall be provided in writing  
14          to the Commodity Futures Trading Commission  
15          or the Commission, as applicable, and the  
16          Council, and shall explain why existing pruden-  
17          tial requirements, considered as a whole, are in-  
18          sufficient to ensure that the operations and ac-  
19          tivities of the designated clearing entities or the  
20          activities of financial institutions described in  
21          subparagraph (B) will not pose significant li-  
22          quidity, credit, operational, or other risks to the  
23          financial markets or to the financial stability of  
24          the United States. The Board of Governors' de-  
25          termination shall contain a detailed analysis

1 supporting its findings and identify the specific  
2 prudential requirements that are insufficient.

3 (D) CFTC AND COMMISSION RESPONSE.—

4 The Commodity Futures Trading Commission  
5 or the Commission, as applicable, shall within  
6 60 days either object to the Board of Gov-  
7 ernors' determination with a detailed analysis  
8 as to why existing prudential requirements are  
9 sufficient, or submit an explanation to the  
10 Council and the Board of Governors describing  
11 the actions to be taken in response to the  
12 Board of Governors' determination.

13 (E) AUTHORIZATION.—Upon an affirma-  
14 tive vote by not fewer than 2/3 of members then  
15 serving on the Council, the Council shall either  
16 find that the response submitted under sub-  
17 paragraph (D) is sufficient, or require the Com-  
18 modity Futures Trading Commission, or the  
19 Commission, as applicable, to prescribe such  
20 risk management standards as the Council de-  
21 termines is necessary to address the specific  
22 prudential requirements that are determined to  
23 be insufficient.”

1 (b) OBJECTIVES AND PRINCIPLES.—The objectives  
2 and principles for the risk management standards pre-  
3 scribed under subsection (a) shall be to—

- 4 (1) promote robust risk management;
- 5 (2) promote safety and soundness;
- 6 (3) reduce systemic risks; and
- 7 (4) support the stability of the broader financial  
8 system.

9 (c) SCOPE.—The standards prescribed under sub-  
10 section (a) may address areas such as—

- 11 (1) risk management policies and procedures;
- 12 (2) margin and collateral requirements;
- 13 (3) participant or counterparty default policies  
14 and procedures;
- 15 (4) the ability to complete timely clearing and  
16 settlement of financial transactions;
- 17 (5) capital and financial resource requirements  
18 for designated financial market utilities; and
- 19 (6) other areas that are necessary to achieve  
20 the objectives and principles in subsection (b).

21 (d) LIMITATION ON SCOPE.—Except as provided in  
22 subsections (e) and (f) of section 807, nothing in this title  
23 shall be construed to permit the Council or the Board of  
24 Governors to take any action or exercise any authority  
25 granted to the Commodity Futures Trading Commission

1 under section 2(h) of the Commodity Exchange Act or the  
2 Securities and Exchange Commission under section 3C(a)  
3 of the Securities Exchange Act of 1934, including—

4 (1) the approval of, disapproval of, or stay of  
5 the clearing requirement for any group, category,  
6 type, or class of swaps that a designated clearing en-  
7 tity may accept for clearing;

8 (2) the determination that any group, category,  
9 type, or class of swaps shall be subject to the man-  
10 datory clearing requirement of section 2(h)(1) of the  
11 Commodity Exchange Act or section 3C(a)(1) of the  
12 Securities Exchange Act of 1934;

13 (3) the determination that any person is exempt  
14 from the mandatory clearing requirement of section  
15 2(h)(1) of the Commodity Exchange Act or section  
16 3C(a)(1) of the Securities Exchange Act of 1934; or

17 (4) any authority granted to the Commodity  
18 Futures Trading Commission or the Securities and  
19 Exchange Commission with respect to transaction  
20 reporting or trade execution.

21 (e) THRESHOLD LEVEL.—The standards prescribed  
22 under subsection (a) governing the conduct of designated  
23 activities by financial institutions shall, where appropriate,  
24 establish a threshold as to the level or significance of en-  
25 gagement in the activity at which a financial institution



1 will become subject to the standards with respect to that  
2 activity.

3 (f) COMPLIANCE REQUIRED.—Designated financial  
4 market utilities and financial institutions subject to the  
5 standards prescribed under subsection (a) for a designated  
6 activity shall conduct their operations in compliance with  
7 the applicable risk management standards.

8 **SEC. 806. OPERATIONS OF DESIGNATED FINANCIAL MAR-**  
9 **KET UTILITIES.**

10 (a) FEDERAL RESERVE ACCOUNT AND SERVICES.—  
11 The Board of Governors may authorize a Federal Reserve  
12 Bank to establish and maintain an account for a des-  
13 ignated financial market utility and provide the services  
14 listed in section 11A(b) of the Federal Reserve Act (12  
15 U.S.C. 248a(b)) and deposit accounts under the first un-  
16 designated paragraph of section 13 of the Federal Reserve  
17 Act (12 U.S.C. 342) to the designated financial market  
18 utility that the Federal Reserve Bank is authorized under  
19 the Federal Reserve Act to provide to a depository institu-  
20 tion, subject to any applicable rules, orders, standards, or  
21 guidelines prescribed by the Board of Governors.

22 (b) ADVANCES.—The Board of Governors may au-  
23 thorize a Federal Reserve bank under section 10B of the  
24 Federal Reserve Act (12 U.S.C. 347b) to provide to a des-  
25 ignated financial market utility discount and borrowing

1 privileges only in unusual or exigent circumstances, upon  
2 the affirmative vote of a majority of the Board of Gov-  
3 ernors then serving (or such other number in accordance  
4 with the provisions of section 11(r)(2) of the Federal Re-  
5 serve Act (12 U.S.C. 248(r)(2)) after consultation with  
6 the Secretary, and upon a showing by the designated fi-  
7 nancial market utility that it is unable to secure adequate  
8 credit accommodations from other banking institutions.  
9 All such discounts and borrowing privileges shall be sub-  
10 ject to such other limitations, restrictions, and regulations  
11 as the Board of Governors may prescribe. Access to dis-  
12 count and borrowing privileges under section 10B of the  
13 Federal Reserve Act as authorized in this section does not  
14 require a designated financial market utility to be or be-  
15 come a bank or bank holding company.

16 (c) EARNINGS ON FEDERAL RESERVE BALANCES.—  
17 A Federal Reserve Bank may pay earnings on balances  
18 maintained by or on behalf of a designated financial mar-  
19 ket utility in the same manner and to the same extent  
20 as the Federal Reserve Bank may pay earnings to a depos-  
21 itory institution under the Federal Reserve Act, subject  
22 to any applicable rules, orders, standards, or guidelines  
23 prescribed by the Board of Governors.

24 (d) RESERVE REQUIREMENTS.—The Board of Gov-  
25 ernors may exempt a designated financial market utility

1 from, or modify any, reserve requirements under section  
2 19 of the Federal Reserve Act (12 U.S.C. 461) applicable  
3 to a designated financial market utility.

4 (e) CHANGES TO RULES, PROCEDURES, OR OPER-  
5 ATIONS.—

6 (1) ADVANCE NOTICE.—

7 (A) ADVANCE NOTICE OF PROPOSED  
8 CHANGES REQUIRED.—A designated financial  
9 market utility shall provide notice 60 days in  
10 advance notice to its Supervisory Agency of any  
11 proposed change to its rules, procedures, or op-  
12 erations that could, as defined in rules of each  
13 Supervisory Agency, materially affect, the na-  
14 ture or level of risks presented by the des-  
15 ignated financial market utility.

16 (B) TERMS AND STANDARDS PRESCRIBED  
17 BY THE SUPERVISORY AGENCIES.—Each Super-  
18 visory Agency, in consultation with the Board  
19 of Governors, shall prescribe regulations that  
20 define and describe the standards for deter-  
21 mining when notice is required to be provided  
22 under subparagraph (A).

23 (C) CONTENTS OF NOTICE.—The notice of  
24 a proposed change shall describe—

1 (i) the nature of the change and ex-  
2 pected effects on risks to the designated fi-  
3 nancial market utility, its participants, or  
4 the market; and

5 (ii) how the designated financial mar-  
6 ket utility plans to manage any identified  
7 risks.

8 (D) ADDITIONAL INFORMATION.—The Su-  
9 pervisory Agency may require a designated fi-  
10 nancial market utility to provide any informa-  
11 tion necessary to assess the effect the proposed  
12 change would have on the nature or level of  
13 risks associated with the designated financial  
14 market utility’s payment, clearing, or settle-  
15 ment activities and the sufficiency of any pro-  
16 posed risk management techniques.

17 (E) NOTICE OF OBJECTION.—The Super-  
18 visory Agency shall notify the designated finan-  
19 cial market utility of any objection regarding  
20 the proposed change within 60 days from the  
21 later of—

22 (i) the date that the notice of the pro-  
23 posed change is received; or

1                   (ii) the date any further information  
2                   requested for consideration of the notice is  
3                   received.

4                   (F) CHANGE NOT ALLOWED IF OBJEC-  
5                   TION.—A designated financial market utility  
6                   shall not implement a change to which the Su-  
7                   pervisory Agency has an objection.

8                   (G) CHANGE ALLOWED IF NO OBJECTION  
9                   WITHIN 60 DAYS.—A designated financial mar-  
10                  ket utility may implement a change if it has not  
11                  received an objection to the proposed change  
12                  within 60 days of the later of—

13                  (i) the date that the Supervisory  
14                  Agency receives the notice of proposed  
15                  change; or

16                  (ii) the date the Supervisory Agency  
17                  receives any further information it requests  
18                  for consideration of the notice.

19                  (H) REVIEW EXTENSION FOR NOVEL OR  
20                  COMPLEX ISSUES.—The Supervisory Agency  
21                  may, during the 60-day review period, extend  
22                  the review period for an additional 60 days for  
23                  proposed changes that raise novel or complex  
24                  issues, subject to the Supervisory Agency pro-  
25                  viding the designated financial market utility

1 with prompt written notice of the extension.  
2 Any extension under this subparagraph will ex-  
3 tend the time periods under subparagraphs (E)  
4 and (G).

5 (I) CHANGE ALLOWED EARLIER IF NOTI-  
6 FIED OF NO OBJECTION.—A designated finan-  
7 cial market utility may implement a change in  
8 less than 60 days from the date of receipt of  
9 the notice of proposed change by the Super-  
10 visory Agency, or the date the Supervisory  
11 Agency receives any further information it re-  
12 quested, if the Supervisory Agency notifies the  
13 designated financial market utility in writing  
14 that it does not object to the proposed change  
15 and authorizes the designated financial market  
16 utility to implement the change on an earlier  
17 date, subject to any conditions imposed by the  
18 Supervisory Agency.

19 (2) EMERGENCY CHANGES.—

20 (A) IN GENERAL.—A designated financial  
21 market utility may implement a change that  
22 would otherwise require advance notice under  
23 this subsection if it determines that—

24 (i) an emergency exists; and

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1                   (ii) immediate implementation of the  
2                   change is necessary for the designated fi-  
3                   nancial market utility to continue to pro-  
4                   vide its services in a safe and sound man-  
5                   ner.

6                   (B) NOTICE REQUIRED WITHIN 24  
7                   HOURS.—The designated financial market util-  
8                   ity shall provide notice of any such emergency  
9                   change to its Supervisory Agency, as soon as  
10                  practicable, which shall be no later than 24  
11                  hours after implementation of the change.

12                  (C) CONTENTS OF EMERGENCY NOTICE.—  
13                  In addition to the information required for  
14                  changes requiring advance notice, the notice of  
15                  an emergency change shall describe—

16                         (i) the nature of the emergency; and  
17                         (ii) the reason the change was nec-  
18                         essary for the designated financial market  
19                         utility to continue to provide its services in  
20                         a safe and sound manner.

21                  (D) MODIFICATION OR RESCISSION OF  
22                  CHANGE MAY BE REQUIRED.—The Supervisory  
23                  Agency may require modification or rescission  
24                  of the change if it finds that the change is not  
25                  consistent with the purposes of this Act or any

1 applicable rules, orders, or standards prescribed  
2 under section 805(a).

3 (3) COPYING THE BOARD OF GOVERNORS.—The  
4 Supervisory Agency shall provide the Board of Gov-  
5 ernors concurrently with a complete copy of any no-  
6 tice, request, or other information it issues, submits,  
7 or receives under this subsection.

8 (4) CONSULTATION WITH BOARD OF GOV-  
9 ERNORS.—Before taking any action on, or com-  
10 pleting its review of, a change proposed by a des-  
11 ignated financial market utility, the Supervisory  
12 Agency shall consult with the Board of Governors.

13 **SEC. 807. EXAMINATION OF AND ENFORCEMENT ACTIONS**  
14 **AGAINST DESIGNATED FINANCIAL MARKET**  
15 **UTILITIES.**

16 (a) EXAMINATION.—Notwithstanding any other pro-  
17 vision of law and subject to subsection (d), the Supervisory  
18 Agency shall conduct examinations of a designated finan-  
19 cial market utility at least once annually in order to deter-  
20 mine the following:

21 (1) The nature of the operations of, and the  
22 risks borne by, the designated financial market util-  
23 ity.

24 (2) The financial and operational risks pre-  
25 sented by the designated financial market utility to



1 financial institutions, critical markets, or the broad-  
2 er financial system.

3 (3) The resources and capabilities of the des-  
4 igned financial market utility to monitor and con-  
5 trol such risks.

6 (4) The safety and soundness of the designated  
7 financial market utility.

8 (5) The designated financial market utility's  
9 compliance with—

10 (A) this title; and

11 (B) the rules and orders prescribed under  
12 this title.

13 (b) SERVICE PROVIDERS.—Whenever a service inte-  
14 gral to the operation of a designated financial market util-  
15 ity is performed for the designated financial market utility  
16 by another entity, whether an affiliate or non-affiliate and  
17 whether on or off the premises of the designated financial  
18 market utility, the Supervisory Agency may examine  
19 whether the provision of that service is in compliance with  
20 applicable law, rules, orders, and standards to the same  
21 extent as if the designated financial market utility were  
22 performing the service on its own premises.

23 (c) ENFORCEMENT.—For purposes of enforcing the  
24 provisions of this title, a designated financial market util-  
25 ity shall be subject to, and the appropriate Supervisory

1 Agency shall have authority under the provisions of sub-  
2 sections (b) through (n) of section 8 of the Federal De-  
3 posit Insurance Act (12 U.S.C. 1818) in the same manner  
4 and to the same extent as if the designated financial mar-  
5 ket utility was an insured depository institution and the  
6 Supervisory Agency was the appropriate Federal banking  
7 agency for such insured depository institution.

8 (d) BOARD OF GOVERNORS INVOLVEMENT IN EXAMI-  
9 NATIONS.—

10 (1) BOARD OF GOVERNORS CONSULTATION ON  
11 EXAMINATION PLANNING.—The Supervisory Agency  
12 shall consult annually with the Board of Governors  
13 regarding the scope and methodology of any exam-  
14 ination conducted under subsections (a) and (b).  
15 The Supervisory Agency shall lead all examinations  
16 conducted under subsections (a) and (b)

17 (2) BOARD OF GOVERNORS PARTICIPATION IN  
18 EXAMINATION.—The Board of Governors may, in its  
19 discretion, participate in any examination led by a  
20 Supervisory Agency and conducted under sub-  
21 sections (a) and (b).

22 (e) BOARD OF GOVERNORS ENFORCEMENT REC-  
23 OMMENDATIONS.—

24 (1) RECOMMENDATION.—The Board of Gov-  
25 ernors may, after consulting with the Council and

1 the Supervisory Agency, at any time recommend to  
2 the Supervisory Agency that such agency take en-  
3 forcement action against a designated financial mar-  
4 ket utility in order to prevent or mitigate significant  
5 liquidity, credit, operational, or other risks to the fi-  
6 nancial markets or to the financial stability of the  
7 United States. Any such recommendation for en-  
8 forcement action shall provide a detailed analysis  
9 supporting the recommendation of the Board of  
10 Governors.

11 (2) CONSIDERATION.—The Supervisory Agency  
12 shall consider the recommendation of the Board of  
13 Governors and submit a response to the Board of  
14 Governors within 60 days.

15 (3) BINDING ARBITRATION.—If the Supervisory  
16 Agency rejects, in whole or in part, the recommenda-  
17 tion of the Board of Governors, the Board of Gov-  
18 ernors may refer the recommendation to the Council  
19 for a binding decision on whether an enforcement  
20 action is warranted.

21 (4) ENFORCEMENT ACTION.—Upon an affirma-  
22 tive vote by a majority of the Council in favor of the  
23 Board of Governors' recommendation under para-  
24 graph (3), the Council may require the Supervisory  
25 Agency to—

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1 (A) exercise the enforcement authority ref-  
2 erenced in subsection (c); and

3 (B) take enforcement action against the  
4 designated financial market utility.

5 (f) EMERGENCY ENFORCEMENT ACTIONS BY THE  
6 BOARD OF GOVERNORS.—

7 (1) IMMINENT RISK OF SUBSTANTIAL HARM.—

8 The Board of Governors may, after consulting with  
9 the Supervisory Agency and upon an affirmative  
10 vote by a majority the Council, take enforcement ac-  
11 tion against a designated financial market utility if  
12 the Board of Governors has reasonable cause to con-  
13 clude that—

14 (A) either—

15 (i) an action engaged in, or con-  
16 templated by, a designated financial mar-  
17 ket utility (including any change proposed  
18 by the designated financial market utility  
19 to its rules, procedures, or operations that  
20 would otherwise be subject to section  
21 806(e)) poses an imminent risk of substan-  
22 tial harm to financial institutions, critical  
23 markets, or the broader financial system of  
24 the United States; or

1                   (ii) the condition of a designated fi-  
2                   nancial market utility poses an imminent  
3                   risk of substantial harm to financial insti-  
4                   tutions, critical markets, or the broader fi-  
5                   nancial system; and

6                   (B) the imminent risk of substantial harm  
7                   precludes the Board of Governors' use of the  
8                   procedures in subsection (e).

9                   (2) ENFORCEMENT AUTHORITY.—For purposes  
10                  of taking enforcement action under paragraph (1), a  
11                  designated financial market utility shall be subject  
12                  to, and the Board of Governors shall have authority  
13                  under the provisions of subsections (b) through (n)  
14                  of section 8 of the Federal Deposit Insurance Act  
15                  (12 U.S.C. 1818) in the same manner and to the  
16                  same extent as if the designated financial market  
17                  utility was an insured depository institution and the  
18                  Board of Governors was the appropriate Federal  
19                  banking agency for such insured depository institu-  
20                  tion.

1 **SEC. 808. EXAMINATION OF AND ENFORCEMENT ACTIONS**  
2 **AGAINST FINANCIAL INSTITUTIONS SUBJECT**  
3 **TO STANDARDS FOR DESIGNATED ACTIVI-**  
4 **TIES.**

5 (a) EXAMINATION.—The appropriate financial regu-  
6 lator is authorized to examine a financial institution sub-  
7 ject to the standards prescribed under section 805(a) for  
8 a designated activity in order to determine the following:

9 (1) The nature and scope of the designated ac-  
10 tivities engaged in by the financial institution.

11 (2) The financial and operational risks the des-  
12 igned activities engaged in by the financial institu-  
13 tion may pose to the safety and soundness of the fi-  
14 nancial institution.

15 (3) The financial and operational risks the des-  
16 igned activities engaged in by the financial institu-  
17 tion may pose to other financial institutions, critical  
18 markets, or the broader financial system.

19 (4) The resources available to and the capabili-  
20 ties of the financial institution to monitor and con-  
21 trol the risks described in paragraphs (2) and (3).

22 (5) The financial institution's compliance with  
23 this title and the rules and orders prescribed under  
24 section 805(a).

25 (b) ENFORCEMENT.—For purposes of enforcing the  
26 provisions of this title, and the rules and orders prescribed

1 under this section, a financial institution subject to the  
2 standards prescribed under section 805(a) for a des-  
3 ignated activity shall be subject to, and the appropriate  
4 financial regulator shall have authority under the provi-  
5 sions of subsections (b) through (n) of section 8 of the  
6 Federal Deposit Insurance Act (12 U.S.C. 1818) in the  
7 same manner and to the same extent as if the financial  
8 institution was an insured depository institution and the  
9 appropriate financial regulator was the appropriate Fed-  
10 eral banking agency for such insured depository institu-  
11 tion.

12 (c) TECHNICAL ASSISTANCE.—The Board of Gov-  
13 ernors shall consult with and provide such technical assist-  
14 ance as may be required by the appropriate financial regu-  
15 lators to ensure that the rules and orders prescribed under  
16 this title are interpreted and applied in as consistent and  
17 uniform a manner as practicable.

18 (d) DELEGATION.—

19 (1) EXAMINATION.—

20 (A) REQUEST TO BOARD OF GOV-  
21 ERNORS.—The appropriate financial regulator  
22 may request the Board of Governors to conduct  
23 or participate in an examination of a financial  
24 institution subject to the standards prescribed  
25 under section 805(a) for a designated activity

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1 in order to assess the compliance of such finan-  
2 cial institution with—

3 (i) this title; or

4 (ii) the rules or orders prescribed  
5 under this title.

6 (B) EXAMINATION BY BOARD OF GOV-  
7 ERNORS.—Upon receipt of an appropriate writ-  
8 ten request, the Board of Governors will con-  
9 duct the examination under such terms and  
10 conditions to which the Board of Governors and  
11 the appropriate financial regulator mutually  
12 agree.

13 (2) ENFORCEMENT.—

14 (A) REQUEST TO BOARD OF GOV-  
15 ERNORS.—The appropriate financial regulator  
16 may request the Board of Governors to enforce  
17 this title or the rules or orders prescribed under  
18 this title against a financial institution that is  
19 subject to the standards prescribed under sec-  
20 tion 805(a) for a designated activity.

21 (B) ENFORCEMENT BY BOARD OF GOV-  
22 ERNORS.—Upon receipt of an appropriate writ-  
23 ten request, the Board of Governors shall deter-  
24 mine whether an enforcement action is war-  
25 ranted, and, if so, it shall enforce compliance



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1 with this title or the rules or orders prescribed  
2 under this title and, if so, the financial institu-  
3 tion shall be subject to, and the Board of Gov-  
4 ernors shall have authority under the provisions  
5 of subsections (b) through (n) of section 8 of  
6 the Federal Deposit Insurance Act (12 U.S.C.  
7 1818) in the same manner and to the same ex-  
8 tent as if the financial institution was an in-  
9 sured depository institution and the Board of  
10 Governors was the appropriate Federal banking  
11 agency for such insured depository institution.

12 (e) BACK-UP AUTHORITY OF THE BOARD OF GOV-  
13 ERNORS.—

14 (1) EXAMINATION AND ENFORCEMENT.—Not-  
15 withstanding any other provision of law, the Board  
16 of Governors may—

17 (A) conduct an examination of the type de-  
18 scribed in subsection (a) of any financial insti-  
19 tution that is subject to the standards pre-  
20 scribed under section 805(a) for a designated  
21 activity; and

22 (B) enforce the provisions of this title or  
23 any rules or orders prescribed under this title  
24 against any financial institution that is subject

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1 to the standards prescribed under section  
2 805(a) for a designated activity.

3 (2) LIMITATIONS.—

4 (A) EXAMINATION.—The Board of Gov-  
5 ernors may exercise the authority described in  
6 paragraph (1)(A) only if the Board of Gov-  
7 ernors has—

8 (i) reasonable cause to believe that a  
9 financial institution is not in compliance  
10 with this title or the rules or orders pre-  
11 scribed under this title with respect to a  
12 designated activity;

13 (ii) notified, in writing, the appro-  
14 priate financial regulator and the Council  
15 of its belief under clause (i) with sup-  
16 porting documentation included;

17 (iii) requested the appropriate finan-  
18 cial regulator to conduct a prompt exam-  
19 ination of the financial institution;

20 (iv) either—

21 (I) not been afforded a reason-  
22 able opportunity to participate in an  
23 examination of the financial institu-  
24 tion by the appropriate financial regu-  
25 lator within 30 days after the date of

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1 the Board's notification under clause  
2 (ii); or

3 (II) reasonable cause to believe  
4 that the financial institution's non-  
5 compliance with this title or the rules  
6 or orders prescribed under this title  
7 poses a substantial risk to other fi-  
8 nancial institutions, critical markets,  
9 or the broader financial system, sub-  
10 ject to the Board of Governors afford-  
11 ing the appropriate financial regulator  
12 a reasonable opportunity to partici-  
13 pate in the examination; and

14 (v) obtained the approval of the Coun-  
15 cil upon an affirmative vote by a majority  
16 of the Council.

17 (B) ENFORCEMENT.—The Board of Gov-  
18 ernors may exercise the authority described in  
19 paragraph (1)(B) only if the Board of Gov-  
20 ernors has—

21 (i) reasonable cause to believe that a  
22 financial institution is not in compliance  
23 with this title or the rules or orders pre-  
24 scribed under this title with respect to a  
25 designated activity;

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1 (ii) notified, in writing, the appro-  
2 priate financial regulator and the Council  
3 of its belief under clause (i) with sup-  
4 porting documentation included and with a  
5 recommendation that the appropriate fi-  
6 nancial regulator take 1 or more specific  
7 enforcement actions against the financial  
8 institution;

9 (iii) either—

10 (I) not been notified, in writing,  
11 by the appropriate financial regulator  
12 of the commencement of an enforce-  
13 ment action recommended by the  
14 Board of Governors against the finan-  
15 cial institution within 60 days from  
16 the date of the notification under  
17 clause (ii); or

18 (II) reasonable cause to believe  
19 that the financial institution's non-  
20 compliance with this title or the rules  
21 or orders prescribed under this title  
22 poses significant liquidity, credit,  
23 operational, or other risks to the fi-  
24 nancial markets or to the financial  
25 stability of the United States, subject

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1 to the Board of Governors notifying  
2 the appropriate financial regulator of  
3 the Board's enforcement action; and  
4 (iv) obtained the approval of the  
5 Council upon an affirmative vote by a ma-  
6 jority of the Council.

7 (3) ENFORCEMENT PROVISIONS.—For purposes  
8 of taking enforcement action under paragraph (1),  
9 the financial institution shall be subject to, and the  
10 Board of Governors shall have authority under the  
11 provisions of subsections (b) through (n) of section  
12 8 of the Federal Deposit Insurance Act (12 U.S.C.  
13 1818) in the same manner and to the same extent  
14 as if the financial institution was an insured deposi-  
15 tory institution and the Board of Governors was the  
16 appropriate Federal banking agency for such insured  
17 depository institution.

18 **SEC. 809. REQUESTS FOR INFORMATION, REPORTS, OR**  
19 **RECORDS.**

20 (a) INFORMATION TO ASSESS SYSTEMIC IMPOR-  
21 TANCE.—

22 (1) FINANCIAL MARKET UTILITIES.—The Coun-  
23 cil is authorized to require any financial market util-  
24 ity to submit such information as the Council may  
25 require for the sole purpose of assessing whether

1 that financial market utility is systemically impor-  
2 tant, but only if the Council has reasonable cause to  
3 believe that the financial market utility meets the  
4 standards for systemic importance set forth in sec-  
5 tion 804.

6 (2) FINANCIAL INSTITUTIONS ENGAGED IN PAY-  
7 MENT, CLEARING, OR SETTLEMENT ACTIVITIES.—  
8 The Council is authorized to require any financial  
9 institution to submit such information as the Coun-  
10 cil may require for the sole purpose of assessing  
11 whether any payment, clearing, or settlement activ-  
12 ity engaged in or supported by a financial institution  
13 is systemically important, but only if the Council has  
14 reasonable cause to believe that the activity meets  
15 the standards for systemic importance set forth in  
16 section 804.

17 (b) REPORTING AFTER DESIGNATION.—

18 (1) DESIGNATED FINANCIAL MARKET UTILI-  
19 TIES.—The Board of Governors and the Council  
20 may each require a designated financial market util-  
21 ity to submit reports or data to the Board of Gov-  
22 ernors and the Council in such frequency and form  
23 as deemed necessary by the Board of Governors or  
24 the Council in order to assess the safety and sound-

1       ness of the utility and the systemic risk that the  
2       utility's operations pose to the financial system.

3           (2) FINANCIAL INSTITUTIONS SUBJECT TO  
4       STANDARDS FOR DESIGNATED ACTIVITIES.—The  
5       Board of Governors and the Council may each re-  
6       quire 1 or more financial institutions subject to the  
7       standards prescribed under section 805(a) for a des-  
8       ignated activity to submit, in such frequency and  
9       form as deemed necessary by the Board of Gov-  
10      ernors or the Council, reports and data to the Board  
11      of Governors and the Council solely with respect to  
12      the conduct of the designated activity and solely to  
13      assess whether—

14           (A) the rules, orders, or standards pre-  
15      scribed under section 805(a) with respect to the  
16      designated activity appropriately address the  
17      risks to the financial system presented by such  
18      activity; and

19           (B) the financial institutions are in compli-  
20      ance with this title and the rules and orders  
21      prescribed under section 805(a) with respect to  
22      the designated activity.

23           (3) LIMITATION.—The Board of Governors  
24      may, upon an affirmative vote by a majority of the  
25      Council, prescribe regulations under this section that

1 impose a recordkeeping or reporting requirement on  
2 designated clearing entities or financial institutions  
3 engaged in designated activities that are subject to  
4 standards that have been prescribed under section  
5 805(a)(2).

6 (c) COORDINATION WITH APPROPRIATE FEDERAL  
7 SUPERVISORY AGENCY.—

8 (1) ADVANCE COORDINATION.—Before request-  
9 ing any material information from, or imposing re-  
10 porting or recordkeeping requirements on, any finan-  
11 cial market utility or any financial institution en-  
12 gaged in a payment, clearing, or settlement activity,  
13 the Board of Governors or the Council shall coordi-  
14 nate with the Supervisory Agency for a financial  
15 market utility or the appropriate financial regulator  
16 for a financial institution to determine if the infor-  
17 mation is available from or may be obtained by the  
18 agency in the form, format, or detail required by the  
19 Board of Governors or the Council.

20 (2) SUPERVISORY REPORTS.—Notwithstanding  
21 any other provision of law, the Supervisory Agency,  
22 the appropriate financial regulator, and the Board of  
23 Governors are authorized to disclose to each other  
24 and the Council copies of its examination reports or  
25 similar reports regarding any financial market utility



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1 or any financial institution engaged in payment,  
2 clearing, or settlement activities.

3 (d) TIMING OF RESPONSE FROM APPROPRIATE FED-  
4 ERAL SUPERVISORY AGENCY.—If the information, report,  
5 records, or data requested by the Board of Governors or  
6 the Council under subsection (c)(1) are not provided in  
7 full by the Supervisory Agency or the appropriate financial  
8 regulator in less than 15 days after the date on which  
9 the material is requested, the Board of Governors or the  
10 Council may request the information or impose record-  
11 keeping or reporting requirements directly on such per-  
12 sons as provided in subsections (a) and (b) with notice  
13 to the agency.

14 (e) SHARING OF INFORMATION.—

15 (1) MATERIAL CONCERNS.—Notwithstanding  
16 any other provision of law, the Board of Governors,  
17 the Council, the appropriate financial regulator, and  
18 any Supervisory Agency are authorized to—

19 (A) promptly notify each other of material  
20 concerns about a designated financial market  
21 utility or any financial institution engaged in  
22 designated activities; and

23 (B) share appropriate reports, information,  
24 or data relating to such concerns.

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1           (2) OTHER INFORMATION.—Notwithstanding  
2 any other provision of law, the Board of Governors,  
3 the Council, the appropriate financial regulator, or  
4 any Supervisory Agency may, under such terms and  
5 conditions as it deems appropriate, provide confiden-  
6 tial supervisory information and other information  
7 obtained under this title to each other, and to the  
8 Secretary, Federal Reserve Banks, State financial  
9 institution supervisory agencies, foreign financial su-  
10 pervisors, foreign central banks, and foreign finance  
11 ministries, subject to reasonable assurances of con-  
12 fidentiality, provided, however, that no person or en-  
13 tity receiving information pursuant to this section  
14 may disseminate such information to entities or per-  
15 sons other than those listed in this paragraph with-  
16 out complying with applicable law, including section  
17 8 of the Commodity Exchange Act (7 U.S.C. 12).

18       (f) PRIVILEGE MAINTAINED.—The Board of Gov-  
19 ernors, the Council, the appropriate financial regulator,  
20 and any Supervisory Agency providing reports or data  
21 under this section shall not be deemed to have waived any  
22 privilege applicable to those reports or data, or any portion  
23 thereof, by providing the reports or data to the other party  
24 or by permitting the reports or data, or any copies thereof,  
25 to be used by the other party.

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1 (g) DISCLOSURE EXEMPTION.—Information obtained  
2 by the Board of Governors, the Supervisory Agencies, or  
3 the Council under this section and any materials prepared  
4 by the Board of Governors, the Supervisory Agencies, or  
5 the Council regarding their assessment of the systemic im-  
6 portance of financial market utilities or any payment,  
7 clearing, or settlement activities engaged in by financial  
8 institutions, and in connection with their supervision of  
9 designated financial market utilities and designated activi-  
10 ties, shall be confidential supervisory information exempt  
11 from disclosure under section 552 of title 5, United States  
12 Code. For purposes of such section 552, this subsection  
13 shall be considered a statute described in subsection (b)(3)  
14 of such section 552.

15 **SEC. 810. RULEMAKING.**

16 The Board of Governors, the Supervisory Agencies,  
17 and the Council are authorized to prescribe such rules and  
18 issue such orders as may be necessary to administer and  
19 carry out their respective authorities and duties granted  
20 under this title and prevent evasions thereof.

21 **SEC. 811. OTHER AUTHORITY.**

22 Unless otherwise provided by its terms, this title does  
23 not divest any appropriate financial regulator, any Super-  
24 visory Agency, or any other Federal or State agency, of  
25 any authority derived from any other applicable law, ex-

1 cept that any standards prescribed by the Board of Gov-  
2 ernors under section 805 shall supersede any less strin-  
3 gent requirements established under other authority to the  
4 extent of any conflict.

5 **SEC. 812. CONSULTATION.**

6 (a) CFTC.—The Commodity Futures Trading Com-  
7 mission shall consult with the Board of Governors—

8 (1) prior to exercising its authorities under sec-  
9 tions 2(h)(2)(C), 2(h)(3)(A), 2(h)(3)(C), 2(h)(4)(A),  
10 and 2(h)(4)(B) of the Commodity Exchange Act, as  
11 amended by the Wall Street Transparency and Ac-  
12 countability Act of 2010;

13 (2) with respect to any rule or rule amendment  
14 of a derivatives clearing organization for which a  
15 stay of certification has been issued under section  
16 745(b)(3) of the Wall Street Transparency and Ac-  
17 countability Act of 2010; and

18 (3) prior to exercising its rulemaking authori-  
19 ties under section 728 of the Wall Street Trans-  
20 parency and Accountability Act of 2010.

21 (b) SEC.—The Commission shall consult with the  
22 Board of Governors—

23 (1) prior to exercising its authorities under sec-  
24 tions 3C(a)(2)(C), 3C(a)(3)(A), 3C(a)(3)(C),  
25 3C(a)(4)(A), and 3C(a)(4)(B) of the Securities Ex-

1 change Act of 1934, as amended by the Wall Street  
2 Transparency and Accountability Act of 2010;

3 (2) with respect to any proposed rule change of  
4 a clearing agency for which an extension of the time  
5 for review has been designated under section  
6 19(b)(2) of the Securities Exchange Act of 1934;  
7 and

8 (3) prior to exercising its rulemaking authori-  
9 ties under section 13(n) of the Securities Exchange  
10 Act of 1934, as added by section 763(i) of the Wall  
11 Street Transparency and Accountability Act of  
12 2010.

13 **SEC. 813. COMMON FRAMEWORK FOR DESIGNATED CLEAR-**  
14 **ING ENTITY RISK MANAGEMENT.**

15 The Commodity Futures Trading Commission and  
16 the Commission shall coordinate with the Board of Gov-  
17 ernors to jointly develop risk management supervision pro-  
18 grams for designated clearing entities. Not later than 1  
19 year after the date of enactment of this Act, the Com-  
20 modity Futures Trading Commission, the Commission,  
21 and the Board of Governors shall submit a joint report  
22 to the Committee on Banking, Housing, and Urban Af-  
23 fairs and the Committee on Agriculture, Nutrition, and  
24 Forestry of the Senate, and the Committee on Financial

1 Services and the Committee on Agriculture of the House  
2 of Representatives recommendations for—

3 (1) improving consistency in the designated  
4 clearing entity oversight programs of the Commis-  
5 sion and the Commodity Futures Trading Commis-  
6 sion;

7 (2) promoting robust risk management by des-  
8 ignated clearing entities;

9 (3) promoting robust risk management over-  
10 sight by regulators of designated clearing entities;  
11 and

12 (4) improving regulators' ability to monitor the  
13 potential effects of designated clearing entity risk  
14 management on the stability of the financial system  
15 of the United States.

16 **SEC. 814. EFFECTIVE DATE.**

17 This title is effective as of the date of enactment of  
18 this Act.

1 **TITLE IX—INVESTOR PROTEC-**  
2 **TIONS AND IMPROVEMENTS**  
3 **TO THE REGULATION OF SE-**  
4 **CURITIES**

5 **SEC. 901. SHORT TITLE.**

6 This title may be cited as the “Investor Protection  
7 and Securities Reform Act of 2010”.

8 **Subtitle A—Increasing Investor**  
9 **Protection**

10 **SEC. 911. INVESTOR ADVISORY COMMITTEE ESTABLISHED.**

11 Title I of the Securities Exchange Act of 1934 (15  
12 U.S.C. 78a et seq.) is amended by adding at the end the  
13 following:

14 **“SEC. 39. INVESTOR ADVISORY COMMITTEE.**

15 “(a) ESTABLISHMENT AND PURPOSE.—

16 “(1) ESTABLISHMENT.—There is established  
17 within the Commission the Investor Advisory Com-  
18 mittee (referred to in this section as the ‘Com-  
19 mittee’).

20 “(2) PURPOSE.—The Committee shall—

21 “(A) advise and consult with the Commis-  
22 sion on—

23 “(i) regulatory priorities of the Com-  
24 mission;

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1           “(ii) issues relating to the regulation  
2           of securities products, trading strategies,  
3           and fee structures, and the effectiveness of  
4           disclosure;

5           “(iii) initiatives to protect investor in-  
6           terest; and

7           “(iv) initiatives to promote investor  
8           confidence and the integrity of the securi-  
9           ties marketplace; and

10          “(B) submit to the Commission such find-  
11          ings and recommendations as the Committee  
12          determines are appropriate, including rec-  
13          ommendations for proposed legislative changes.

14          “(b) MEMBERSHIP.—

15           “(1) IN GENERAL.—The members of the Com-  
16          mittee shall be—

17           “(A) the Investor Advocate;

18           “(B) a representative of State securities  
19          commissions;

20           “(C) a representative of the interests of  
21          senior citizens; and

22           “(D) not fewer than 10, and not more  
23          than 20, members appointed by the Commis-  
24          sion, from among individuals who—



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1 “(i) represent the interests of indi-  
2 vidual equity and debt investors, including  
3 investors in mutual funds;

4 “(ii) represent the interests of institu-  
5 tional investors, including the interests of  
6 pension funds and registered investment  
7 companies;

8 “(iii) are knowledgeable about invest-  
9 ment issues and decisions; and

10 “(iv) have reputations of integrity.

11 “(2) TERM.—Each member of the Committee  
12 appointed under paragraph (1)(B) shall serve for a  
13 term of 4 years.

14 “(3) MEMBERS NOT COMMISSION EMPLOY-  
15 EES.—Members appointed under paragraph (1)(B)  
16 shall not be deemed to be employees or agents of the  
17 Commission solely because of membership on the  
18 Committee.

19 “(c) CHAIRMAN; VICE CHAIRMAN; SECRETARY; AS-  
20 SISTANT SECRETARY.—

21 “(1) IN GENERAL.—The members of the Com-  
22 mittee shall elect, from among the members of the  
23 Committee—

24 “(A) a chairman, who may not be em-  
25 ployed by an issuer;

1           “(B) a vice chairman, who may not be em-  
2           ployed by an issuer;

3           “(C) a secretary; and

4           “(D) an assistant secretary.

5           “(2) TERM.—Each member elected under para-  
6           graph (1) shall serve for a term of 3 years in the  
7           capacity for which the member was elected under  
8           paragraph (1).

9           “(d) MEETINGS.—

10           “(1) FREQUENCY OF MEETINGS.—The Com-  
11           mittee shall meet—

12           “(A) not less frequently than twice annu-  
13           ally, at the call of the chairman of the Com-  
14           mittee; and

15           “(B) from time to time, at the call of the  
16           Commission.

17           “(2) NOTICE.—The chairman of the Committee  
18           shall give the members of the Committee written no-  
19           tice of each meeting, not later than 2 weeks before  
20           the date of the meeting.

21           “(e) COMPENSATION AND TRAVEL EXPENSES.—

22           Each member of the Committee who is not a full-time em-  
23           ployee of the United States shall—

24           “(1) be entitled to receive compensation at a  
25           rate not to exceed the daily equivalent of the annual

1 rate of basic pay in effect for a position at level V  
2 of the Executive Schedule under section 5316 of title  
3 5, United States Code, for each day during which  
4 the member is engaged in the actual performance of  
5 the duties of the Committee; and

6 “(2) while away from the home or regular place  
7 of business of the member in the performance of  
8 services for the Committee, be allowed travel ex-  
9 penses, including per diem in lieu of subsistence, in  
10 the same manner as persons employed intermittently  
11 in the Government service are allowed expenses  
12 under section 5703(b) of title 5, United States Code.

13 “(f) STAFF.—The Commission shall make available  
14 to the Committee such staff as the chairman of the Com-  
15 mittee determines are necessary to carry out this section.

16 “(g) REVIEW BY COMMISSION.—The Commission  
17 shall—

18 “(1) review the findings and recommendations  
19 of the Committee; and

20 “(2) each time the Committee submits a finding  
21 or recommendation to the Commission, promptly  
22 issue a public statement—

23 “(A) assessing the finding or recommenda-  
24 tion of the Committee; and

1                   “(B) disclosing the action, if any, the Com-  
2                   mission intends to take with respect to the find-  
3                   ing or recommendation.

4                   “(h) COMMITTEE FINDINGS.—Nothing in this section  
5 shall require the Commission to agree to or act upon any  
6 finding or recommendation of the Committee.

7                   “(i) FEDERAL ADVISORY COMMITTEE ACT.—The  
8 Federal Advisory Committee Act (5 U.S.C. App.) shall not  
9 apply with respect to the Committee and its activities.

10                  “(j) AUTHORIZATION OF APPROPRIATIONS.—There  
11 is authorized to be appropriated to the Commission such  
12 sums as are necessary to carry out this section.”.

13 **SEC. 912. CLARIFICATION OF AUTHORITY OF THE COMMIS-**  
14 **SION TO ENGAGE IN INVESTOR TESTING.**

15                  Section 19 of the Securities Act of 1933 (15 U.S.C.  
16 77s) is amended by adding at the end the following:

17                  “(e) EVALUATION OF RULES OR PROGRAMS.—For  
18 the purpose of evaluating any rule or program of the Com-  
19 mission issued or carried out under any provision of the  
20 securities laws, as defined in section 3 of the Securities  
21 Exchange Act of 1934 (15 U.S.C. 78c), and the purposes  
22 of considering, proposing, adopting, or engaging in any  
23 such rule or program or developing new rules or programs,  
24 the Commission may—

1           “(1) gather information from and communicate  
2 with investors or other members of the public;

3           “(2) engage in such temporary investor testing  
4 programs as the Commission determines are in the  
5 public interest or would protect investors; and

6           “(3) consult with academics and consultants, as  
7 necessary to carry out this subsection.

8           “(f) **RULE OF CONSTRUCTION.**—For purposes of the  
9 Paperwork Reduction Act (44 U.S.C. 3501 et seq.), any  
10 action taken under subsection (e) shall not be construed  
11 to be a collection of information.”.

12 **SEC. 913. STUDY AND RULEMAKING REGARDING OBLIGA-**  
13 **TIONS OF BROKERS, DEALERS, AND INVEST-**  
14 **MENT ADVISERS.**

15           (a) **DEFINITION.**—For purposes of this section, the  
16 term “retail customer” means a natural person, or the  
17 legal representative of such natural person, who—

18           (1) receives personalized investment advice  
19 about securities from a broker or dealer or invest-  
20 ment adviser; and

21           (2) uses such advice primarily for personal,  
22 family, or household purposes.

23           (b) **STUDY.**—The Commission shall conduct a study  
24 to evaluate—

1           (1) the effectiveness of existing legal or regu-  
2           latory standards of care for brokers, dealers, invest-  
3           ment advisers, persons associated with brokers or  
4           dealers, and persons associated with investment ad-  
5           visers for providing personalized investment advice  
6           and recommendations about securities to retail cus-  
7           tomers imposed by the Commission and a national  
8           securities association, and other Federal and State  
9           legal or regulatory standards; and

10           (2) whether there are legal or regulatory gaps,  
11           shortcomings, or overlaps in legal or regulatory  
12           standards in the protection of retail customers relat-  
13           ing to the standards of care for brokers, dealers, in-  
14           vestment advisers, persons associated with brokers  
15           or dealers, and persons associated with investment  
16           advisers for providing personalized investment advice  
17           about securities to retail customers that should be  
18           addressed by rule or statute.

19           (c) CONSIDERATIONS.—In conducting the study re-  
20           quired under subsection (b), the Commission shall con-  
21           sider—

22           (1) the effectiveness of existing legal or regu-  
23           latory standards of care for brokers, dealers, invest-  
24           ment advisers, persons associated with brokers or  
25           dealers, and persons associated with investment ad-

1 visers for providing personalized investment advice  
2 and recommendations about securities to retail cus-  
3 tomers imposed by the Commission and a national  
4 securities association, and other Federal and State  
5 legal or regulatory standards;

6 (2) whether there are legal or regulatory gaps,  
7 shortcomings, or overlaps in legal or regulatory  
8 standards in the protection of retail customers relat-  
9 ing to the standards of care for brokers, dealers, in-  
10 vestment advisers, persons associated with brokers  
11 or dealers, and persons associated with investment  
12 advisers for providing personalized investment advice  
13 about securities to retail customers that should be  
14 addressed by rule or statute;

15 (3) whether retail customers understand that  
16 there are different standards of care applicable to  
17 brokers, dealers, investment advisers, persons associ-  
18 ated with brokers or dealers, and persons associated  
19 with investment advisers in the provision of person-  
20 alized investment advice about securities to retail  
21 customers;

22 (4) whether the existence of different standards  
23 of care applicable to brokers, dealers, investment ad-  
24 visers, persons associated with brokers or dealers,  
25 and persons associated with investment advisers is a

1 source of confusion for retail customers regarding  
2 the quality of personalized investment advice that re-  
3 tail customers receive;

4 (5) the regulatory, examination, and enforce-  
5 ment resources devoted to, and activities of, the  
6 Commission, the States, and a national securities as-  
7 sociation to enforce the standards of care for bro-  
8 kers, dealers, investment advisers, persons associated  
9 with brokers or dealers, and persons associated with  
10 investment advisers when providing personalized in-  
11 vestment advice and recommendations about securi-  
12 ties to retail customers, including—

13 (A) the effectiveness of the examinations of  
14 brokers, dealers, and investment advisers in de-  
15 termining compliance with regulations;

16 (B) the frequency of the examinations; and

17 (C) the length of time of the examinations;

18 (6) the substantive differences in the regulation  
19 of brokers, dealers, and investment advisers, when  
20 providing personalized investment advice and rec-  
21 ommendations about securities to retail customers;

22 (7) the specific instances related to the provi-  
23 sion of personalized investment advice about securi-  
24 ties in which—



1           (A) the regulation and oversight of invest-  
2           ment advisers provide greater protection to re-  
3           tail customers than the regulation and oversight  
4           of brokers and dealers; and

5           (B) the regulation and oversight of brokers  
6           and dealers provide greater protection to retail  
7           customers than the regulation and oversight of  
8           investment advisers;

9           (8) the existing legal or regulatory standards of  
10          State securities regulators and other regulators in-  
11          tended to protect retail customers;

12          (9) the potential impact on retail customers, in-  
13          cluding the potential impact on access of retail cus-  
14          tomers to the range of products and services offered  
15          by brokers and dealers, of imposing upon brokers,  
16          dealers, and persons associated with brokers or deal-  
17          ers—

18                 (A) the standard of care applied under the  
19                 Investment Advisers Act of 1940 (15 U.S.C.  
20                 80b–1 et seq.) for providing personalized invest-  
21                 ment advice about securities to retail customers  
22                 of investment advisers, as interpreted by the  
23                 Commission and the courts; and

1 (B) other requirements of the Investment  
2 Advisers Act of 1940 (15 U.S.C. 80b–1 et  
3 seq.);

4 (10) the potential impact of eliminating the  
5 broker and dealer exclusion from the definition of  
6 “investment adviser” under section 202(a)(11)(C) of  
7 the Investment Advisers Act of 1940 (15 U.S.C.  
8 80b–2(a)(11)(C)), in terms of—

9 (A) the impact and potential benefits and  
10 harm to retail customers that could result from  
11 such a change, including any potential impact  
12 on access to personalized investment advice and  
13 recommendations about securities to retail cus-  
14 tomers or the availability of such advice and  
15 recommendations;

16 (B) the number of additional entities and  
17 individuals that would be required to register  
18 under, or become subject to, the Investment  
19 Advisers Act of 1940 (15 U.S.C. 80b–1 et  
20 seq.), and the additional requirements to which  
21 brokers, dealers, and persons associated with  
22 brokers and dealers would become subject, in-  
23 cluding—

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1 (i) any potential additional associated  
2 person licensing, registration, and exam-  
3 ination requirements; and

4 (ii) the additional costs, if any, to the  
5 additional entities and individuals; and

6 (C) the impact on Commission and State  
7 resources to—

8 (i) conduct examinations of registered  
9 investment advisers and the representatives  
10 of registered investment advisers, including  
11 the impact on the examination cycle; and

12 (ii) enforce the standard of care and  
13 other applicable requirements imposed  
14 under the Investment Advisers Act of 1940  
15 (15 U.S.C. 80b–1 et seq.);

16 (11) the varying level of services provided by  
17 brokers, dealers, investment advisers, persons associ-  
18 ated with brokers or dealers, and persons associated  
19 with investment advisers to retail customers and the  
20 varying scope and terms of retail customer relation-  
21 ships of brokers, dealers, investment advisers, per-  
22 sons associated with brokers or dealers, and persons  
23 associated with investment advisers with such retail  
24 customers;

1           (12) the potential impact upon retail customers  
2           that could result from potential changes in the regu-  
3           latory requirements or legal standards of care affect-  
4           ing brokers, dealers, investment advisers, persons as-  
5           sociated with brokers or dealers, and persons associ-  
6           ated with investment advisers relating to their obli-  
7           gations to retail customers regarding the provision  
8           of investment advice, including any potential impact  
9           on—

10                   (A) protection from fraud;

11                   (B) access to personalized investment ad-  
12           vice, and recommendations about securities to  
13           retail customers; or

14                   (C) the availability of such advice and rec-  
15           ommendations;

16           (13) the potential additional costs and expenses  
17           to—

18                   (A) retail customers regarding and the po-  
19           tential impact on the profitability of their in-  
20           vestment decisions; and

21                   (B) brokers, dealers, and investment advis-  
22           ers resulting from potential changes in the regu-  
23           latory requirements or legal standards affect-  
24           ing brokers, dealers, investment advisers, per-  
25           sons associated with brokers or dealers, and

1 persons associated with investment advisers re-  
2 lating to their obligations, including duty of  
3 care, to retail customers; and

4 (14) any other consideration that the Commis-  
5 sion considers necessary and appropriate in deter-  
6 mining whether to conduct a rulemaking under sub-  
7 section (f).

8 (d) REPORT.—

9 (1) IN GENERAL.—Not later than 6 months  
10 after the date of enactment of this Act, the Commis-  
11 sion shall submit a report on the study required  
12 under subsection (b) to—

13 (A) the Committee on Banking, Housing,  
14 and Urban Affairs of the Senate; and

15 (B) the Committee on Financial Services  
16 of the House of Representatives.

17 (2) CONTENT REQUIREMENTS.—The report re-  
18 quired under paragraph (1) shall describe the find-  
19 ings, conclusions, and recommendations of the Com-  
20 mission from the study required under subsection  
21 (b), including—

22 (A) a description of the considerations,  
23 analysis, and public and industry input that the  
24 Commission considered, as required under sub-

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1 section (b), to make such findings, conclusions,  
2 and policy recommendations; and

3 (B) an analysis of whether any identified  
4 legal or regulatory gaps, shortcomings, or over-  
5 lap in legal or regulatory standards in the pro-  
6 tection of retail customers relating to the stand-  
7 ards of care for brokers, dealers, investment ad-  
8 visers, persons associated with brokers or deal-  
9 ers, and persons associated with investment ad-  
10 visers for providing personalized investment ad-  
11 vice about securities to retail customers.

12 (e) PUBLIC COMMENT.—The Commission shall seek  
13 and consider public input, comments, and data in order  
14 to prepare the report required under subsection (d).

15 (f) RULEMAKING.—The Commission may commence  
16 a rulemaking, as necessary or appropriate in the public  
17 interest and for the protection of retail customers (and  
18 such other customers as the Commission may by rule pro-  
19 vide), to address the legal or regulatory standards of care  
20 for brokers, dealers, investment advisers, persons associ-  
21 ated with brokers or dealers, and persons associated with  
22 investment advisers for providing personalized investment  
23 advice about securities to such retail customers. The Com-  
24 mission shall consider the findings conclusions, and rec-  
25 ommendations of the study required under subsection (b).

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1 (g) AUTHORITY TO ESTABLISH A FIDUCIARY DUTY  
2 FOR BROKERS AND DEALERS.—

3 (1) SECURITIES EXCHANGE ACT OF 1934.—Sec-  
4 tion 15 of the Securities Exchange Act of 1934 (15  
5 U.S.C. 78o) is amended by adding at the end the  
6 following:

7 “(k) STANDARD OF CONDUCT.—

8 “(1) IN GENERAL.—Notwithstanding any other  
9 provision of this Act or the Investment Advisers Act  
10 of 1940, the Commission may promulgate rules to  
11 provide that, with respect to a broker or dealer,  
12 when providing personalized investment advice about  
13 securities to a retail customer (and such other cus-  
14 tomers as the Commission may by rule provide), the  
15 standard of conduct for such broker or dealer with  
16 respect to such customer shall be the same as the  
17 standard of conduct applicable to an investment ad-  
18 viser under section 211 of the Investment Advisers  
19 Act of 1940. The receipt of compensation based on  
20 commission or other standard compensation for the  
21 sale of securities shall not, in and of itself, be con-  
22 sidered a violation of such standard applied to a  
23 broker or dealer. Nothing in this section shall re-  
24 quire a broker or dealer or registered representative  
25 to have a continuing duty of care or loyalty to the

1 customer after providing personalized investment ad-  
2 vice about securities.

3 “(2) DISCLOSURE OF RANGE OF PRODUCTS OF-  
4 FERED.—Where a broker or dealer sells only propri-  
5 etary or other limited range of products, as deter-  
6 mined by the Commission, the Commission may by  
7 rule require that such broker or dealer provide no-  
8 tice to each retail customer and obtain the consent  
9 or acknowledgment of the customer. The sale of only  
10 proprietary or other limited range of products by a  
11 broker or dealer shall not, in and of itself, be consid-  
12 ered a violation of the standard set forth in para-  
13 graph (1).

14 “(1) OTHER MATTERS.—The Commission shall—

15 “(1) facilitate the provision of simple and clear  
16 disclosures to investors regarding the terms of their  
17 relationships with brokers, dealers, and investment  
18 advisers, including any material conflicts of interest;  
19 and

20 “(2) examine and, where appropriate, promul-  
21 gate rules prohibiting or restricting certain sales  
22 practices, conflicts of interest, and compensation  
23 schemes for brokers, dealers, and investment advis-  
24 ers that the Commission deems contrary to the pub-  
25 lic interest and the protection of investors.”.



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1           (2) INVESTMENT ADVISERS ACT OF 1940.—Sec-  
2           tion 211 of the Investment Advisers Act of 1940, is  
3           further amended by adding at the end the following  
4           new subsections:

5           “(g) STANDARD OF CONDUCT.—

6           “(1) IN GENERAL.—The Commission may pro-  
7           mulgate rules to provide that the standard of con-  
8           duct for all brokers, dealers, and investment advis-  
9           ers, when providing personalized investment advice  
10          about securities to retail customers (and such other  
11          customers as the Commission may by rule provide),  
12          shall be to act in the best interest of the customer  
13          without regard to the financial or other interest of  
14          the broker, dealer, or investment adviser providing  
15          the advice. In accordance with such rules, any mate-  
16          rial conflicts of interest shall be disclosed and may  
17          be consented to by the customer. Such rules shall  
18          provide that such standard of conduct shall be no  
19          less stringent than the standard applicable to invest-  
20          ment advisers under section 206(1) and (2) of this  
21          Act when providing personalized investment advice  
22          about securities, except the Commission shall not as-  
23          cribe a meaning to the term ‘customer’ that would  
24          include an investor in a private fund managed by an  
25          investment adviser, where such private fund has en-

1       tered into an advisory contract with such adviser.  
2       The receipt of compensation based on commission or  
3       fees shall not, in and of itself, be considered a viola-  
4       tion of such standard applied to a broker, dealer, or  
5       investment adviser.

6               “(2) RETAIL CUSTOMER DEFINED.—For pur-  
7       poses of this subsection, the term ‘retail customer’  
8       means a natural person, or the legal representative  
9       of such natural person, who—

10               “(A) receives personalized investment ad-  
11       vice about securities from a broker, dealer, or  
12       investment adviser; and

13               “(B) uses such advice primarily for per-  
14       sonal, family, or household purposes.

15       “(h) OTHER MATTERS.—The Commission shall—

16               “(1) facilitate the provision of simple and clear  
17       disclosures to investors regarding the terms of their  
18       relationships with brokers, dealers, and investment  
19       advisers, including any material conflicts of interest;  
20       and

21               “(2) examine and, where appropriate, promul-  
22       gate rules prohibiting or restricting certain sales  
23       practices, conflicts of interest, and compensation  
24       schemes for brokers, dealers, and investment advis-

1       ers that the Commission deems contrary to the pub-  
2       lic interest and the protection of investors.”.

3       (h) HARMONIZATION OF ENFORCEMENT.—

4             (1) SECURITIES EXCHANGE ACT OF 1934.—Sec-  
5       tion 15 of the Securities Exchange Act of 1934, as  
6       amended by subsection (g)(1), is further amended by  
7       adding at the end the following new subsection:

8       “(m) HARMONIZATION OF ENFORCEMENT.—The en-  
9       forcement authority of the Commission with respect to vio-  
10      lations of the standard of conduct applicable to a broker  
11      or dealer providing personalized investment advice about  
12      securities to a retail customer shall include—

13            “(1) the enforcement authority of the Commis-  
14      sion with respect to such violations provided under  
15      this Act; and

16            “(2) the enforcement authority of the Commis-  
17      sion with respect to violations of the standard of  
18      conduct applicable to an investment adviser under  
19      the Investment Advisers Act of 1940, including the  
20      authority to impose sanctions for such violations,  
21      and

22      the Commission shall seek to prosecute and sanction viola-  
23      tors of the standard of conduct applicable to a broker or  
24      dealer providing personalized investment advice about se-  
25      curities to a retail customer under this Act to same extent

1 as the Commission prosecutes and sanctions violators of  
2 the standard of conduct applicable to an investment advi-  
3 sor under the Investment Advisers Act of 1940.”.

4 (2) INVESTMENT ADVISERS ACT OF 1940.—Sec-  
5 tion 211 of the Investment Advisers Act of 1940, as  
6 amended by subsection (g)(2), is further amended by  
7 adding at the end the following new subsection:

8 “(i) HARMONIZATION OF ENFORCEMENT.—The en-  
9 forcement authority of the Commission with respect to vio-  
10 lations of the standard of conduct applicable to an invest-  
11 ment adviser shall include—

12 “(1) the enforcement authority of the Commis-  
13 sion with respect to such violations provided under  
14 this Act; and

15 “(2) the enforcement authority of the Commis-  
16 sion with respect to violations of the standard of  
17 conduct applicable to a broker or dealer providing  
18 personalized investment advice about securities to a  
19 retail customer under the Securities Exchange Act  
20 of 1934, including the authority to impose sanctions  
21 for such violations, and

22 the Commission shall seek to prosecute and sanction viola-  
23 tors of the standard of conduct applicable to an invest-  
24 ment adviser under this Act to same extent as the Com-  
25 mission prosecutes and sanctions violators of the standard

1 of conduct applicable to a broker or dealer providing per-  
2 sonalized investment advice about securities to a retail  
3 customer under the Securities Exchange Act of 1934.”.

4 **SEC. 914. STUDY ON ENHANCING INVESTMENT ADVISER EX-**  
5 **AMINATIONS.**

6 (a) STUDY REQUIRED.—

7 (1) IN GENERAL.—The Commission shall review  
8 and analyze the need for enhanced examination and  
9 enforcement resources for investment advisers.

10 (2) AREAS OF CONSIDERATION.—The study re-  
11 quired by this subsection shall examine—

12 (A) the number and frequency of examina-  
13 tions of investment advisers by the Commission  
14 over the 5 years preceding the date of the en-  
15 actment of this subtitle;

16 (B) the extent to which having Congress  
17 authorize the Commission to designate one or  
18 more self-regulatory organizations to augment  
19 the Commission’s efforts in overseeing invest-  
20 ment advisers would improve the frequency of  
21 examinations of investment advisers; and

22 (C) current and potential approaches to ex-  
23 amining the investment advisory activities of  
24 dually registered broker-dealers and investment

1           advisers or affiliated broker-dealers and invest-  
2           ment advisers.

3           (b) **REPORT REQUIRED.**—The Commission shall re-  
4 port its findings to the Committee on Financial Services  
5 of the House of Representatives and the Committee on  
6 Banking, Housing, and Urban Affairs of the Senate, not  
7 later than 180 days after the date of enactment of this  
8 subtitle, and shall use such findings to revise its rules and  
9 regulations, as necessary. The report shall include a dis-  
10 cussion of regulatory or legislative steps that are rec-  
11 ommended or that may be necessary to address concerns  
12 identified in the study.

13 **SEC. 915. OFFICE OF THE INVESTOR ADVOCATE.**

14           Section 4 of the Securities Exchange Act of 1934 (15  
15 U.S.C. 78d) is amended by adding at the end the fol-  
16 lowing:

17           “(g) **OFFICE OF THE INVESTOR ADVOCATE.**—

18           “(1) **OFFICE ESTABLISHED.**—There is estab-  
19 lished within the Commission the Office of the In-  
20 vestor Advocate (in this subsection referred to as the  
21 ‘Office’).

22           “(2) **INVESTOR ADVOCATE.**—

23           “(A) **IN GENERAL.**—The head of the Of-  
24 fice shall be the Investor Advocate, who shall—

1                   “(i) report directly to the Chairman;  
2                   and

3                   “(ii) be appointed by the Chairman, in  
4                   consultation with the Commission, from  
5                   among individuals having experience in ad-  
6                   vocating for the interests of investors in se-  
7                   curities and investor protection issues,  
8                   from the perspective of investors.

9                   “(B) COMPENSATION.—The annual rate of  
10                  pay for the Investor Advocate shall be equal to  
11                  the highest rate of annual pay for other senior  
12                  executives who report to the Chairman of the  
13                  Commission.

14                  “(C) LIMITATION ON SERVICE.—An indi-  
15                  vidual who serves as the Investor Advocate may  
16                  not be employed by the Commission—

17                         “(i) during the 2-year period ending  
18                         on the date of appointment as Investor Ad-  
19                         vocate; or

20                         “(ii) during the 5-year period begin-  
21                         ning on the date on which the person  
22                         ceases to serve as the Investor Advocate.

23                  “(3) STAFF OF OFFICE.—The Investor Advo-  
24                  cate, after consultation with the Chairman of the  
25                  Commission, may retain or employ independent

1 counsel, research staff, and service staff, as the In-  
2 vestor Advocate deems necessary to carry out the  
3 functions, powers, and duties of the Office.

4 “(4) FUNCTIONS OF THE INVESTOR ADVOCATE.—The Investor Advocate shall—

6 “(A) assist retail investors in resolving sig-  
7 nificant problems such investors may have with  
8 the Commission or with self-regulatory organi-  
9 zations;

10 “(B) identify areas in which investors  
11 would benefit from changes in the regulations  
12 of the Commission or the rules of self-regu-  
13 latory organizations;

14 “(C) identify problems that investors have  
15 with financial service providers and investment  
16 products;

17 “(D) analyze the potential impact on inves-  
18 tors of—

19 “(i) proposed regulations of the Com-  
20 mission; and

21 “(ii) proposed rules of self-regulatory  
22 organizations registered under this title;  
23 and

24 “(E) to the extent practicable, propose to  
25 the Commission changes in the regulations or



1 orders of the Commission and to Congress any  
2 legislative, administrative, or personnel changes  
3 that may be appropriate to mitigate problems  
4 identified under this paragraph and to promote  
5 the interests of investors.

6 “(5) ACCESS TO DOCUMENTS.—The Commis-  
7 sion shall ensure that the Investor Advocate has full  
8 access to the documents of the Commission and any  
9 self-regulatory organization, as necessary to carry  
10 out the functions of the Office.

11 “(6) ANNUAL REPORTS.—

12 “(A) REPORT ON OBJECTIVES.—

13 “(i) IN GENERAL.—Not later than  
14 June 30 of each year after 2010, the In-  
15 vestor Advocate shall submit to the Com-  
16 mittee on Banking, Housing, and Urban  
17 Affairs of the Senate and the Committee  
18 on Financial Services of the House of Rep-  
19 resentatives a report on the objectives of  
20 the Investor Advocate for the following fis-  
21 cal year.

22 “(ii) CONTENTS.—Each report re-  
23 quired under clause (i) shall contain full  
24 and substantive analysis and explanation.

25 “(B) REPORT ON ACTIVITIES.—

1                   “(i) IN GENERAL.—Not later than  
2                   December 31 of each year after 2010, the  
3                   Investor Advocate shall submit to the Com-  
4                   mittee on Banking, Housing, and Urban  
5                   Affairs of the Senate and the Committee  
6                   on Financial Services of the House of Rep-  
7                   resentatives a report on the activities of  
8                   the Investor Advocate during the imme-  
9                   diately preceding fiscal year.

10                   “(ii) CONTENTS.—Each report re-  
11                   quired under clause (i) shall include—

12                   “(I) appropriate statistical infor-  
13                   mation and full and substantive anal-  
14                   ysis;

15                   “(II) information on steps that  
16                   the Investor Advocate has taken dur-  
17                   ing the reporting period to improve in-  
18                   vestor services and the responsiveness  
19                   of the Commission and self-regulatory  
20                   organizations to investor concerns;

21                   “(III) a summary of the most se-  
22                   rious problems encountered by inves-  
23                   tors during the reporting period;

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1                   “(IV) an inventory of the items  
2 described in subclause (III) that in-  
3 cludes—

4                   “(aa) identification of any  
5 action taken by the Commission  
6 or the self-regulatory organiza-  
7 tion and the result of such ac-  
8 tion;

9                   “(bb) the length of time that  
10 each item has remained on such  
11 inventory; and

12                   “(cc) for items on which no  
13 action has been taken, the rea-  
14 sons for inaction, and an identi-  
15 fication of any official who is re-  
16 sponsible for such action;

17                   “(V) recommendations for such  
18 administrative and legislative actions  
19 as may be appropriate to resolve prob-  
20 lems encountered by investors; and

21                   “(VI) any other information, as  
22 determined appropriate by the Inves-  
23 tor Advocate.

24                   “(iii) INDEPENDENCE.—Each report  
25 required under this paragraph shall be pro-

1           vided directly to the Committees listed in  
2           clause (i) without any prior review or com-  
3           ment from the Commission, any commis-  
4           sioner, any other officer or employee of the  
5           Commission, or the Office of Management  
6           and Budget.

7                   “(iv) CONFIDENTIALITY.—No report  
8                   required under clause (i) may contain con-  
9                   fidential information.

10                   “(7) REGULATIONS.—The Commission shall, by  
11           regulation, establish procedures requiring a formal  
12           response to all recommendations submitted to the  
13           Commission by the Investor Advocate, not later than  
14           3 months after the date of such submission.”.

15 **SEC. 916. STREAMLINING OF FILING PROCEDURES FOR**  
16 **SELF-REGULATORY ORGANIZATIONS.**

17           (a) FILING PROCEDURES.—Section 19(b) of the Se-  
18           curities Exchange Act of 1934 (15 U.S.C. 78s(b)) is  
19           amended by striking paragraph (2) (including the undesig-  
20           nated matter immediately following subparagraph (B))  
21           and inserting the following:

22                   “(2) APPROVAL PROCESS.—

23                           “(A) APPROVAL PROCESS ESTABLISHED.—

24                                   “(i) IN GENERAL.—Except as pro-  
25                           vided in clause (ii), not later than 45 days

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1 after the date of publication of a proposed  
2 rule change under paragraph (1), the Com-  
3 mission shall—

4 “(I) by order, approve or dis-  
5 approve the proposed rule change; or

6 “(II) institute proceedings under  
7 subparagraph (B) to determine wheth-  
8 er the proposed rule change should be  
9 disapproved.

10 “(ii) EXTENSION OF TIME PERIOD.—  
11 The Commission may extend the period es-  
12 tablished under clause (i) by not more than  
13 an additional 45 days, if—

14 “(I) the Commission determines  
15 that a longer period is appropriate  
16 and publishes the reasons for such de-  
17 termination; or

18 “(II) the self-regulatory organiza-  
19 tion that filed the proposed rule  
20 change consents to the longer period.

21 “(B) PROCEEDINGS.—

22 “(i) NOTICE AND HEARING.—If the  
23 Commission does not approve or dis-  
24 approve a proposed rule change under sub-  
25 paragraph (A), the Commission shall pro-



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1           appropriate and publishes the rea-  
2           sons for such determination; or

3                   “(bb) the self-regulatory or-  
4           organization that filed the proposed  
5           rule change consents to the  
6           longer period.

7                   “(C) STANDARDS FOR APPROVAL AND DIS-  
8           APPROVAL.—

9                   “(i) APPROVAL.—The Commission  
10           shall approve a proposed rule change of a  
11           self-regulatory organization if it finds that  
12           such proposed rule change is consistent  
13           with the requirements of this title and the  
14           rules and regulations issued under this  
15           title that are applicable to such organiza-  
16           tion.

17                   “(ii) DISAPPROVAL.—The Commission  
18           shall disapprove a proposed rule change of  
19           a self-regulatory organization if it does not  
20           make a finding described in clause (i).

21                   “(iii) TIME FOR APPROVAL.—The  
22           Commission may not approve a proposed  
23           rule change earlier than 30 days after the  
24           date of publication under paragraph (1),  
25           unless the Commission finds good cause

1                   for so doing and publishes the reason for  
2                   the finding.

3                   “(D) RESULT OF FAILURE TO INSTITUTE  
4                   OR CONCLUDE PROCEEDINGS.—A proposed rule  
5                   change shall be deemed to have been approved  
6                   by the Commission, if—

7                   “(i) the Commission does not approve  
8                   or disapprove the proposed rule change or  
9                   begin proceedings under subparagraph (B)  
10                  within the period described in subpara-  
11                  graph (A); or

12                  “(ii) the Commission does not issue  
13                  an order approving or disapproving the  
14                  proposed rule change under subparagraph  
15                  (B) within the period described in subpara-  
16                  graph (B)(ii).

17                  “(E) PUBLICATION DATE BASED ON FED-  
18                  ERAL REGISTER PUBLISHING.—For purposes of  
19                  this paragraph, if, after filing a proposed rule  
20                  change with the Commission pursuant to para-  
21                  graph (1), a self-regulatory organization pub-  
22                  lishes a notice of the filing of such proposed  
23                  rule change, together with the substantive  
24                  terms of such proposed rule change, on a pub-  
25                  licly accessible website, the Commission shall



1           thereafter send the notice to the Federal Reg-  
2           ister for publication thereof under paragraph  
3           (1) within 15 days of the date on which such  
4           website publication is made. If the Commission  
5           fails to send the notice for publication thereof  
6           within such 15 day period, then the date of  
7           publication shall be deemed to be the date on  
8           which such website publication was made.

9           “(F) RULEMAKING.—

10           “(i) IN GENERAL.—Not later than  
11           180 days after the date of enactment of  
12           the Investor Protection and Securities Re-  
13           form Act of 2010, after consultation with  
14           other regulatory agencies, the Commission  
15           shall promulgate rules setting forth the  
16           procedural requirements of the proceedings  
17           required under this paragraph.

18           “(ii) NOTICE AND COMMENT NOT RE-  
19           QUIRED.—The rules promulgated by the  
20           Commission under clause (i) are not re-  
21           quired to include republication of proposed  
22           rule changes or solicitation of public com-  
23           ment.”.

24           (b) CLARIFICATION OF FILING DATE.—

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1           (1) RULE OF CONSTRUCTION.—Section 19(b) of  
2           the Securities Exchange Act of 1934 (15 U.S.C.  
3           78s(b)) is amended by adding at the end the fol-  
4           lowing:

5           “(10) RULE OF CONSTRUCTION RELATING TO  
6           FILING DATE OF PROPOSED RULE CHANGES.—

7           “(A) IN GENERAL.—For purposes of this  
8           subsection, the date of filing of a proposed rule  
9           change shall be deemed to be the date on which  
10          the Commission receives the proposed rule  
11          change.

12          “(B) EXCEPTION.—A proposed rule  
13          change has not been received by the Commis-  
14          sion for purposes of subparagraph (A) if, not  
15          later than 7 business days after the date of re-  
16          ceipt by the Commission, the Commission noti-  
17          fies the self-regulatory organization that such  
18          proposed rule change does not comply with the  
19          rules of the Commission relating to the required  
20          form of a proposed rule change, except that if  
21          the Commission determines that the proposed  
22          rule change is unusually lengthy and is complex  
23          or raises novel regulatory issues, the Commis-  
24          sion shall inform the self-regulatory organiza-  
25          tion of such determination not later than 7

1 business days after the date of receipt by the  
2 Commission and, for the purposes of subpara-  
3 graph (A), a proposed rule change has not been  
4 received by the Commission, if, not later than  
5 21 days after the date of receipt by the Com-  
6 mission, the Commission notifies the self-regu-  
7 latory organization that such proposed rule  
8 change does not comply with the rules of the  
9 Commission relating to the required form of a  
10 proposed rule change.”.

11 (2) PUBLICATION.—Section 19(b)(1) of the Se-  
12 curities Exchange Act of 1934 (15 U.S.C. 78s(b)(1))  
13 is amended by striking “upon” and inserting “as  
14 soon as practicable after the date of”.

15 (c) EFFECTIVE DATE OF PROPOSED RULES.—Sec-  
16 tion 19(b)(3) of the Securities Exchange Act of 1934 (15  
17 U.S.C. 78s(b)(3)) is amended—

18 (1) in subparagraph (A)—

19 (A) by striking “may take effect” and in-  
20 serting “shall take effect”; and

21 (B) by inserting “on any person, whether  
22 or not the person is a member of the self-regu-  
23 latory organization” after “charge imposed by  
24 the self-regulatory organization”; and

25 (2) in subparagraph (C)—

## 1252

1 (A) by amending the second sentence to  
2 read as follows: “At any time within the 60-day  
3 period beginning on the date of filing of such  
4 a proposed rule change in accordance with the  
5 provisions of paragraph (1), the Commission  
6 summarily may temporarily suspend the change  
7 in the rules of the self-regulatory organization  
8 made thereby, if it appears to the Commission  
9 that such action is necessary or appropriate in  
10 the public interest, for the protection of inves-  
11 tors, or otherwise in furtherance of the pur-  
12 poses of this title.”;

13 (B) by inserting after the second sentence  
14 the following: “If the Commission takes such  
15 action, the Commission shall institute pro-  
16 ceedings under paragraph (2)(B) to determine  
17 whether the proposed rule should be approved  
18 or disapproved.”; and

19 (C) in the third sentence, by striking “the  
20 preceding sentence” and inserting “this sub-  
21 paragraph”.

22 (d) CONFORMING CHANGE.—Section 19(b)(4)(D) of  
23 the Securities Exchange Act of 1934 (15 U.S.C.  
24 78s(b)(4)(D)) is amended to read as follows:

## 1253

1           “(D)(i) The Commission shall order the  
2 temporary suspension of any change in the  
3 rules of a clearing agency made by a proposed  
4 rule change that has taken effect under para-  
5 graph (3), if the appropriate regulatory agency  
6 for the clearing agency notifies the Commission  
7 not later than 30 days after the date on which  
8 the proposed rule change was filed of—

9           “(I) the determination by the appro-  
10 priate regulatory agency that the rules of  
11 such clearing agency, as so changed, may  
12 be inconsistent with the safeguarding of  
13 securities or funds in the custody or con-  
14 trol of such clearing agency or for which it  
15 is responsible; and

16           “(II) the reasons for the determina-  
17 tion described in subclause (I).

18           “(ii) If the Commission takes action under  
19 clause (i), the Commission shall institute pro-  
20 ceedings under paragraph (2)(B) to determine  
21 if the proposed rule change should be approved  
22 or disapproved.”.

1 **SEC. 917. STUDY REGARDING FINANCIAL LITERACY AMONG**  
2 **INVESTORS.**

3 (a) IN GENERAL.—The Commission shall conduct a  
4 study to identify—

5 (1) the existing level of financial literacy among  
6 retail investors, including subgroups of investors  
7 identified by the Commission;

8 (2) methods to improve the timing, content, and  
9 format of disclosures to investors with respect to fi-  
10 nancial intermediaries, investment products, and in-  
11 vestment services;

12 (3) the most useful and understandable relevant  
13 information that retail investors need to make in-  
14 formed financial decisions before engaging a finan-  
15 cial intermediary or purchasing an investment prod-  
16 uct or service that is typically sold to retail inves-  
17 tors, including shares of open-end companies, as  
18 that term is defined in section 5 of the Investment  
19 Company Act of 1940 (15 U.S.C. 80a–5) that are  
20 registered under section 8 of that Act;

21 (4) methods to increase the transparency of ex-  
22 penses and conflicts of interests in transactions in-  
23 volving investment services and products, including  
24 shares of open-end companies described in para-  
25 graph (3);

1           (5) the most effective existing private and pub-  
2       lic efforts to educate investors; and

3           (6) in consultation with the Financial Literacy  
4       and Education Commission, a strategy (including, to  
5       the extent practicable, measurable goals and objec-  
6       tives) to increase the financial literacy of investors  
7       in order to bring about a positive change in investor  
8       behavior.

9       (b) REPORT.—Not later than 2 years after the date  
10     of enactment of this Act, the Commission shall submit a  
11     report on the study required under subsection (a) to—

12           (1) the Committee on Banking, Housing, and  
13       Urban Affairs of the Senate; and

14           (2) the Committee on Financial Services of the  
15       House of Representatives.

16     **SEC. 918. STUDY REGARDING MUTUAL FUND ADVERTISING.**

17       (a) IN GENERAL.—The Comptroller General of the  
18     United States shall conduct a study on mutual fund adver-  
19     tising to identify—

20           (1) existing and proposed regulatory require-  
21       ments for open-end investment company advertise-  
22       ments;

23           (2) current marketing practices for the sale of  
24       open-end investment company shares, including the

1 use of past performance data, funds that have  
2 merged, and incubator funds;

3 (3) the impact of such advertising on con-  
4 sumers; and

5 (4) recommendations to improve investor pro-  
6 tections in mutual fund advertising and additional  
7 information necessary to ensure that investors can  
8 make informed financial decisions when purchasing  
9 shares.

10 (b) REPORT.—Not later than 18 months after the  
11 date of enactment of this Act, the Comptroller General  
12 of the United States shall submit a report on the results  
13 of the study conducted under subsection (a) to—

14 (1) the Committee on Banking, Housing, and  
15 Urban Affairs of the United States Senate; and

16 (2) the Committee on Financial Services of the  
17 House of Representatives.

18 **SEC. 919. CLARIFICATION OF COMMISSION AUTHORITY TO**  
19 **REQUIRE INVESTOR DISCLOSURES BEFORE**  
20 **PURCHASE OF INVESTMENT PRODUCTS AND**  
21 **SERVICES.**

22 Section 15 of the Securities Exchange Act of 1934  
23 (15 U.S.C. 78o) is amended by adding at the end the fol-  
24 lowing:

25 “(n) DISCLOSURES TO RETAIL INVESTORS.—



1           “(1) IN GENERAL.—Notwithstanding any other  
2           provision of the securities laws, the Commission may  
3           issue rules designating documents or information  
4           that shall be provided by a broker or dealer to a re-  
5           tail investor before the purchase of an investment  
6           product or service by the retail investor.

7           “(2) CONSIDERATIONS.—In developing any  
8           rules under paragraph (1), the Commission shall  
9           consider whether the rules will promote investor pro-  
10          tection, efficiency, competition, and capital forma-  
11          tion.

12          “(3) FORM AND CONTENTS OF DOCUMENTS  
13          AND INFORMATION.—Any documents or information  
14          designated under a rule promulgated under para-  
15          graph (1) shall—

16                 “(A) be in a summary format; and

17                 “(B) contain clear and concise information  
18          about—

19                         “(i) investment objectives, strategies,  
20                         costs, and risks; and

21                         “(ii) any compensation or other finan-  
22                         cial incentive received by a broker, dealer,  
23                         or other intermediary in connection with  
24                         the purchase of retail investment prod-  
25                         ucts.”.

1 **SEC. 919A. STUDY ON CONFLICTS OF INTEREST.**

2 (a) IN GENERAL.—The Comptroller General of the  
3 United States shall conduct a study—

4 (1) to identify and examine potential conflicts  
5 of interest that exist between the staffs of the invest-  
6 ment banking and equity and fixed income securities  
7 analyst functions within the same firm; and

8 (2) to make recommendations to Congress de-  
9 signed to protect investors in light of such conflicts.

10 (b) CONSIDERATIONS.—In conducting the study  
11 under subsection (a), the Comptroller General shall—

12 (1) consider—

13 (A) the potential for investor harm result-  
14 ing from conflicts, including consideration of  
15 the forms of misconduct engaged in by the sev-  
16 eral securities firms and individuals that en-  
17 tered into the Global Analyst Research Settle-  
18 ments in 2003 (also known as the “Global Set-  
19 tlement”);

20 (B) the nature and benefits of the under-  
21 takings to which those firms agreed in enforce-  
22 ment proceedings, including firewalls between  
23 research and investment banking, separate re-  
24 porting lines, dedicated legal and compliance  
25 staffs, allocation of budget, physical separation,  
26 compensation, employee performance evalua-

1           tions, coverage decisions, limitations on solie-  
2           iting investment banking business, disclosures,  
3           transparency, and other measures;

4           (C) whether any such undertakings should  
5           be codified and applied permanently to securi-  
6           ties firms, or whether the Commission should  
7           adopt rules applying any such undertakings to  
8           securities firms; and

9           (D) whether to recommend regulatory or  
10          legislative measures designed to mitigate pos-  
11          sible adverse consequences to investors arising  
12          from the conflicts of interest or to enhance in-  
13          vestor protection or confidence in the integrity  
14          of the securities markets; and

15          (2) consult with State attorneys general, State  
16          securities officials, the Commission, the Financial  
17          Industry Regulatory Authority (“FINRA”), NYSE  
18          Regulation, investor advocates, brokers, dealers, re-  
19          tail investors, institutional investors, and academics.

20          (c) REPORT.—The Comptroller General shall submit  
21          a report on the results of the study required by this section  
22          to the Committee on Banking, Housing, and Urban Af-  
23          fairs of the Senate and the Committee on Financial Serv-  
24          ices of the House of Representatives, not later than 18  
25          months after the date of enactment of this Act.

1 **SEC. 919B. STUDY ON IMPROVED INVESTOR ACCESS TO IN-**  
2 **FORMATION ON INVESTMENT ADVISERS AND**  
3 **BROKER-DEALERS.**

4 (a) STUDY.—

5 (1) IN GENERAL.—Not later than 6 months  
6 after the date of enactment of this Act, the Commis-  
7 sion shall complete a study, including recommenda-  
8 tions, of ways to improve the access of investors to  
9 registration information (including disciplinary ac-  
10 tions, regulatory, judicial, and arbitration pro-  
11 ceedings, and other information) about registered  
12 and previously registered investment advisers, asso-  
13 ciated persons of investment advisers, brokers and  
14 dealers and their associated persons on the existing  
15 Central Registration Depository and Investment Ad-  
16 viser Registration Depository systems, as well as  
17 identify additional information that should be made  
18 publicly available.

19 (2) CONTENTS.—The study required by sub-  
20 section (a) shall include an analysis of the advan-  
21 tages and disadvantages of further centralizing ac-  
22 cess to the information contained in the 2 systems,  
23 including—

24 (A) identification of those data pertinent  
25 to investors; and

1 (B) the identification of the method and  
2 format for displaying and publishing such data  
3 to enhance accessibility by and utility to inves-  
4 tors.

5 (b) IMPLEMENTATION.—Not later than 18 months  
6 after the date of completion of the study required by sub-  
7 section (a), the Commission shall implement any rec-  
8 ommendations of the study.

9 **SEC. 919C. STUDY ON FINANCIAL PLANNERS AND THE USE**  
10 **OF FINANCIAL DESIGNATIONS.**

11 (a) IN GENERAL.—The Comptroller General of the  
12 United States shall conduct a study to evaluate—

13 (1) the effectiveness of State and Federal regu-  
14 lations to protect investors and other consumers  
15 from individuals who hold themselves out as finan-  
16 cial planners through the use of misleading titles,  
17 designations, or marketing materials;

18 (2) current State and Federal oversight struc-  
19 ture and regulations for financial planners; and

20 (3) legal or regulatory gaps in the regulation of  
21 financial planners and other individuals who provide  
22 or offer to provide financial planning services to con-  
23 sumers.

1 (b) CONSIDERATIONS.—In conducting the study re-  
2 quired under subsection (a), the Comptroller General shall  
3 consider—

4 (1) the role of financial planners in providing  
5 advice regarding the management of financial re-  
6 sources, including investment planning, income tax  
7 planning, education planning, retirement planning,  
8 estate planning, and risk management;

9 (2) whether current regulations at the State  
10 and Federal level provide adequate ethical and pro-  
11 fessional standards for financial planners;

12 (3) the possible risk posed to investors and  
13 other consumers by individuals who hold themselves  
14 out as financial planners or as otherwise providing  
15 financial planning services in connection with the  
16 sale of financial products, including insurance and  
17 securities;

18 (4) the possible risk posed to investors and  
19 other consumers by individuals who otherwise use ti-  
20 tles, designations, or marketing materials in a mis-  
21 leading way in connection with the delivery of finan-  
22 cial advice;

23 (6) the ability of investors and other consumers  
24 to understand licensing requirements and standards  
25 of care that apply to individuals who hold themselves

1 out as financial planners or as otherwise providing  
2 financial planning services;

3 (7) the possible benefits to investors and other  
4 consumers of regulation and professional oversight  
5 of financial planners; and

6 (8) any other consideration that the Comp-  
7 troller General deems necessary or appropriate to ef-  
8 fectively execute the study required under subsection  
9 (a).

10 (c) RECOMMENDATIONS.—In providing recommenda-  
11 tions for the appropriate regulation of financial planners  
12 and other individuals who provide or offer to provide fi-  
13 nancial planning services, in order to protect investors and  
14 other consumers of financial planning services, the Comp-  
15 troller General shall consider—

16 (1) the appropriate structure for regulation of  
17 financial planners and individuals providing financial  
18 planning services; and

19 (2) the appropriate scope of the regulations  
20 needed to protect investors and other consumers, in-  
21 cluding but not limited to the need to establish com-  
22 petency standards, practice standards, ethical guide-  
23 lines, disciplinary authority, and transparency to in-  
24 vestors and other consumers.

25 (d) REPORT.—

1           (1) IN GENERAL.—Not later than 180 days  
2 after the date of enactment of this Act, the Comp-  
3 troller General shall submit a report on the study re-  
4 quired under subsection (a) to—

5                   (A) the Committee on Banking, Housing,  
6 and Urban Affairs of the Senate;

7                   (B) the Special Committee on Aging of the  
8 Senate; and

9                   (C) the Committee on Financial Services of  
10 the House of Representatives.

11           (2) CONTENT REQUIREMENTS.—The report re-  
12 quired under paragraph (1) shall describe the find-  
13 ings and determinations made by the Comptroller  
14 General in carrying out the study required under  
15 subsection (a), including a description of the consid-  
16 erations, analysis, and government, public, industry,  
17 nonprofit and consumer input that the Comptroller  
18 General considered to make such findings, conclu-  
19 sions, and legislative, regulatory, or other rec-  
20 ommendations.

21 **SEC. 919D. OMBUDSMAN.**

22           Section 4(g) of the Securities Exchange Act of 1934,  
23 as added by section 914, is amended by adding at the end  
24 the following:

25                   “(8) OMBUDSMAN.—



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1           “(A) APPOINTMENT.—Not later than 180  
2 days after the date on which the first Investor  
3 Advocate is appointed under paragraph  
4 (2)(A)(i), the Investor Advocate shall appoint  
5 an Ombudsman, who shall report directly to the  
6 Investor Advocate.

7           “(B) DUTIES.—The Ombudsman ap-  
8 pointed under subparagraph (A) shall—

9                   “(i) act as a liaison between the Com-  
10 mission and any retail investor in resolving  
11 problems that retail investors may have  
12 with the Commission or with self-regu-  
13 latory organizations;

14                   “(ii) review and make recommenda-  
15 tions regarding policies and procedures to  
16 encourage persons to present questions to  
17 the Investor Advocate regarding compli-  
18 ance with the securities laws; and

19                   “(iii) establish safeguards to maintain  
20 the confidentiality of communications be-  
21 tween the persons described in clause (ii)  
22 and the Ombudsman.

23           “(C) LIMITATION.—In carrying out the  
24 duties of the Ombudsman under subparagraph  
25 (B), the Ombudsman shall utilize personnel of

1 the Commission to the extent practicable. Noth-  
2 ing in this paragraph shall be construed as re-  
3 placing, altering, or diminishing the activities of  
4 any ombudsman or similar office of any other  
5 agency.

6 “(D) REPORT.—The Ombudsman shall  
7 submit a semiannual report to the Investor Ad-  
8 vocate that describes the activities and evalu-  
9 ates the effectiveness of the Ombudsman during  
10 the preceding year. The Investor Advocate shall  
11 include the reports required under this section  
12 in the reports required to be submitted by the  
13 Inspector Advocate under paragraph (6).”.

## 14 **Subtitle B—Increasing Regulatory** 15 **Enforcement and Remedies**

### 16 **SEC. 921. AUTHORITY TO RESTRICT MANDATORY PRE-DIS-** 17 **PUTE ARBITRATION.**

18 (a) AMENDMENT TO SECURITIES EXCHANGE ACT OF  
19 1934.—Section 15 of the Securities Exchange Act of 1934  
20 (15 U.S.C. 78o), as amended by this title, is further  
21 amended by adding at the end the following new sub-  
22 section:

23 “(o) AUTHORITY TO RESTRICT MANDATORY PRE-  
24 DISPUTE ARBITRATION.—The Commission, by rule, may  
25 prohibit, or impose conditions or limitations on the use

1 of, agreements that require customers or clients of any  
2 broker, dealer, or municipal securities dealer to arbitrate  
3 any future dispute between them arising under the Fed-  
4 eral securities laws, the rules and regulations thereunder,  
5 or the rules of a self-regulatory organization if it finds  
6 that such prohibition, imposition of conditions, or limita-  
7 tions are in the public interest and for the protection of  
8 investors.”.

9 (b) AMENDMENT TO INVESTMENT ADVISERS ACT OF  
10 1940.—Section 205 of the Investment Advisers Act of  
11 1940 (15 U.S.C. 80b–5) is amended by adding at the end  
12 the following new subsection:

13 “(f) AUTHORITY TO RESTRICT MANDATORY PRE-  
14 DISPUTE ARBITRATION.—The Commission, by rule, may  
15 prohibit, or impose conditions or limitations on the use  
16 of, agreements that require customers or clients of any  
17 investment adviser to arbitrate any future dispute between  
18 them arising under the Federal securities laws, the rules  
19 and regulations thereunder, or the rules of a self-regu-  
20 latory organization if it finds that such prohibition, im-  
21 position of conditions, or limitations are in the public inter-  
22 est and for the protection of investors.”.

1 **SEC. 922. WHISTLEBLOWER PROTECTION.**

2 (a) IN GENERAL.—The Securities Exchange Act of  
3 1934 (15 U.S.C. 78a et seq.) is amended by inserting after  
4 section 21E the following:

5 **“SEC. 21F. SECURITIES WHISTLEBLOWER INCENTIVES AND**  
6 **PROTECTION.**

7 “(a) DEFINITIONS.—In this section the following  
8 definitions shall apply:

9 “(1) COVERED JUDICIAL OR ADMINISTRATIVE  
10 ACTION.—The term ‘covered judicial or administra-  
11 tive action’ means any judicial or administrative ac-  
12 tion brought by the Commission under the securities  
13 laws that results in monetary sanctions exceeding  
14 \$1,000,000.

15 “(2) FUND.—The term ‘Fund’ means the Secu-  
16 rities and Exchange Commission Investor Protection  
17 Fund.

18 “(3) ORIGINAL INFORMATION.—The term  
19 ‘original information’ means information that—

20 “(A) is derived from the independent  
21 knowledge or analysis of a whistleblower;

22 “(B) is not known to the Commission from  
23 any other source, unless the whistleblower is the  
24 original source of the information; and

25 “(C) is not exclusively derived from an al-  
26 legation made in a judicial or administrative

1 hearing, in a governmental report, hearing,  
2 audit, or investigation, or from the news media,  
3 unless the whistleblower is a source of the infor-  
4 mation.

5 “(4) MONETARY SANCTIONS.—The term ‘mone-  
6 tary sanctions’, when used with respect to any judi-  
7 cial or administrative action, means—

8 “(A) any monies, including penalties,  
9 disgorgement, and interest, ordered to be paid;  
10 and

11 “(B) any monies deposited into a  
12 disgorgement fund or other fund pursuant to  
13 section 308(b) of the Sarbanes-Oxley Act of  
14 2002 (15 U.S.C. 7246(b)), as a result of such  
15 action or any settlement of such action.

16 “(5) RELATED ACTION.—The term ‘related ac-  
17 tion’, when used with respect to any judicial or ad-  
18 ministrative action brought by the Commission  
19 under the securities laws, means any judicial or ad-  
20 ministrative action brought by an entity described in  
21 subclauses (I) through (IV) of subsection  
22 (h)(2)(D)(i) that is based upon the original informa-  
23 tion provided by a whistleblower pursuant to sub-  
24 section (a) that led to the successful enforcement of  
25 the Commission action.

1           “(6) WHISTLEBLOWER.—The term ‘whistle-  
2           blower’ means any individual who provides, or 2 or  
3           more individuals acting jointly who provide, informa-  
4           tion relating to a violation of the securities laws to  
5           the Commission, in a manner established, by rule or  
6           regulation, by the Commission.

7           “(b) AWARDS.—

8           “(1) IN GENERAL.—In any covered judicial or  
9           administrative action, or related action, the Commis-  
10          sion, under regulations prescribed by the Commis-  
11          sion and subject to subsection (c), shall pay an  
12          award or awards to 1 or more whistleblowers who  
13          voluntarily provided original information to the  
14          Commission that led to the successful enforcement  
15          of the covered judicial or administrative action, or  
16          related action, in an aggregate amount equal to—

17                   “(A) not less than 10 percent, in total, of  
18                   what has been collected of the monetary sanc-  
19                   tions imposed in the action or related actions;  
20                   and

21                   “(B) not more than 30 percent, in total, of  
22                   what has been collected of the monetary sanc-  
23                   tions imposed in the action or related actions.

24           “(2) PAYMENT OF AWARDS.—Any amount paid  
25          under paragraph (1) shall be paid from the Fund.

1           “(c) DETERMINATION OF AMOUNT OF AWARD; DE-  
2 NIAL OF AWARD.—

3           “(1) DETERMINATION OF AMOUNT OF  
4 AWARD.—

5           “(A) DISCRETION.—The determination of  
6 the amount of an award made under subsection  
7 (b) shall be in the discretion of the Commission.

8           “(B) CRITERIA.—In determining the  
9 amount of an award made under subsection (b),  
10 the Commission—

11           “(i) shall take into consideration—

12           “(I) the significance of the infor-  
13 mation provided by the whistleblower  
14 to the success of the covered judicial  
15 or administrative action;

16           “(II) the degree of assistance  
17 provided by the whistleblower and any  
18 legal representative of the whistle-  
19 blower in a covered judicial or admin-  
20 istrative action;

21           “(III) the programmatic interest  
22 of the Commission in deterring viola-  
23 tions of the securities laws by making  
24 awards to whistleblowers who provide

1 information that lead to the successful  
2 enforcement of such laws; and

3 “(IV) such additional relevant  
4 factors as the Commission may estab-  
5 lish by rule or regulation; and

6 “(ii) shall not take into consideration  
7 the balance of the Fund.

8 “(2) DENIAL OF AWARD.—No award under  
9 subsection (b) shall be made—

10 “(A) to any whistleblower who is, or was at  
11 the time the whistleblower acquired the original  
12 information submitted to the Commission, a  
13 member, officer, or employee of—

14 “(i) an appropriate regulatory agency;

15 “(ii) the Department of Justice;

16 “(iii) a self-regulatory organization;

17 “(iv) the Public Company Accounting  
18 Oversight Board; or

19 “(v) a law enforcement organization;

20 “(B) to any whistleblower who is convicted  
21 of a criminal violation related to the judicial or  
22 administrative action for which the whistle-  
23 blower otherwise could receive an award under  
24 this section;



1           “(C) to any whistleblower who gains the  
2 information through the performance of an  
3 audit of financial statements required under the  
4 securities laws and for whom such submission  
5 would be contrary to the requirements of sec-  
6 tion 10A of the Securities Exchange Act of  
7 1934 (15 U.S.C. 78j-1); or

8           “(D) to any whistleblower who fails to sub-  
9 mit information to the Commission in such  
10 form as the Commission may, by rule, require.

11       “(d) REPRESENTATION.—

12           “(1) PERMITTED REPRESENTATION.—Any  
13 whistleblower who makes a claim for an award under  
14 subsection (b) may be represented by counsel.

15           “(2) REQUIRED REPRESENTATION.—

16           “(A) IN GENERAL.—Any whistleblower  
17 who anonymously makes a claim for an award  
18 under subsection (b) shall be represented by  
19 counsel if the whistleblower anonymously sub-  
20 mits the information upon which the claim is  
21 based.

22           “(B) DISCLOSURE OF IDENTITY.—Prior to  
23 the payment of an award, a whistleblower shall  
24 disclose the identity of the whistleblower and  
25 provide such other information as the Commis-

1           sion may require, directly or through counsel  
2           for the whistleblower.

3           “(e) NO CONTRACT NECESSARY.—No contract with  
4 the Commission is necessary for any whistleblower to re-  
5 ceive an award under subsection (b), unless otherwise re-  
6 quired by the Commission by rule or regulation.

7           “(f) APPEALS.—Any determination made under this  
8 section, including whether, to whom, or in what amount  
9 to make awards, shall be in the discretion of the Commis-  
10 sion. Any such determination, except the determination of  
11 the amount of an award if the award was made in accord-  
12 ance with subsection (b), may be appealed to the appro-  
13 priate court of appeals of the United States not more than  
14 30 days after the determination is issued by the Commis-  
15 sion. The court shall review the determination made by  
16 the Commission in accordance with section 706 of title 5,  
17 United States Code.

18           “(g) INVESTOR PROTECTION FUND.—

19           “(1) FUND ESTABLISHED.—There is estab-  
20 lished in the Treasury of the United States a fund  
21 to be known as the ‘Securities and Exchange Com-  
22 mission Investor Protection Fund’.

23           “(2) USE OF FUND.—The Fund shall be avail-  
24 able to the Commission, without further appropria-  
25 tion or fiscal year limitation, for—

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1           “(A) paying awards to whistleblowers as  
2 provided in subsection (b); and

3           “(B) funding the activities of the Inspector  
4 General of the Commission under section 4(i).

5           “(3) DEPOSITS AND CREDITS.—

6           “(A) IN GENERAL.—There shall be depos-  
7 ited into or credited to the Fund an amount  
8 equal to—

9           “(i) any monetary sanction collected  
10 by the Commission in any judicial or ad-  
11 ministrative action brought by the Com-  
12 mission under the securities laws that is  
13 not added to a disgorgement fund or other  
14 fund under section 308 of the Sarbanes-  
15 Oxley Act of 2002 (15 U.S.C. 7246) or  
16 otherwise distributed to victims of a viola-  
17 tion of the securities laws, or the rules and  
18 regulations thereunder, underlying such ac-  
19 tion, unless the balance of the Fund at the  
20 time the monetary sanction is collected ex-  
21 ceeds \$300,000,000;

22           “(ii) any monetary sanction added to  
23 a disgorgement fund or other fund under  
24 section 308 of the Sarbanes-Oxley Act of  
25 2002 (15 U.S.C. 7246) that is not distrib-

1           uted to the victims for whom the Fund was  
2           established, unless the balance of the  
3           disgorgement fund at the time the deter-  
4           mination is made not to distribute the  
5           monetary sanction to such victims exceeds  
6           \$200,000,000; and

7           “(iii) all income from investments  
8           made under paragraph (4).

9           “(B) ADDITIONAL AMOUNTS.—If the  
10          amounts deposited into or credited to the Fund  
11          under subparagraph (A) are not sufficient to  
12          satisfy an award made under subsection (b),  
13          there shall be deposited into or credited to the  
14          Fund an amount equal to the unsatisfied por-  
15          tion of the award from any monetary sanction  
16          collected by the Commission in the covered judi-  
17          cial or administrative action on which the  
18          award is based.

19          “(4) INVESTMENTS.—

20                 “(A) AMOUNTS IN FUND MAY BE IN-  
21          VESTED.—The Commission may request the  
22          Secretary of the Treasury to invest the portion  
23          of the Fund that is not, in the discretion of the  
24          Commission, required to meet the current needs  
25          of the Fund.

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1           “(B) ELIGIBLE INVESTMENTS.—Invest-  
2           ments shall be made by the Secretary of the  
3           Treasury in obligations of the United States or  
4           obligations that are guaranteed as to principal  
5           and interest by the United States, with matu-  
6           rities suitable to the needs of the Fund as de-  
7           termined by the Commission on the record.

8           “(C) INTEREST AND PROCEEDS CRED-  
9           ITED.—The interest on, and the proceeds from  
10          the sale or redemption of, any obligations held  
11          in the Fund shall be credited to the Fund.

12          “(5) REPORTS TO CONGRESS.—Not later than  
13          October 30 of each fiscal year beginning after the  
14          date of enactment of this subsection, the Commis-  
15          sion shall submit to the Committee on Banking,  
16          Housing, and Urban Affairs of the Senate, and the  
17          Committee on Financial Services of the House of  
18          Representatives a report on—

19                 “(A) the whistleblower award program, es-  
20                 tablished under this section, including—

21                         “(i) a description of the number of  
22                         awards granted; and

23                         “(ii) the types of cases in which  
24                         awards were granted during the preceding  
25                         fiscal year;

1           “(B) the balance of the Fund at the begin-  
2           ning of the preceding fiscal year;

3           “(C) the amounts deposited into or cred-  
4           ited to the Fund during the preceding fiscal  
5           year;

6           “(D) the amount of earnings on invest-  
7           ments made under paragraph (4) during the  
8           preceding fiscal year;

9           “(E) the amount paid from the Fund dur-  
10          ing the preceding fiscal year to whistleblowers  
11          pursuant to subsection (b);

12          “(F) the balance of the Fund at the end  
13          of the preceding fiscal year; and

14          “(G) a complete set of audited financial  
15          statements, including—

16                  “(i) a balance sheet;

17                  “(ii) income statement; and

18                  “(iii) cash flow analysis.

19          “(h) PROTECTION OF WHISTLEBLOWERS.—

20                  “(1) PROHIBITION AGAINST RETALIATION.—

21                          “(A) IN GENERAL.—No employer may dis-  
22                          charge, demote, suspend, threaten, harass, di-  
23                          rectly or indirectly, or in any other manner dis-  
24                          criminate against, a whistleblower in the terms



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1 section in the appropriate district court of  
2 the United States for the relief provided in  
3 subparagraph (C).

4 “(ii) SUBPOENAS.—A subpoena re-  
5 quiring the attendance of a witness at a  
6 trial or hearing conducted under this sec-  
7 tion may be served at any place in the  
8 United States.

9 “(iii) STATUTE OF LIMITATIONS.—

10 “(I) IN GENERAL.—An action  
11 under this subsection may not be  
12 brought—

13 “(aa) more than 6 years  
14 after the date on which the viola-  
15 tion of subparagraph (A) oc-  
16 curred; or

17 “(bb) more than 3 years  
18 after the date when facts mate-  
19 rial to the right of action are  
20 known or reasonably should have  
21 been known by the employee al-  
22 leging a violation of subpara-  
23 graph (A).

24 “(II) REQUIRED ACTION WITHIN  
25 10 YEARS.—Notwithstanding sub-



1 clause (I), an action under this sub-  
2 section may not in any circumstance  
3 be brought more than 10 years after  
4 the date on which the violation occurs.

5 “(C) RELIEF.—Relief for an individual  
6 prevailing in an action brought under subpara-  
7 graph (B) shall include—

8 “(i) reinstatement with the same se-  
9 niority status that the individual would  
10 have had, but for the discrimination;

11 “(ii) 2 times the amount of back pay  
12 otherwise owed to the individual, with in-  
13 terest; and

14 “(iii) compensation for litigation  
15 costs, expert witness fees, and reasonable  
16 attorneys’ fees.

17 “(2) CONFIDENTIALITY.—

18 “(A) IN GENERAL.—Except as provided in  
19 subparagraphs (B) and (C), the Commission  
20 and any officer or employee of the Commission  
21 shall not disclose any information, including in-  
22 formation provided by a whistleblower to the  
23 Commission, which could reasonably be ex-  
24 pected to reveal the identity of a whistleblower,  
25 except in accordance with the provisions of sec-

1           tion 552a of title 5, United States Code, unless  
2           and until required to be disclosed to a defend-  
3           ant or respondent in connection with a public  
4           proceeding instituted by the Commission or any  
5           entity described in subparagraph (C). For pur-  
6           poses of section 552 of title 5, United States  
7           Code, this paragraph shall be considered a stat-  
8           ute described in subsection (b)(3)(B) of such  
9           section.

10           “(B) EXEMPTED STATUTE.—For purposes  
11           of section 552 of title 5, United States Code,  
12           this paragraph shall be considered a statute de-  
13           scribed in subsection (b)(3)(B) of such section  
14           552.

15           “(C) RULE OF CONSTRUCTION.—Nothing  
16           in this section is intended to limit, or shall be  
17           construed to limit, the ability of the Attorney  
18           General to present such evidence to a grand  
19           jury or to share such evidence with potential  
20           witnesses or defendants in the course of an on-  
21           going criminal investigation.

22           “(D) AVAILABILITY TO GOVERNMENT  
23           AGENCIES.—

24           “(i) IN GENERAL.—Without the loss  
25           of its status as confidential in the hands of

1 the Commission, all information referred to  
2 in subparagraph (A) may, in the discretion  
3 of the Commission, when determined by  
4 the Commission to be necessary to accom-  
5 plish the purposes of this Act and to pro-  
6 tect investors, be made available to—

7 “(I) the Attorney General of the  
8 United States;

9 “(II) an appropriate regulatory  
10 authority;

11 “(III) a self-regulatory organiza-  
12 tion;

13 “(IV) a State attorney general in  
14 connection with any criminal inves-  
15 tigation;

16 “(V) any appropriate State regu-  
17 latory authority;

18 “(VI) the Public Company Ac-  
19 counting Oversight Board;

20 “(VII) a foreign securities au-  
21 thority; and

22 “(VIII) a foreign law enforce-  
23 ment authority.

24 “(ii) CONFIDENTIALITY.—

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1                   “(I) IN GENERAL.—Each of the  
2                   entities described in subclauses (I)  
3                   through (VI) of clause (i) shall main-  
4                   tain such information as confidential  
5                   in accordance with the requirements  
6                   established under subparagraph (A).

7                   “(II) FOREIGN AUTHORITIES.—  
8                   Each of the entities described in sub-  
9                   clauses (VII) and (VIII) of clause (i)  
10                  shall maintain such information in ac-  
11                  cordance with such assurances of con-  
12                  fidentiality as the Commission deter-  
13                  mines appropriate.

14                  “(3) RIGHTS RETAINED.—Nothing in this sec-  
15                  tion shall be deemed to diminish the rights, privi-  
16                  leges, or remedies of any whistleblower under any  
17                  Federal or State law, or under any collective bar-  
18                  gaining agreement.

19                  “(i) PROVISION OF FALSE INFORMATION.—A whis-  
20                  tler shall not be entitled to an award under this sec-  
21                  tion if the whistleblower—

22                  “(1) knowingly and willfully makes any false,  
23                  fictitious, or fraudulent statement or representation;  
24                  or

1           “(2) uses any false writing or document know-  
2           ing the writing or document contains any false, ficti-  
3           tious, or fraudulent statement or entry.

4           “(j) RULEMAKING AUTHORITY.—The Commission  
5           shall have the authority to issue such rules and regulations  
6           as may be necessary or appropriate to implement the pro-  
7           visions of this section consistent with the purposes of this  
8           section.”.

9           (b) PROTECTION FOR EMPLOYEES OF NATIONALLY  
10          RECOGNIZED STATISTICAL RATING ORGANIZATIONS.—  
11          Section 1514A(a) of title 18, United States Code, is  
12          amended—

13                 (1) by inserting “or nationally recognized sta-  
14                 tistical rating organization (as defined in section  
15                 3(a) of the Securities Exchange Act of 1934 (15  
16                 U.S.C. 78c),” after “78o(d),”; and

17                 (2) by inserting “or nationally recognized sta-  
18                 tistical rating organization” after “such company”.

19          (c) SECTION 1514A OF TITLE 18, UNITED STATES  
20          CODE.—

21                 (1) STATUTE OF LIMITATIONS; JURY TRIAL.—  
22                 Section 1514A(b)(2) of title 18, United States Code,  
23                 is amended—

24                         (A) in subparagraph (D)—

1 (i) by striking “90” and inserting  
2 “180”; and

3 (ii) by striking the period at the end  
4 and inserting “, or after the date on which  
5 the employee became aware of the viola-  
6 tion.”; and

7 (B) by adding at the end the following:

8 “(E) JURY TRIAL.—A party to an action  
9 brought under paragraph (1)(B) shall be enti-  
10 tled to trial by jury.”.

11 (2) PRIVATE SECURITIES LITIGATION WIT-  
12 NESSES; NONENFORCEABILITY; INFORMATION.—Sec-  
13 tion 1514A of title 18, United States Code, is  
14 amended by adding at the end the following:

15 “(e) NONENFORCEABILITY OF CERTAIN PROVISIONS  
16 WAIVING RIGHTS AND REMEDIES OR REQUIRING ARBI-  
17 TRATION OF DISPUTES.—

18 “(1) WAIVER OF RIGHTS AND REMEDIES.—The  
19 rights and remedies provided for in this section may  
20 not be waived by any agreement, policy form, or con-  
21 dition of employment, including by a predispute ar-  
22 bitration agreement.

23 “(2) PREDISPUTE ARBITRATION AGREE-  
24 MENTS.—No predispute arbitration agreement shall

1 be valid or enforceable, if the agreement requires ar-  
2 bitration of a dispute arising under this section.”.

3 (d) STUDY OF WHISTLEBLOWER PROTECTION PRO-  
4 GRAM.—

5 (1) STUDY.—The Inspector General of the  
6 Commission shall conduct a study of the whistle-  
7 blower protections established under the amend-  
8 ments made by this section, including—

9 (A) whether the final rules and regulation  
10 issued under the amendments made by this sec-  
11 tion have made the whistleblower protection  
12 program (referred to in this subsection as the  
13 “program”) clearly defined and user-friendly;

14 (B) whether the program is promoted on  
15 the website of the Commission and has been  
16 widely publicized;

17 (C) whether the Commission is prompt  
18 in—

19 (i) responding to—

20 (I) information provided by whis-  
21 tleblowers; and

22 (II) applications for awards filed  
23 by whistleblowers;

24 (ii) updating whistleblowers about the  
25 status of their applications; and

1 (iii) otherwise communicating with the  
2 interested parties;

3 (D) whether the minimum and maximum  
4 reward levels are adequate to entice whistle-  
5 blowers to come forward with information and  
6 whether the reward levels are so high as to en-  
7 courage illegitimate whistleblower claims;

8 (E) whether the appeals process has been  
9 unduly burdensome for the Commission;

10 (F) whether the funding mechanism for  
11 the Investor Protection Fund is adequate;

12 (G) whether, in the interest of protecting  
13 investors and identifying and preventing fraud,  
14 it would be useful for Congress to consider em-  
15 powering whistleblowers or other individuals,  
16 who have already attempted to pursue the case  
17 through the Commission, to have a private right  
18 of action to bring suit based on the facts of the  
19 same case, on behalf of the Government and  
20 themselves, against persons who have com-  
21 mittee securities fraud;

22 (H)(i) whether the exemption under sec-  
23 tion 552(b)(3) of title 5 (known as the Freedom  
24 of Information Act) established in section  
25 21F(h)(2)(A) of the Securities Exchange Act of



1           1934, as added by this Act, aids whistleblowers  
2           in disclosing information to the Commission;

3           (ii) what impact the exemption described  
4           in clause (i) has had on the ability of the public  
5           to access information about the regulation and  
6           enforcement by the Commission of securities;  
7           and

8           (iii) any recommendations on whether the  
9           exemption described in clause (i) should remain  
10          in effect; and

11          (I) such other matters as the Inspector  
12          General deems appropriate.

13          (2) REPORT.—Not later than 30 months after  
14          the date of enactment of this Act, the Inspector  
15          General shall—

16                (A) submit a report on the findings of the  
17                study required under paragraph (1) to the  
18                Committee on Banking, Housing, and Urban  
19                Affairs of the Senate and the Committee on Fi-  
20                nancial Services of the House; and

21                (B) make the report described in subpara-  
22                graph (A) available to the public through publi-  
23                cation of the report on the website of the Com-  
24                mission.

1 **SEC. 923. CONFORMING AMENDMENTS FOR WHISTLE-**  
2 **BLOWER PROTECTION.**

3 (a) IN GENERAL.—

4 (1) SECURITIES ACT OF 1933.—Section  
5 20(d)(3)(A) of the Securities Act of 1933 (15 U.S.C.  
6 77t(d)(3)(A)) is amended by inserting “and section  
7 21F of the Securities Exchange Act of 1934” after  
8 “the Sarbanes-Oxley Act of 2002”.

9 (2) INVESTMENT COMPANY ACT OF 1940.—Sec-  
10 tion 42(e)(3)(A) of the Investment Company Act of  
11 1940 (15 U.S.C. 80a–41(e)(3)(A)) is amended by  
12 inserting “and section 21F of the Securities Ex-  
13 change Act of 1934” after “the Sarbanes-Oxley Act  
14 of 2002”.

15 (3) INVESTMENT ADVISERS ACT OF 1940.—Sec-  
16 tion 209(e)(3)(A) of the Investment Advisers Act of  
17 1940 (15 U.S.C. 80b–9(e)(3)(A)) is amended by in-  
18 serting “and section 21F of the Securities Exchange  
19 Act of 1934” after “the Sarbanes-Oxley Act of  
20 2002”.

21 (b) SECURITIES EXCHANGE ACT.—

22 (1) SECTION 21.—Section 21(d)(3)(C)(i) of the  
23 Securities Exchange Act of 1934 (15 U.S.C.  
24 78u(d)(3)(C)(i)) is amended by inserting “and sec-  
25 tion 21F of this title” after “the Sarbanes-Oxley Act  
26 of 2002”.

1           (2) SECTION 21A.—Section 21A of the Securi-  
2           ties Exchange Act of 1934 (15 U.S.C. 78u–1) is  
3           amended—

4           (A) in subsection (d)(1) by—

5                   (i) striking “(subject to subsection  
6                   (e))”; and

7                   (ii) inserting “and section 21F of this  
8                   title” after “the Sarbanes-Oxley Act of  
9                   2002”;

10           (B) by striking subsection (e); and

11           (C) by redesignating subsections (f) and  
12           (g) as subsections (e) and (f), respectively.

13   **SEC. 924. IMPLEMENTATION AND TRANSITION PROVISIONS**  
14           **FOR WHISTLEBLOWER PROTECTION.**

15           (a) IMPLEMENTING RULES.—The Commission shall  
16           issue final regulations implementing the provisions of sec-  
17           tion 21F of the Securities Exchange Act of 1934, as added  
18           by this subtitle, not later than 270 days after the date  
19           of enactment of this Act.

20           (b) ORIGINAL INFORMATION.—Information provided  
21           to the Commission in writing by a whistleblower shall not  
22           lose the status of original information (as defined in sec-  
23           tion 21F(a)(3) of the Securities Exchange Act of 1934,  
24           as added by this subtitle) solely because the whistleblower  
25           provided the information prior to the effective date of the

1 regulations, if the information is provided by the whistle-  
2 blower after the date of enactment of this subtitle.

3 (c) AWARDS.—A whistleblower may receive an award  
4 pursuant to section 21F of the Securities Exchange Act  
5 of 1934, as added by this subtitle, regardless of whether  
6 any violation of a provision of the securities laws, or a  
7 rule or regulation thereunder, underlying the judicial or  
8 administrative action upon which the award is based, oc-  
9 curred prior to the date of enactment of this subtitle.

10 (d) ADMINISTRATION AND ENFORCEMENT.—The Se-  
11 curities and Exchange Commission shall establish a sepa-  
12 rate office within the Commission to administer and en-  
13 force the provisions of section 21F of the Securities Ex-  
14 change Act of 1934 (as add by section 922(a)). Such office  
15 shall report annually to the Committee on Banking, Hous-  
16 ing, and Urban Affairs of the Senate and the Committee  
17 on Financial Services of the House of Representatives on  
18 its activities, whistleblower complaints, and the response  
19 of the Commission to such complaints.

20 **SEC. 925. COLLATERAL BARS.**

21 (a) SECURITIES EXCHANGE ACT OF 1934.—

22 (1) SECTION 15.—Section 15(b)(6)(A) of the  
23 Securities Exchange Act of 1934 (15 U.S.C.  
24 78o(b)(6)(A)) is amended by striking “12 months,  
25 or bar such person from being associated with a

1 broker or dealer,” and inserting “12 months, or bar  
2 any such person from being associated with a  
3 broker, dealer, investment adviser, municipal securi-  
4 ties dealer, municipal advisor, transfer agent, or na-  
5 tionally recognized statistical rating organization,”.

6 (2) SECTION 15B.—Section 15B(c)(4) of the Se-  
7 curities Exchange Act of 1934 (15 U.S.C. 78o-  
8 4(c)(4)) is amended by striking “twelve months or  
9 bar any such person from being associated with a  
10 municipal securities dealer,” and inserting “12  
11 months or bar any such person from being associ-  
12 ated with a broker, dealer, investment adviser, mu-  
13 nicipal securities dealer, municipal advisor, transfer  
14 agent, or nationally recognized statistical rating or-  
15 ganization,”.

16 (3) SECTION 17A.—Section 17A(c)(4)(C) of the  
17 Securities Exchange Act of 1934 (15 U.S.C. 78q-  
18 1(c)(4)(C)) is amended by striking “twelve months  
19 or bar any such person from being associated with  
20 the transfer agent,” and inserting “12 months or  
21 bar any such person from being associated with any  
22 transfer agent, broker, dealer, investment adviser,  
23 municipal securities dealer, municipal advisor, or na-  
24 tionally recognized statistical rating organization,”.

1 (b) INVESTMENT ADVISERS ACT OF 1940.—Section  
2 203(f) of the Investment Advisers Act of 1940 (15 U.S.C.  
3 80b–3(f)) is amended by striking “twelve months or bar  
4 any such person from being associated with an investment  
5 adviser,” and inserting “12 months or bar any such per-  
6 son from being associated with an investment adviser,  
7 broker, dealer, municipal securities dealer, municipal advi-  
8 sor, transfer agent, or nationally recognized statistical rat-  
9 ing organization,”.

10 **SEC. 926. DISQUALIFYING FELONS AND OTHER “BAD AC-**  
11 **TORS” FROM REGULATION D OFFERINGS.**

12 Not later than 1 year after the date of enactment  
13 of this Act, the Commission shall issue rules for the dis-  
14 qualification of offerings and sales of securities made  
15 under section 230.506 of title 17, Code of Federal Regula-  
16 tions, that—

17 (1) are substantially similar to the provisions of  
18 section 230.262 of title 17, Code of Federal Regula-  
19 tions, or any successor thereto; and

20 (2) disqualify any offering or sale of securities  
21 by a person that—

22 (A) is subject to a final order of a State  
23 securities commission (or an agency or officer  
24 of a State performing like functions), a State  
25 authority that supervises or examines banks,

1 savings associations, or credit unions, a State  
2 insurance commission (or an agency or officer  
3 of a State performing like functions), an appro-  
4 priate Federal banking agency, or the National  
5 Credit Union Administration, that—

6 (i) bars the person from—

7 (I) association with an entity reg-  
8 ulated by such commission, authority,  
9 agency, or officer;

10 (II) engaging in the business of  
11 securities, insurance, or banking; or

12 (III) engaging in savings associa-  
13 tion or credit union activities; or

14 (ii) constitutes a final order based on  
15 a violation of any law or regulation that  
16 prohibits fraudulent, manipulative, or de-  
17 ceptive conduct within the 10-year period  
18 ending on the date of the filing of the offer  
19 or sale; or

20 (B) has been convicted of any felony or  
21 misdemeanor in connection with the purchase  
22 or sale of any security or involving the making  
23 of any false filing with the Commission.

1 **SEC. 927. EQUAL TREATMENT OF SELF-REGULATORY ORGA-**  
2 **NIZATION RULES.**

3 Section 29(a) of the Securities Exchange Act of 1934  
4 (15 U.S.C. 78cc(a)) is amended by striking “an exchange  
5 required thereby” and inserting “a self-regulatory organi-  
6 zation,”.

7 **SEC. 928. CLARIFICATION THAT SECTION 205 OF THE IN-**  
8 **VESTMENT ADVISERS ACT OF 1940 DOES NOT**  
9 **APPLY TO STATE-REGISTERED ADVISERS.**

10 Section 205(a) of the Investment Advisers Act of  
11 1940 (15 U.S.C. 80b–5(a)) is amended, in the matter pre-  
12 ceding paragraph (1)—

13 (1) by striking “, unless exempt from registra-  
14 tion pursuant to section 203(b),” and inserting  
15 “registered or required to be registered with the  
16 Commission”;

17 (2) by striking “make use of the mails or any  
18 means or instrumentality of interstate commerce, di-  
19 rectly or indirectly, to”; and

20 (3) by striking “to” after “in any way”.

21 **SEC. 929. UNLAWFUL MARGIN LENDING.**

22 Section 7(c)(1)(A) of the Securities Exchange Act of  
23 1934 (15 U.S.C. 78g(c)(1)(A)) is amended by striking “;  
24 and” and inserting “; or”.



1 **SEC. 929A. PROTECTION FOR EMPLOYEES OF SUBSIDI-**  
2 **ARIES AND AFFILIATES OF PUBLICLY TRAD-**  
3 **ED COMPANIES.**

4 Section 1514A of title 18, United States Code, is  
5 amended by inserting “including any subsidiary or affil-  
6 iate whose financial information is included in the consoli-  
7 dated financial statements of such company” after “the  
8 Securities Exchange Act of 1934 (15 U.S.C. 78o(d))”.

9 **SEC. 929B. FAIR FUND AMENDMENTS.**

10 Section 308 of the Sarbanes-Oxley Act of 2002 (15  
11 U.S.C. 7246(a)) is amended—

12 (1) by striking subsection (a) and inserting the  
13 following:

14 “(a) CIVIL PENALTIES TO BE USED FOR THE RE-  
15 LIEF OF VICTIMS.—If, in any judicial or administrative  
16 action brought by the Commission under the securities  
17 laws, the Commission obtains a civil penalty against any  
18 person for a violation of such laws, or such person agrees,  
19 in settlement of any such action, to such civil penalty, the  
20 amount of such civil penalty shall, on the motion or at  
21 the direction of the Commission, be added to and become  
22 part of a disgorgement fund or other fund established for  
23 the benefit of the victims of such violation.”;

24 (2) in subsection (b)—

25 (A) by striking “for a disgorgement fund  
26 described in subsection (a)” and inserting “for

1 a disgorgement fund or other fund described in  
2 subsection (a)”; and

3 (B) by striking “in the disgorgement fund”  
4 and inserting “in such fund”; and

5 (3) by striking subsection (e).

6 **SEC. 929C. INCREASING THE BORROWING LIMIT ON TREAS-**  
7 **URY LOANS.**

8 Section 4(h) of the Securities Investor Protection Act  
9 of 1970 (15 U.S.C. 78ddd(h)) is amended in the first sen-  
10 tence, by striking “\$1,000,000,000” and inserting  
11 “\$2,500,000,000”.

12 **SEC. 929D. LOST AND STOLEN SECURITIES.**

13 Section 17(f)(1) of the Securities Exchange Act of  
14 1934 (15 U.S.C. 78q(f)(1)) is amended—

15 (1) in subparagraph (A), by striking “missing,  
16 lost, counterfeit, or stolen securities” and inserting  
17 “securities that are missing, lost, counterfeit, stolen,  
18 or cancelled”; and

19 (2) in subparagraph (B), by striking “or sto-  
20 len” and inserting “stolen, cancelled, or reported in  
21 such other manner as the Commission, by rule, may  
22 prescribe”.

23 **SEC. 929E. NATIONWIDE SERVICE OF SUBPOENAS.**

24 (a) SECURITIES ACT OF 1933.—Section 22(a) of the  
25 Securities Act of 1933 (15 U.S.C. 77v(a)) is amended by

1 inserting after the second sentence the following: “In any  
2 action or proceeding instituted by the Commission under  
3 this title in a United States district court for any judicial  
4 district, a subpoena issued to compel the attendance of  
5 a witness or the production of documents or tangible  
6 things (or both) at a hearing or trial may be served at  
7 any place within the United States. Rule 45(c)(3)(A)(ii)  
8 of the Federal Rules of Civil Procedure shall not apply  
9 to a subpoena issued under the preceding sentence.”.

10 (b) SECURITIES EXCHANGE ACT OF 1934.—Section  
11 27 of the Securities Exchange Act of 1934 (15 U.S.C.  
12 78aa) is amended by inserting after the third sentence the  
13 following: “In any action or proceeding instituted by the  
14 Commission under this title in a United States district  
15 court for any judicial district, a subpoena issued to compel  
16 the attendance of a witness or the production of docu-  
17 ments or tangible things (or both) at a hearing or trial  
18 may be served at any place within the United States. Rule  
19 45(c)(3)(A)(ii) of the Federal Rules of Civil Procedure  
20 shall not apply to a subpoena issued under the preceding  
21 sentence.”.

22 (c) INVESTMENT COMPANY ACT OF 1940.—Section  
23 44 of the Investment Company Act of 1940 (15 U.S.C.  
24 80a–43) is amended by inserting after the fourth sentence  
25 the following: “In any action or proceeding instituted by

1 the Commission under this title in a United States district  
2 court for any judicial district, a subpoena issued to compel  
3 the attendance of a witness or the production of docu-  
4 ments or tangible things (or both) at a hearing or trial  
5 may be served at any place within the United States. Rule  
6 45(c)(3)(A)(ii) of the Federal Rules of Civil Procedure  
7 shall not apply to a subpoena issued under the preceding  
8 sentence.”.

9 (d) INVESTMENT ADVISERS ACT OF 1940.—Section  
10 214 of the Investment Advisers Act of 1940 (15 U.S.C.  
11 80b–14) is amended by inserting after the third sentence  
12 the following: “In any action or proceeding instituted by  
13 the Commission under this title in a United States district  
14 court for any judicial district, a subpoena issued to compel  
15 the attendance of a witness or the production of docu-  
16 ments or tangible things (or both) at a hearing or trial  
17 may be served at any place within the United States. Rule  
18 45(c)(3)(A)(ii) of the Federal Rules of Civil Procedure  
19 shall not apply to a subpoena issued under the preceding  
20 sentence.”.

21 **SEC. 929F. FORMERLY ASSOCIATED PERSONS.**

22 (a) MEMBER OR EMPLOYEE OF THE MUNICIPAL SE-  
23 CURITIES RULEMAKING BOARD.—Section 15B(c)(8) of  
24 the Securities Exchange Act of 1934 (15 U.S.C. 78o–  
25 4(c)(8)) is amended by striking “any member or em-

1 ployee” and inserting “any person who is, or at the time  
2 of the alleged violation or abuse was, a member or em-  
3 ployee”.

4 (b) PERSON ASSOCIATED WITH A GOVERNMENT SE-  
5 CURITIES BROKER OR DEALER.—Section 15C(c) of the  
6 Securities Exchange Act of 1934 (15 U.S.C. 78o–5(c)) is  
7 amended—

8 (1) in paragraph (1)(C), by striking “any per-  
9 son associated, or seeking to become associated,”  
10 and inserting “any person who is, or at the time of  
11 the alleged misconduct was, associated or seeking to  
12 become associated”; and

13 (2) in paragraph (2)—

14 (A) in subparagraph (A), by inserting “,  
15 seeking to become associated, or, at the time of  
16 the alleged misconduct, associated or seeking to  
17 become associated” after “any person associ-  
18 ated”; and

19 (B) in subparagraph (B), by inserting “,  
20 seeking to become associated, or, at the time of  
21 the alleged misconduct, associated or seeking to  
22 become associated” after “any person associ-  
23 ated”.

24 (c) PERSON ASSOCIATED WITH A MEMBER OF A NA-  
25 TIONAL SECURITIES EXCHANGE OR REGISTERED SECURI-

1 TIES ASSOCIATION.—Section 21(a)(1) of the Securities  
2 Exchange Act of 1934 (15 U.S.C. 78u(a)(1)) is amended,  
3 in the first sentence, by inserting “, or, as to any act or  
4 practice, or omission to act, while associated with a mem-  
5 ber, formerly associated” after “member or a person asso-  
6 ciated”.

7 (d) PARTICIPANT OF A REGISTERED CLEARING  
8 AGENCY.—Section 21(a)(1) of the Securities Exchange  
9 Act of 1934 (15 U.S.C. 78u(a)(1)) is amended, in the first  
10 sentence, by inserting “or, as to any act or practice, or  
11 omission to act, while a participant, was a participant,”  
12 after “in which such person is a participant,”.

13 (e) OFFICER OR DIRECTOR OF A SELF-REGULATORY  
14 ORGANIZATION.—Section 19(h)(4) of the Securities Ex-  
15 change Act of 1934 (15 U.S.C. 78s(h)(4)) is amended—

16 (1) by striking “any officer or director” and in-  
17 serting “any person who is, or at the time of the al-  
18 leged misconduct was, an officer or director”; and

19 (2) by striking “such officer or director” and  
20 inserting “such person”.

21 (f) OFFICER OR DIRECTOR OF AN INVESTMENT COM-  
22 PANY.—Section 36(a) of the Investment Company Act of  
23 1940 (15 U.S.C. 80a–35(a)) is amended—

1           (1) by striking “a person serving or acting” and  
2           inserting “a person who is, or at the time of the al-  
3           leged misconduct was, serving or acting”; and

4           (2) by striking “such person so serves or acts”  
5           and inserting “such person so serves or acts, or at  
6           the time of the alleged misconduct, so served or  
7           acted”.

8           (g) PERSON ASSOCIATED WITH A PUBLIC ACCOUNT-  
9           ING FIRM.—

10           (1) SARBANES-OXLEY ACT OF 2002 AMEND-  
11           MENT.—Section 2(a)(9) of the Sarbanes-Oxley Act  
12           of 2002 (15 U.S.C. 7201(9)) is amended by adding  
13           at the end the following:

14                   “(C) INVESTIGATIVE AND ENFORCEMENT  
15           AUTHORITY.—For purposes of sections 3(e),  
16           101(c), 105, and 107(c) and the rules of the  
17           Board and Commission issued thereunder, ex-  
18           cept to the extent specifically excepted by such  
19           rules, the terms defined in subparagraph (A)  
20           shall include any person associated, seeking to  
21           become associated, or formerly associated with  
22           a public accounting firm, except that—

23                           “(i) the authority to conduct an inves-  
24                           tigation of such person under section  
25                           105(b) shall apply only with respect to any

1 act or practice, or omission to act, by the  
2 person while such person was associated or  
3 seeking to become associated with a reg-  
4 istered public accounting firm; and

5 “(ii) the authority to commence a dis-  
6 ciplinary proceeding under section  
7 105(c)(1), or impose sanctions under sec-  
8 tion 105(c)(4), against such person shall  
9 apply only with respect to—

10 “(I) conduct occurring while such  
11 person was associated or seeking to  
12 become associated with a registered  
13 public accounting firm; or

14 “(II) non-cooperation, as de-  
15 scribed in section 105(b)(3), with re-  
16 spect to a demand in a Board inves-  
17 tigation for testimony, documents, or  
18 other information relating to a period  
19 when such person was associated or  
20 seeking to become associated with a  
21 registered public accounting firm.”.

22 (2) SECURITIES EXCHANGE ACT OF 1934  
23 AMENDMENT.—Section 21(a)(1) of the Securities  
24 Exchange Act of 1934 (15 U.S.C. 78u(a)(1)) is  
25 amended by striking “or a person associated with



1 such a firm” and inserting “, a person associated  
2 with such a firm, or, as to any act, practice, or omis-  
3 sion to act, while associated with such firm, a person  
4 formerly associated with such a firm”.

5 (h) SUPERVISORY PERSONNEL OF AN AUDIT  
6 FIRM.—Section 105(c)(6) of the Sarbanes-Oxley Act of  
7 2002 (15 U.S.C. 7215(c)(6)) is amended—

8 (1) in subparagraph (A), by striking “the su-  
9 pervisory personnel” and inserting “any person who  
10 is, or at the time of the alleged failure reasonably to  
11 supervise was, a supervisory person”; and

12 (2) in subparagraph (B)—

13 (A) by striking “No associated person”  
14 and inserting “No current or former super-  
15 visory person”; and

16 (B) by striking “any other person” and in-  
17 serting “any associated person”.

18 (i) MEMBER OF THE PUBLIC COMPANY ACCOUNTING  
19 OVERSIGHT BOARD.—Section 107(d)(3) of the Sarbanes-  
20 Oxley Act of 2002 (15 U.S.C. 7217(d)(3)) is amended by  
21 striking “any member” and inserting “any person who is,  
22 or at the time of the alleged misconduct was, a member”.

1 **SEC. 929G. STREAMLINED HIRING AUTHORITY FOR MAR-**  
2 **KET SPECIALISTS.**

3 (a) APPOINTMENT AUTHORITY.—Section 3114 of  
4 title 5, United States Code, is amended by striking the  
5 section heading and all that follows through the end of  
6 subsection (a) and inserting the following:

7 **“§ 3114. Appointment of candidates to certain posi-**  
8 **tions in the competitive service by the**  
9 **Securities and Exchange Commission**

10 “(a) APPLICABILITY.—This section applies with re-  
11 spect to any position of accountant, economist, and securi-  
12 ties compliance examiner at the Commission that is in the  
13 competitive service, and any position at the Commission  
14 in the competitive service that requires specialized knowl-  
15 edge of financial and capital market formation or regula-  
16 tion, financial market structures or surveillance, or infor-  
17 mation technology.”.

18 (b) CLERICAL AMENDMENT.—The table of sections  
19 for chapter 31 of title 5, United States Code, is amended  
20 by striking the item relating to section 3114 and inserting  
21 the following:

“3114. Appointment of candidates to positions in the competitive service by the  
Securities and Exchange Commission.”.

22 (c) PAY AUTHORITY.—The Commission may set the  
23 rate of pay for experts and consultants appointed under  
24 the authority of section 3109 of title 5, United States

1 Code, in the same manner in which it sets the rate of pay  
2 for employees of the Commission.

3 **SEC. 929H. SIPC REFORMS.**

4 (a) INCREASING THE CASH LIMIT OF PROTEC-  
5 TION.—Section 9 of the Securities Investor Protection Act  
6 of 1970 (15 U.S.C. 78fff-3) is amended—

7 (1) in subsection (a)(1), by striking “\$100,000  
8 for each such customer” and inserting “the standard  
9 maximum cash advance amount for each such cus-  
10 tomer, as determined in accordance with subsection  
11 (d)”;

12 (2) by adding the following new subsections:

13 “(d) STANDARD MAXIMUM CASH ADVANCE AMOUNT  
14 DEFINED.—For purposes of this section, the term ‘stand-  
15 ard maximum cash advance amount’ means \$250,000, as  
16 such amount may be adjusted after December 31, 2010,  
17 as provided under subsection (e).

18 “(e) INFLATION ADJUSTMENT.—

19 “(1) IN GENERAL.—Not later than January 1,  
20 2011, and every 5 years thereafter, and subject to  
21 the approval of the Commission as provided under  
22 section 3(e)(2), the Board of Directors of SIPC shall  
23 determine whether an inflation adjustment to the  
24 standard maximum cash advance amount is appro-  
25 priate. If the Board of Directors of SIPC determines

1 such an adjustment is appropriate, then the stand-  
2 ard maximum cash advance amount shall be an  
3 amount equal to—

4 “(A) \$250,000 multiplied by—

5 “(B) the ratio of the annual value of the  
6 Personal Consumption Expenditures Chain-  
7 Type Price Index (or any successor index there-  
8 to), published by the Department of Commerce,  
9 for the calendar year preceding the year in  
10 which such determination is made, to the pub-  
11 lished annual value of such index for the cal-  
12 endar year preceding the year in which this  
13 subsection was enacted.

14 The index values used in calculations under this  
15 paragraph shall be, as of the date of the calculation,  
16 the values most recently published by the Depart-  
17 ment of Commerce.

18 “(2) ROUNDING.—If the standard maximum  
19 cash advance amount determined under paragraph  
20 (1) for any period is not a multiple of \$10,000, the  
21 amount so determined shall be rounded down to the  
22 nearest \$10,000.

23 “(3) PUBLICATION AND REPORT TO THE CON-  
24 GRESS.—Not later than April 5 of any calendar year

1 in which a determination is required to be made  
2 under paragraph (1)—

3 “(A) the Commission shall publish in the  
4 Federal Register the standard maximum cash  
5 advance amount; and

6 “(B) the Board of Directors of SIPC shall  
7 submit a report to the Congress stating the  
8 standard maximum cash advance amount.

9 “(4) IMPLEMENTATION PERIOD.—Any adjust-  
10 ment to the standard maximum cash advance  
11 amount shall take effect on January 1 of the year  
12 immediately succeeding the calendar year in which  
13 such adjustment is made.

14 “(5) INFLATION ADJUSTMENT CONSIDER-  
15 ATIONS.—In making any determination under para-  
16 graph (1) to increase the standard maximum cash  
17 advance amount, the Board of Directors of SIPC  
18 shall consider—

19 “(A) the overall state of the fund and the  
20 economic conditions affecting members of  
21 SIPC;

22 “(B) the potential problems affecting mem-  
23 bers of SIPC; and

1           “(C) such other factors as the Board of  
2           Directors of SIPC may determine appro-  
3           priate.”.

4           (b) LIQUIDATION OF A CARRYING BROKER-DEAL-  
5           ER.—Section 5(a)(3) of the Securities Investor Protection  
6           Act of 1970 (15 U.S.C. 78eee(a)(3)) is amended—

7           (1) by striking the undesignated matter imme-  
8           diately following subparagraph (B);

9           (2) in subparagraph (A), by striking “any mem-  
10          ber of SIPC” and inserting “the member”;

11          (3) in subparagraph (B), by striking the comma  
12          at the end and inserting a period;

13          (4) by striking “If SIPC” and inserting the fol-  
14          lowing:

15                 “(A) IN GENERAL.—SIPC may, upon no-  
16                 tice to a member of SIPC, file an application  
17                 for a protective decree with any court of com-  
18                 petent jurisdiction specified in section 21(e) or  
19                 27 of the Securities Exchange Act of 1934, ex-  
20                 cept that no such application shall be filed with  
21                 respect to a member, the only customers of  
22                 which are persons whose claims could not be  
23                 satisfied by SIPC advances pursuant to section  
24                 9, if SIPC”; and

25          (5) by adding at the end the following:

1           “(B) CONSENT REQUIRED.—No member of  
2           SIPC that has a customer may enter into an in-  
3           solvency, receivership, or bankruptcy pro-  
4           ceeding, under Federal or State law, without  
5           the specific consent of SIPC, except as provided  
6           in title II of the Dodd-Frank Wall Street Re-  
7           form and Consumer Protection Act.”.

8   **SEC. 929I. PROTECTING CONFIDENTIALITY OF MATERIALS**  
9           **SUBMITTED TO THE COMMISSION.**

10          (a) SECURITIES EXCHANGE ACT OF 1934.—Section  
11   24 of the Securities Exchange Act of 1934 (15 U.S.C.  
12   78x) is amended—

13           (1) in subsection (d), by striking “subsection  
14           (e)” and inserting “subsection (f)”;

15           (2) by redesignating subsection (e) as sub-  
16           section (f); and

17           (3) by inserting after subsection (d) the fol-  
18           lowing:

19           “(e) RECORDS OBTAINED FROM REGISTERED PER-  
20   SONS.—

21           “(1) IN GENERAL.—Except as provided in sub-  
22           section (f), the Commission shall not be compelled to  
23           disclose records or information obtained pursuant to  
24           section 17(b), or records or information based upon  
25           or derived from such records or information, if such

1 records or information have been obtained by the  
2 Commission for use in furtherance of the purposes  
3 of this title, including surveillance, risk assessments,  
4 or other regulatory and oversight activities.

5 “(2) TREATMENT OF INFORMATION.—For pur-  
6 poses of section 552 of title 5, United States Code,  
7 this subsection shall be considered a statute de-  
8 scribed in subsection (b)(3)(B) of such section 552.  
9 Collection of information pursuant to section 17  
10 shall be an administrative action involving an agency  
11 against specific individuals or agencies pursuant to  
12 section 3518(c)(1) of title 44, United States Code.”.

13 (b) INVESTMENT COMPANY ACT OF 1940.—Section  
14 31 of the Investment Company Act of 1940 (15 U.S.C.  
15 80a-30) is amended—

16 (1) by striking subsection (c) and inserting the  
17 following:

18 “(c) LIMITATIONS ON DISCLOSURE BY COMMIS-  
19 SION.—Notwithstanding any other provision of law, the  
20 Commission shall not be compelled to disclose any records  
21 or information provided to the Commission under this sec-  
22 tion, or records or information based upon or derived from  
23 such records or information, if such records or information  
24 have been obtained by the Commission for use in further-  
25 ance of the purposes of this title, including surveillance,



1 risk assessments, or other regulatory and oversight activi-  
2 ties. Nothing in this subsection authorizes the Commission  
3 to withhold information from the Congress or prevent the  
4 Commission from complying with a request for informa-  
5 tion from any other Federal department or agency re-  
6 questing the information for purposes within the scope of  
7 jurisdiction of that department or agency, or complying  
8 with an order of a court of the United States in an action  
9 brought by the United States or the Commission. For pur-  
10 poses of section 552 of title 5, United States Code, this  
11 section shall be considered a statute described in sub-  
12 section (b)(3)(B) of such section 552. Collection of infor-  
13 mation pursuant to section 31 shall be an administrative  
14 action involving an agency against specific individuals or  
15 agencies pursuant to section 3518(c)(1) of title 44, United  
16 States Code.”;

17 (2) by striking subsection (d); and

18 (3) by redesignating subsections (e) and (f) as  
19 subsections (d) and (e), respectively.

20 (c) INVESTMENT ADVISERS ACT OF 1940.—Section  
21 210 of the Investment Advisers Act of 1940 (15 U.S.C.  
22 80b-10) is amended by adding at the end the following:

23 “(d) LIMITATIONS ON DISCLOSURE BY THE COMMIS-  
24 SION.—Notwithstanding any other provision of law, the  
25 Commission shall not be compelled to disclose any records

1 or information provided to the Commission under section  
2 204, or records or information based upon or derived from  
3 such records or information, if such records or information  
4 have been obtained by the Commission for use in further-  
5 ance of the purposes of this title, including surveillance,  
6 risk assessments, or other regulatory and oversight activi-  
7 ties. Nothing in this subsection authorizes the Commission  
8 to withhold information from the Congress or prevent the  
9 Commission from complying with a request for informa-  
10 tion from any other Federal department or agency re-  
11 questing the information for purposes within the scope of  
12 jurisdiction of that department or agency, or complying  
13 with an order of a court of the United States in an action  
14 brought by the United States or the Commission. For pur-  
15 poses of section 552 of title 5, United States Code, this  
16 subsection shall be considered a statute described in sub-  
17 section (b)(3)(B) of such section 552. Collection of infor-  
18 mation pursuant to section 204 shall be an administrative  
19 action involving an agency against specific individuals or  
20 agencies pursuant to section 3518(e)(1) of title 44, United  
21 States Code.”.

22 **SEC. 929J. EXPANSION OF AUDIT INFORMATION TO BE PRO-**  
23 **DUCED AND EXCHANGED.**

24 Section 106 of the Sarbanes-Oxley Act of 2002 (15  
25 U.S.C. 7216) is amended—

1           (1) by striking subsection (b) and inserting the  
2 following:

3           “(b) PRODUCTION OF DOCUMENTS.—

4           “(1) PRODUCTION BY FOREIGN FIRMS.—If a  
5 foreign public accounting firm performs material  
6 services upon which a registered public accounting  
7 firm relies in the conduct of an audit or interim re-  
8 view, issues an audit report, performs audit work, or  
9 conducts interim reviews, the foreign public account-  
10 ing firm shall—

11           “(A) produce the audit work papers of the  
12 foreign public accounting firm and all other  
13 documents of the firm related to any such audit  
14 work or interim review to the Commission or  
15 the Board, upon request of the Commission or  
16 the Board; and

17           “(B) be subject to the jurisdiction of the  
18 courts of the United States for purposes of en-  
19 forcement of any request for such documents.

20           “(2) OTHER PRODUCTION.—Any registered  
21 public accounting firm that relies, in whole or in  
22 part, on the work of a foreign public accounting firm  
23 in issuing an audit report, performing audit work, or  
24 conducting an interim review, shall—

1           “(A) produce the audit work papers of the  
2           foreign public accounting firm and all other  
3           documents related to any such work in response  
4           to a request for production by the Commission  
5           or the Board; and

6           “(B) secure the agreement of any foreign  
7           public accounting firm to such production, as a  
8           condition of the reliance by the registered public  
9           accounting firm on the work of that foreign  
10          public accounting firm.”;

11          (2) by redesignating subsection (d) as sub-  
12          section (g); and

13          (3) by inserting after subsection (c) the fol-  
14          lowing:

15          “(d) SERVICE OF REQUESTS OR PROCESS.—

16                 “(1) IN GENERAL.—Any foreign public account-  
17                 ing firm that performs work for a domestic reg-  
18                 istered public accounting firm shall furnish to the  
19                 domestic registered public accounting firm a written  
20                 irrevocable consent and power of attorney that des-  
21                 ignates the domestic registered public accounting  
22                 firm as an agent upon whom may be served any re-  
23                 quest by the Commission or the Board under this  
24                 section or upon whom may be served any process,

1 pleadings, or other papers in any action brought to  
2 enforce this section.

3 “(2) SPECIFIC AUDIT WORK.—Any foreign pub-  
4 lic accounting firm that performs material services  
5 upon which a registered public accounting firm relies  
6 in the conduct of an audit or interim review, issues  
7 an audit report, performs audit work, or, performs  
8 interim reviews, shall designate to the Commission  
9 or the Board an agent in the United States upon  
10 whom may be served any request by the Commission  
11 or the Board under this section or upon whom may  
12 be served any process, pleading, or other papers in  
13 any action brought to enforce this section.

14 “(e) SANCTIONS.—A willful refusal to comply, in  
15 whole in or in part, with any request by the Commission  
16 or the Board under this section, shall be deemed a viola-  
17 tion of this Act.

18 “(f) OTHER MEANS OF SATISFYING PRODUCTION  
19 OBLIGATIONS.—Notwithstanding any other provisions of  
20 this section, the staff of the Commission or the Board may  
21 allow a foreign public accounting firm that is subject to  
22 this section to meet production obligations under this sec-  
23 tion through alternate means, such as through foreign  
24 counterparts of the Commission or the Board.”.

1 **SEC. 929K. SHARING PRIVILEGED INFORMATION WITH**  
2 **OTHER AUTHORITIES.**

3 Section 24 of the Securities Exchange Act of 1934  
4 (15 U.S.C. 78x) is amended—

5 (1) in subsection (d), as amended by subsection  
6 (d)(1)(A), by striking “subsection (f)” and inserting  
7 “subsection (g)”;

8 (2) in subsection (e), as added by subsection  
9 (d)(1)(C), by striking “subsection (f)” and inserting  
10 “subsection (g)”;

11 (3) by redesignating subsection (f) as sub-  
12 section (g); and

13 (4) by inserting after subsection (e) the fol-  
14 lowing:

15 “(f) SHARING PRIVILEGED INFORMATION WITH  
16 OTHER AUTHORITIES.—

17 “(1) PRIVILEGED INFORMATION PROVIDED BY  
18 THE COMMISSION.—The Commission shall not be  
19 deemed to have waived any privilege applicable to  
20 any information by transferring that information to  
21 or permitting that information to be used by—

22 “(A) any agency (as defined in section 6 of  
23 title 18, United States Code);

24 “(B) the Public Company Accounting  
25 Oversight Board;

26 “(C) any self-regulatory organization;

1           “(D) any foreign securities authority;

2           “(E) any foreign law enforcement author-  
3           ity; or

4           “(F) any State securities or law enforce-  
5           ment authority.

6           “(2) NONDISCLOSURE OF PRIVILEGED INFOR-  
7           MATION PROVIDED TO THE COMMISSION.—The Com-  
8           mission shall not be compelled to disclose privileged  
9           information obtained from any foreign securities au-  
10          thority, or foreign law enforcement authority, if the  
11          authority has in good faith determined and rep-  
12          resented to the Commission that the information is  
13          privileged.

14          “(3) NONWAIVER OF PRIVILEGED INFORMATION  
15          PROVIDED TO THE COMMISSION.—

16                 “(A) IN GENERAL.—Federal agencies,  
17                 State securities and law enforcement authori-  
18                 ties, self-regulatory organizations, and the Pub-  
19                 lic Company Accounting Oversight Board shall  
20                 not be deemed to have waived any privilege ap-  
21                 plicable to any information by transferring that  
22                 information to or permitting that information  
23                 to be used by the Commission.

24                 “(B) EXCEPTION.—The provisions of sub-  
25                 paragraph (A) shall not apply to a self-regu-

1 latory organization or the Public Company Ac-  
2 counting Oversight Board with respect to infor-  
3 mation used by the Commission in an action  
4 against such organization.

5 “(4) DEFINITIONS.—For purposes of this sub-  
6 section—

7 “(A) the term ‘privilege’ includes any  
8 work-product privilege, attorney-client privilege,  
9 governmental privilege, or other privilege recog-  
10 nized under Federal, State, or foreign law;

11 “(B) the term ‘foreign law enforcement au-  
12 thority’ means any foreign authority that is em-  
13 powered under foreign law to detect, investigate  
14 or prosecute potential violations of law; and

15 “(C) the term ‘State securities or law en-  
16 forcement authority’ means the authority of any  
17 State or territory that is empowered under  
18 State or territory law to detect, investigate, or  
19 prosecute potential violations of law.”.

20 **SEC. 929L. ENHANCED APPLICATION OF ANTIFRAUD PRO-**  
21 **VISIONS.**

22 The Securities Exchange Act of 1934 (15 U.S.C. 78a  
23 et seq.) is amended—

24 (1) in section 9—



1 (A) by striking “registered on a national  
2 securities exchange” each place that term ap-  
3 pears and inserting “other than a government  
4 security”;

5 (B) in subsection (b), by striking “by use  
6 of any facility of a national securities ex-  
7 change,”; and

8 (C) in subsection (c), by inserting after  
9 “unlawful for any” the following: “broker, deal-  
10 er, or”;

11 (2) in section 10(a)(1), by striking “registered  
12 on a national securities exchange” and inserting  
13 “other than a government security”; and

14 (3) in section 15(c)(1)(A), by striking “other-  
15 wise than on a national securities exchange of which  
16 it is a member”.

17 **SEC. 929M. AIDING AND ABETTING AUTHORITY UNDER THE**  
18 **SECURITIES ACT AND THE INVESTMENT COM-**  
19 **PANY ACT.**

20 (a) UNDER THE SECURITIES ACT OF 1933.—Section  
21 15 of the Securities Act of 1933 (15 U.S.C. 77o) is  
22 amended—

23 (1) by striking “Every person who” and insert-  
24 ing “(a) CONTROLLING PERSONS.—Every person  
25 who”; and

1 (2) by adding at the end the following:

2 “(b) PROSECUTION OF PERSONS WHO AID AND  
3 ABET VIOLATIONS.—For purposes of any action brought  
4 by the Commission under subparagraph (b) or (d) of sec-  
5 tion 20, any person that knowingly or recklessly provides  
6 substantial assistance to another person in violation of a  
7 provision of this Act, or of any rule or regulation issued  
8 under this Act, shall be deemed to be in violation of such  
9 provision to the same extent as the person to whom such  
10 assistance is provided.”.

11 (b) UNDER THE INVESTMENT COMPANY ACT OF  
12 1940.—Section 48 of the Investment Company Act of  
13 1940 (15 U.S.C. 80a–48) is amended by redesignating  
14 subsection (b) as subsection (c) and inserting after sub-  
15 section (a) the following:

16 “(b) For purposes of any action brought by the Com-  
17 mission under subsection (d) or (e) of section 42, any per-  
18 son that knowingly or recklessly provides substantial as-  
19 sistance to another person in violation of a provision of  
20 this Act, or of any rule or regulation issued under this  
21 Act, shall be deemed to be in violation of such provision  
22 to the same extent as the person to whom such assistance  
23 is provided.”.

1 **SEC. 929N. AUTHORITY TO IMPOSE PENALTIES FOR AIDING**  
2 **AND ABETTING VIOLATIONS OF THE INVEST-**  
3 **MENT ADVISERS ACT.**

4 Section 209 of the Investment Advisers Act of 1940  
5 (15 U.S.C. 80b–9) is amended by inserting at the end the  
6 following new subsection:

7 “(f) AIDING AND ABETTING.—For purposes of any  
8 action brought by the Commission under subsection (e),  
9 any person that knowingly or recklessly has aided, abetted,  
10 counseled, commanded, induced, or procured a violation  
11 of any provision of this Act, or of any rule, regulation,  
12 or order hereunder, shall be deemed to be in violation of  
13 such provision, rule, regulation, or order to the same ex-  
14 tent as the person that committed such violation.”.

15 **SEC. 929O. AIDING AND ABETTING STANDARD OF KNOWL-**  
16 **EDGE SATISFIED BY RECKLESSNESS.**

17 Section 20(e) of the Securities Exchange Act of 1934  
18 (15 U.S.C. 78t(e)) is amended by inserting “or recklessly”  
19 after “knowingly”.

20 **SEC. 929P. STRENGTHENING ENFORCEMENT BY THE COM-**  
21 **MISSION.**

22 (a) **AUTHORITY TO IMPOSE CIVIL PENALTIES IN**  
23 **CEASE AND DESIST PROCEEDINGS.—**

24 (1) **UNDER THE SECURITIES ACT OF 1933.—**  
25 Section 8A of the Securities Act of 1933 (15 U.S.C.

1 77h–1) is amended by adding at the end the fol-  
2 lowing new subsection:

3 “(g) **AUTHORITY TO IMPOSE MONEY PENALTIES.**—

4 “(1) **GROUND.**—In any cease-and-desist pro-  
5 ceeding under subsection (a), the Commission may  
6 impose a civil penalty on a person if the Commission  
7 finds, on the record, after notice and opportunity for  
8 hearing, that—

9 “(A) such person—

10 “(i) is violating or has violated any  
11 provision of this title, or any rule or regu-  
12 lation issued under this title; or

13 “(ii) is or was a cause of the violation  
14 of any provision of this title, or any rule or  
15 regulation thereunder; and

16 “(B) such penalty is in the public interest.

17 “(2) **MAXIMUM AMOUNT OF PENALTY.**—

18 “(A) **FIRST TIER.**—The maximum amount  
19 of a penalty for each act or omission described  
20 in paragraph (1) shall be \$7,500 for a natural  
21 person or \$75,000 for any other person.

22 “(B) **SECOND TIER.**—Notwithstanding  
23 subparagraph (A), the maximum amount of  
24 penalty for each such act or omission shall be  
25 \$75,000 for a natural person or \$375,000 for

1 any other person, if the act or omission de-  
2 scribed in paragraph (1) involved fraud, deceit,  
3 manipulation, or deliberate or reckless dis-  
4 regard of a regulatory requirement.

5 “(C) THIRD TIER.—Notwithstanding sub-  
6 paragraphs (A) and (B), the maximum amount  
7 of penalty for each such act or omission shall  
8 be \$150,000 for a natural person or \$725,000  
9 for any other person, if—

10 “(i) the act or omission described in  
11 paragraph (1) involved fraud, deceit, ma-  
12 nipulation, or deliberate or reckless dis-  
13 regard of a regulatory requirement; and

14 “(ii) such act or omission directly or  
15 indirectly resulted in—

16 “(I) substantial losses or created  
17 a significant risk of substantial losses  
18 to other persons; or

19 “(II) substantial pecuniary gain  
20 to the person who committed the act  
21 or omission.

22 “(3) EVIDENCE CONCERNING ABILITY TO  
23 PAY.—In any proceeding in which the Commission  
24 may impose a penalty under this section, a respond-  
25 ent may present evidence of the ability of the re-

1       spondent to pay such penalty. The Commission may,  
2       in its discretion, consider such evidence in deter-  
3       mining whether such penalty is in the public inter-  
4       est. Such evidence may relate to the extent of the  
5       ability of the respondent to continue in business and  
6       the collectability of a penalty, taking into account  
7       any other claims of the United States or third par-  
8       ties upon the assets of the respondent and the  
9       amount of the assets of the respondent.”.

10           (2) UNDER THE SECURITIES EXCHANGE ACT  
11       OF 1934.—Section 21B(a) of the Securities Ex-  
12       change Act of 1934 (15 U.S.C. 78u-2(a)) is amend-  
13       ed—

14           (A) by striking the matter following para-  
15       graph (4);

16           (B) in the matter preceding paragraph (1),  
17       by inserting after “opportunity for hearing,”  
18       the following: “that such penalty is in the pub-  
19       lic interest and”;

20           (C) by redesignating paragraphs (1)  
21       through (4) as subparagraphs (A) through (D),  
22       respectively, and adjusting the margins accord-  
23       ingly;

24           (D) by striking “In any proceeding” and  
25       inserting the following:

1 “(1) IN GENERAL.—In any proceeding”; and

2 (E) by adding at the end the following:

3 “(2) CEASE-AND-DESIST PROCEEDINGS.—In  
4 any proceeding instituted under section 21C against  
5 any person, the Commission may impose a civil pen-  
6 alty, if the Commission finds, on the record after no-  
7 tice and opportunity for hearing, that such person—

8 “(A) is violating or has violated any provi-  
9 sion of this title, or any rule or regulation  
10 issued under this title; or

11 “(B) is or was a cause of the violation of  
12 any provision of this title, or any rule or regula-  
13 tion issued under this title.”.

14 (3) UNDER THE INVESTMENT COMPANY ACT OF  
15 1940.—Section 9(d)(1) of the Investment Company  
16 Act of 1940 (15 U.S.C. 80a–9(d)(1)) is amended—

17 (A) by striking the matter following sub-  
18 paragraph (C);

19 (B) in the matter preceding subparagraph  
20 (A), by inserting after “opportunity for hear-  
21 ing,” the following: “that such penalty is in the  
22 public interest, and”;

23 (C) by redesignating subparagraphs (A)  
24 through (C) as clauses (i) through (iii), respec-  
25 tively, and adjusting the margins accordingly;

1 (D) by striking “In any proceeding” and  
2 inserting the following:

3 “(A) IN GENERAL.—In any proceeding”;  
4 and

5 (E) by adding at the end the following:

6 “(B) CEASE-AND-DESIST PROCEEDINGS.—  
7 In any proceeding instituted pursuant to sub-  
8 section (f) against any person, the Commission  
9 may impose a civil penalty if the Commission  
10 finds, on the record, after notice and oppor-  
11 tunity for hearing, that such person—

12 “(i) is violating or has violated any  
13 provision of this title, or any rule or regu-  
14 lation issued under this title; or

15 “(ii) is or was a cause of the violation  
16 of any provision of this title, or any rule or  
17 regulation issued under this title.”.

18 (4) UNDER THE INVESTMENT ADVISERS ACT OF  
19 1940.—Section 203(i)(1) of the Investment Advisers  
20 Act of 1940 (15 U.S.C. 80b–3(i)(1)) is amended—

21 (A) by striking the matter following sub-  
22 paragraph (D);

23 (B) in the matter preceding subparagraph  
24 (A), by inserting after “opportunity for hear-



1           ing,” the following: “that such penalty is in the  
2           public interest and”;

3           (C) by redesignating subparagraphs (A)  
4           through (D) as clauses (i) through (iv), respec-  
5           tively, and adjusting the margins accordingly;

6           (D) by striking “In any proceeding” and  
7           inserting the following:

8           “(A) IN GENERAL.—In any proceeding”;  
9           and

10          (E) by adding at the end the following new  
11          subparagraph:

12          “(B) CEASE-AND-DESIST PROCEEDINGS.—  
13          In any proceeding instituted pursuant to sub-  
14          section (k) against any person, the Commission  
15          may impose a civil penalty if the Commission  
16          finds, on the record, after notice and oppor-  
17          tunity for hearing, that such person—

18                 “(i) is violating or has violated any  
19                 provision of this title, or any rule or regu-  
20                 lation issued under this title; or

21                 “(ii) is or was a cause of the violation  
22                 of any provision of this title, or any rule or  
23                 regulation issued under this title.”.

1 (b) EXTRATERRITORIAL JURISDICTION OF THE  
2 ANTIFRAUD PROVISIONS OF THE FEDERAL SECURITIES  
3 LAWS.—

4 (1) UNDER THE SECURITIES ACT OF 1933.—  
5 Section 22 of the Securities Act of 1933 (15 U.S.C.  
6 77v(a)) is amended by adding at the end the fol-  
7 lowing new subsection:

8 “(c) EXTRATERRITORIAL JURISDICTION.—The dis-  
9 trict courts of the United States and the United States  
10 courts of any Territory shall have jurisdiction of an action  
11 or proceeding brought or instituted by the Commission or  
12 the United States alleging a violation of section 17(a) in-  
13 volving—

14 “(1) conduct within the United States that con-  
15 stitutes significant steps in furtherance of the viola-  
16 tion, even if the securities transaction occurs outside  
17 the United States and involves only foreign inves-  
18 tors; or

19 “(2) conduct occurring outside the United  
20 States that has a foreseeable substantial effect with-  
21 in the United States.”.

22 (2) UNDER THE SECURITIES EXCHANGE ACT  
23 OF 1934.—Section 27 of the Securities Exchange Act  
24 of 1934 (15 U.S.C. 78aa) is amended—

1 (A) by striking “The district” and insert-  
2 ing the following:

3 “(a) IN GENERAL.—The district”; and

4 (B) by adding at the end the following new  
5 subsection:

6 “(b) EXTRATERRITORIAL JURISDICTION.—The dis-  
7 trict courts of the United States and the United States  
8 courts of any Territory shall have jurisdiction of an action  
9 or proceeding brought or instituted by the Commission or  
10 the United States alleging a violation of the antifraud pro-  
11 visions of this title involving—

12 “(1) conduct within the United States that con-  
13 stitutes significant steps in furtherance of the viola-  
14 tion, even if the securities transaction occurs outside  
15 the United States and involves only foreign inves-  
16 tors; or

17 “(2) conduct occurring outside the United  
18 States that has a foreseeable substantial effect with-  
19 in the United States.”.

20 (3) UNDER THE INVESTMENT ADVISERS ACT OF  
21 1940.—Section 214 of the Investment Advisers Act  
22 of 1940 (15 U.S.C. 80b–14) is amended—

23 (A) by striking “The district” and insert-  
24 ing the following:

25 “(a) IN GENERAL.—The district”; and

1 (B) by adding at the end the following new  
2 subsection:

3 “(b) **EXTRATERRITORIAL JURISDICTION.**—The dis-  
4 trict courts of the United States and the United States  
5 courts of any Territory shall have jurisdiction of an action  
6 or proceeding brought or instituted by the Commission or  
7 the United States alleging a violation of section 206 in-  
8 volving—

9 “(1) conduct within the United States that con-  
10 stitutes significant steps in furtherance of the viola-  
11 tion, even if the violation is committed by a foreign  
12 adviser and involves only foreign investors; or

13 “(2) conduct occurring outside the United  
14 States that has a foreseeable substantial effect with-  
15 in the United States.”.

16 (c) **CONTROL PERSON LIABILITY UNDER THE SECUR-**  
17 **ITIES EXCHANGE ACT OF 1934.**—Section 20(a) of the  
18 Securities Exchange Act of 1934 (15 U.S.C. 78t(a)) is  
19 amended by inserting after “controlled person is liable”  
20 the following: “(including to the Commission in any action  
21 brought under paragraph (1) or (3) of section 21(d))”.

22 **SEC. 929Q. REVISION TO RECORDKEEPING RULE.**

23 (a) **INVESTMENT COMPANY ACT OF 1940 AMEND-**  
24 **MENTS.**—Section 31 of the Investment Company Act of  
25 1940 (15 U.S.C. 80a–30) is amended—

1           (1) in subsection (a)(1), by adding at the end  
2           the following: “Each person having custody or use of  
3           the securities, deposits, or credits of a registered in-  
4           vestment company shall maintain and preserve all  
5           records that relate to the custody or use by such  
6           person of the securities, deposits, or credits of the  
7           registered investment company for such period or  
8           periods as the Commission, by rule or regulation,  
9           may prescribe, as necessary or appropriate in the  
10          public interest or for the protection of investors.”;  
11          and

12          (2) in subsection (b), by adding at the end the  
13          following:

14               “(4) RECORDS OF PERSONS WITH CUSTODY OR  
15               USE.—

16                       “(A) IN GENERAL.—Records of persons  
17                       having custody or use of the securities, depos-  
18                       its, or credits of a registered investment com-  
19                       pany that relate to such custody or use, are  
20                       subject at any time, or from time to time, to  
21                       such reasonable periodic, special, or other ex-  
22                       aminations and other information and docu-  
23                       ment requests by representatives of the Com-  
24                       mission, as the Commission deems necessary or

1 appropriate in the public interest or for the pro-  
2 tection of investors.

3 “(B) CERTAIN PERSONS SUBJECT TO  
4 OTHER REGULATION.—Any person that is sub-  
5 ject to regulation and examination by a Federal  
6 financial institution regulatory agency (as such  
7 term is defined under section 212(c)(2) of title  
8 18, United States Code) may satisfy any exam-  
9 ination request, information request, or docu-  
10 ment request described under subparagraph  
11 (A), by providing to the Commission a detailed  
12 listing, in writing, of the securities, deposits, or  
13 credits of the registered investment company  
14 within the custody or use of such person.”.

15 (b) INVESTMENT ADVISERS ACT OF 1940 AMEND-  
16 MENT.—Section 204 of the Investment Advisers Act of  
17 1940 (15 U.S.C. 80b–4) is amended by adding at the end  
18 the following new subsection:

19 “(d) RECORDS OF PERSONS WITH CUSTODY OR  
20 USE.—

21 “(1) IN GENERAL.—Records of persons having  
22 custody or use of the securities, deposits, or credits  
23 of a client, that relate to such custody or use, are  
24 subject at any time, or from time to time, to such  
25 reasonable periodic, special, or other examinations

1 and other information and document requests by  
2 representatives of the Commission, as the Commis-  
3 sion deems necessary or appropriate in the public in-  
4 terest or for the protection of investors.

5 “(2) CERTAIN PERSONS SUBJECT TO OTHER  
6 REGULATION.—Any person that is subject to regula-  
7 tion and examination by a Federal financial institu-  
8 tion regulatory agency (as such term is defined  
9 under section 212(c)(2) of title 18, United States  
10 Code) may satisfy any examination request, informa-  
11 tion request, or document request described under  
12 paragraph (1), by providing the Commission with a  
13 detailed listing, in writing, of the securities, deposits,  
14 or credits of the client within the custody or use of  
15 such person.”.

16 **SEC. 929R. BENEFICIAL OWNERSHIP AND SHORT-SWING**  
17 **PROFIT REPORTING.**

18 (a) BENEFICIAL OWNERSHIP REPORTING.—Section  
19 13 of the Securities Exchange Act of 1934 (15 U.S.C.  
20 78m) is amended—

21 (1) in subsection (d)(1)—

22 (A) by inserting after “within ten days  
23 after such acquisition” the following: “or within  
24 such shorter time as the Commission may es-  
25 tablish by rule”; and

1 (B) by striking “send to the issuer of the  
2 security at its principal executive office, by reg-  
3 istered or certified mail, send to each exchange  
4 where the security is traded, and”;

5 (2) in subsection (d)(2)—

6 (A) by striking “in the statements to the  
7 issuer and the exchange, and”; and

8 (B) by striking “shall be transmitted to  
9 the issuer and the exchange and”;

10 (3) in subsection (g)(1), by striking “shall send  
11 to the issuer of the security and”; and

12 (4) in subsection (g)(2)—

13 (A) by striking “sent to the issuer and”;  
14 and

15 (B) by striking “shall be transmitted to  
16 the issuer and”.

17 (b) SHORT-SWING PROFIT REPORTING.—Section  
18 16(a) of the Securities Exchange Act of 1934 (15 U.S.C.  
19 78p(a)) is amended—

20 (1) in paragraph (1), by striking “(and, if such  
21 security is registered on a national securities ex-  
22 change, also with the exchange)”; and

23 (2) in paragraph (2)(B), by inserting after “of-  
24 ficer” the following: “, or within such shorter time  
25 as the Commission may establish by rule”.



1 **SEC. 929S. FINGERPRINTING.**

2 Section 17(f)(2) of the Securities Exchange Act of  
3 1934 (15 U.S.C. 78q(f)(2)) is amended—

4 (1) in the first sentence, by striking “and reg-  
5 istered clearing agency,” and inserting “registered  
6 clearing agency, registered securities information  
7 processor, national securities exchange, and national  
8 securities association”; and

9 (2) in the second sentence, by striking “or  
10 clearing agency,” and inserting “clearing agency, se-  
11 curities information processor, national securities ex-  
12 change, or national securities association,”.

13 **SEC. 929T. EQUAL TREATMENT OF SELF-REGULATORY OR-**  
14 **GANIZATION RULES.**

15 Section 29(a) of the Securities Exchange Act of 1934  
16 (15 U.S.C. 78cc(a)) is amended by striking “an exchange  
17 required thereby” and inserting “a self-regulatory organi-  
18 zation,”.

19 **SEC. 929U. DEADLINE FOR COMPLETING EXAMINATIONS,**  
20 **INSPECTIONS AND ENFORCEMENT ACTIONS.**

21 The Securities Exchange Act of 1934 (15 U.S.C. 78a  
22 et seq.) is amended by inserting after section 4D the fol-  
23 lowing new section:

1 **“SEC. 4E. DEADLINE FOR COMPLETING ENFORCEMENT IN-**  
2 **VESTIGATIONS AND COMPLIANCE EXAMINA-**  
3 **TIONS AND INSPECTIONS.**

4 “(a) ENFORCEMENT INVESTIGATIONS.—

5 “(1) IN GENERAL.—Not later than 180 days  
6 after the date on which Commission staff provide a  
7 written Wells notification to any person, the Com-  
8 mission staff shall either file an action against such  
9 person or provide notice to the Director of the Divi-  
10 sion of Enforcement of its intent to not file an ac-  
11 tion.

12 “(2) EXCEPTIONS FOR CERTAIN COMPLEX AC-  
13 TIONS.—Notwithstanding paragraph (1), if the Di-  
14 rector of the Division of Enforcement of the Com-  
15 mission or the Director’s designee determines that a  
16 particular enforcement investigation is sufficiently  
17 complex such that a determination regarding the fil-  
18 ing of an action against a person cannot be com-  
19 pleted within the deadline specified in paragraph (1),  
20 the Director of the Division of Enforcement of the  
21 Commission or the Director’s designee may, after  
22 providing notice to the Chairman of the Commission,  
23 extend such deadline as needed for one additional  
24 180-day period. If after the additional 180-day pe-  
25 riod the Director of the Division of Enforcement of  
26 the Commission or the Director’s designee deter-

1 mines that a particular enforcement investigation is  
2 sufficiently complex such that a determination re-  
3 garding the filing of an action against a person can-  
4 not be completed within the additional 180-day pe-  
5 riod, the Director of the Division of Enforcement of  
6 the Commission or the Director's designee may,  
7 after providing notice to and receiving approval of  
8 the Commission, extend such deadline as needed for  
9 one or more additional successive 180-day periods.

10 “(b) COMPLIANCE EXAMINATIONS AND INSPEC-  
11 TIONS.—

12 “(1) IN GENERAL.—Not later than 180 days  
13 after the date on which Commission staff completes  
14 the on-site portion of its compliance examination or  
15 inspection or receives all records requested from the  
16 entity being examined or inspected, whichever is  
17 later, Commission staff shall provide the entity being  
18 examined or inspected with written notification indi-  
19 cating either that the examination or inspection has  
20 concluded, has concluded without findings, or that  
21 the staff requests the entity undertake corrective ac-  
22 tion.

23 “(2) EXCEPTION FOR CERTAIN COMPLEX AC-  
24 TIONS.—Notwithstanding paragraph (1), if the head  
25 of any division or office within the Commission re-

1       sponsible for compliance examinations and inspec-  
2       tions or his designee determines that a particular  
3       compliance examination or inspection is sufficiently  
4       complex such that a determination regarding con-  
5       cluding the examination or inspection, or regarding  
6       the staff requests the entity undertake corrective ac-  
7       tion, cannot be completed within the deadline speci-  
8       fied in paragraph (1), the head of any division or of-  
9       fice within the Commission responsible for compli-  
10      ance examinations and inspections or his designee  
11      may, after providing notice to the Chairman of the  
12      Commission, extend such deadline as needed for one  
13      additional 180-day period.”.

14 **SEC. 929V. SECURITY INVESTOR PROTECTION ACT AMEND-**  
15 **MENTS.**

16       (a) INCREASING THE MINIMUM ASSESSMENT PAID  
17 BY SIPC MEMBERS.—Section 4(d)(1)(C) of the Securities  
18 Investor Protection Act of 1970 (15 U.S.C.  
19 78ddd(d)(1)(C)) is amended by striking “\$150 per  
20 annum” and inserting the following: “0.02 percent of the  
21 gross revenues from the securities business of such mem-  
22 ber of SIPC”.

23       (b) INCREASING THE FINE FOR PROHIBITED ACTS  
24 UNDER SIPA.—Section 14(c) of the Securities Investor  
25 Protection Act of 1970 (15 U.S.C. 78jjj(c)) is amended—

1           (1) in paragraph (1), by striking “\$50,000”  
2           and inserting “\$250,000”; and

3           (2) in paragraph (2), by striking “\$50,000”  
4           and inserting “\$250,000”.

5           (c) PENALTY FOR MISREPRESENTATION OF SIPC  
6 MEMBERSHIP OR PROTECTION.—Section 14 of the Securi-  
7 ties Investor Protection Act of 1970 (15 U.S.C. 78jjj) is  
8 amended by adding at the end the following new sub-  
9 section:

10          “(d) MISREPRESENTATION OF SIPC MEMBERSHIP  
11 OR PROTECTION.—

12           “(1) IN GENERAL.—Any person who falsely  
13 represents by any means (including, without limita-  
14 tion, through the Internet or any other medium of  
15 mass communication), with actual knowledge of the  
16 falsity of the representation and with an intent to  
17 deceive or cause injury to another, that such person,  
18 or another person, is a member of SIPC or that any  
19 person or account is protected or is eligible for pro-  
20 tection under this Act or by SIPC, shall be liable for  
21 any damages caused thereby and shall be fined not  
22 more than \$250,000 or imprisoned for not more  
23 than 5 years.

24           “(2) INJUNCTIONS.—Any court having jurisdic-  
25 tion of a civil action arising under this Act may

1 grant temporary injunctions and final injunctions on  
2 such terms as the court deems reasonable to prevent  
3 or restrain any violation of paragraph (1). Any such  
4 injunction may be served anywhere in the United  
5 States on the person enjoined, shall be operative  
6 throughout the United States, and shall be enforce-  
7 able, by proceedings in contempt or otherwise, by  
8 any United States court having jurisdiction over that  
9 person. The clerk of the court granting the injunc-  
10 tion shall, when requested by any other court in  
11 which enforcement of the injunction is sought, trans-  
12 mit promptly to the other court a certified copy of  
13 all papers in the case on file in such clerk's office.”.

14 **SEC. 929W. NOTICE TO MISSING SECURITY HOLDERS.**

15 Section 17A of the Securities Exchange Act of 1934  
16 (15 U.S.C. 78q-1) is amended by adding at the end the  
17 following new subsection:

18 “(g) DUE DILIGENCE FOR THE DELIVERY OF DIVI-  
19 DENDS, INTEREST, AND OTHER VALUABLE PROPERTY  
20 RIGHTS.—

21 “(1) REVISION OF RULES REQUIRED.—The  
22 Commission shall revise its regulations in section  
23 240.17Ad-17 of title 17, Code of Federal Regula-  
24 tions, as in effect on December 8, 1997, to extend

1 the application of such section to brokers and deal-  
2 ers and to provide for the following:

3 “(A) A requirement that the paying agent  
4 provide a single written notification to each  
5 missing security holder that the missing secu-  
6 rity holder has been sent a check that has not  
7 yet been negotiated. The written notification  
8 may be sent along with a check or other mailing  
9 subsequently sent to the missing security holder  
10 but must be provided no later than 7 months  
11 after the sending of the not yet negotiated  
12 check.

13 “(B) An exclusion for paying agents from  
14 the notification requirements when the value of  
15 the not yet negotiated check is less than \$25.

16 “(C) A provision clarifying that the re-  
17 quirements described in subparagraph (A) shall  
18 have no effect on State escheatment laws.

19 “(D) For purposes of such revised regula-  
20 tions—

21 “(i) a security holder shall be consid-  
22 ered a ‘missing security holder’ if a check  
23 is sent to the security holder and the check  
24 is not negotiated before the earlier of the  
25 paying agent sending the next regularly

1           scheduled check or the elapsing of 6  
2           months after the sending of the not yet ne-  
3           gotiated check; and

4                   “(ii) the term ‘paying agent’ includes  
5           any issuer, transfer agent, broker, dealer,  
6           investment adviser, indenture trustee, cus-  
7           todian, or any other person that accepts  
8           payments from the issuer of a security and  
9           distributes the payments to the holders of  
10          the security.

11           “(2) RULEMAKING.—The Commission shall  
12          adopt such rules, regulations, and orders necessary  
13          to implement this subsection no later than 1 year  
14          after the date of enactment of this subsection. In  
15          proposing such rules, the Commission shall seek to  
16          minimize disruptions to current systems used by or  
17          on behalf of paying agents to process payment to ac-  
18          count holders and avoid requiring multiple paying  
19          agents to send written notification to a missing secu-  
20          rity holder regarding the same not yet negotiated  
21          check.”.

22   **SEC. 929X. SHORT SALE REFORMS.**

23           (a) SHORT SALE DISCLOSURE.—Section 13(f) of the  
24          Securities Exchange Act of 1934 (15 U.S.C. 78m(f)) is  
25          amended by redesignating paragraphs (2), (3), (4), and



1 (5) as paragraphs (3), (4), (5), and (6), respectively, and  
2 inserting after paragraph (1) the following:

3           “(2) The Commission shall prescribe rules pro-  
4           viding for the public disclosure of the name of the  
5           issuer and the title, class, CUSIP number, aggregate  
6           amount of the number of short sales of each secu-  
7           rity, and any additional information determined by  
8           the Commission following the end of the reporting  
9           period. At a minimum, such public disclosure shall  
10          occur every month.”.

11          (b) SHORT SELLING ENFORCEMENT.—Section 9 of  
12 the Securities Exchange Act of 1934 (15 U.S.C. 78i) is  
13 amended—

14           (1) by redesignating subsections (d), (e), (f),  
15           (g), (h), and (i) as subsections (e), (f), (g), (h), (i),  
16           and (j), respectively; and

17           (2) inserting after subsection (c), the following  
18           new subsection:

19          “(d) TRANSACTIONS RELATING TO SHORT SALES OF  
20 SECURITIES.—It shall be unlawful for any person, directly  
21 or indirectly, by the use of the mails or any means or in-  
22 strumentality of interstate commerce, or of any facility of  
23 any national securities exchange, or for any member of  
24 a national securities exchange to effect, alone or with one  
25 or more other persons, a manipulative short sale of any

1 security. The Commission shall issue such other rules as  
2 are necessary or appropriate to ensure that the appro-  
3 priate enforcement options and remedies are available for  
4 violations of this subsection in the public interest or for  
5 the protection of investors.”.

6 (c) INVESTOR NOTIFICATION.—Section 15 of the Se-  
7 curities Exchange Act of 1934 (15 U.S.C. 78o) is amend-  
8 ed—

9 (1) by redesignating subsections (e), (f), (g),  
10 (h), and (i) as subsections (f), (g), (h), (i), and (j),  
11 respectively; and

12 (2) inserting after subsection (d) the following  
13 new subsection:

14 “(e) NOTICES TO CUSTOMERS REGARDING SECURI-  
15 TIES LENDING.—Every registered broker or dealer shall  
16 provide notice to its customers that they may elect not  
17 to allow their fully paid securities to be used in connection  
18 with short sales. If a broker or dealer uses a customer’s  
19 securities in connection with short sales, the broker or  
20 dealer shall provide notice to its customer that the broker  
21 or dealer may receive compensation in connection with  
22 lending the customer’s securities. The Commission, by  
23 rule, as it deems necessary or appropriate in the public  
24 interest and for the protection of investors, may prescribe

1 the form, content, time, and manner of delivery of any  
2 notice required under this paragraph.”.

3 **SEC. 929Y. STUDY ON EXTRATERRITORIAL PRIVATE**  
4 **RIGHTS OF ACTION.**

5 (a) IN GENERAL.—The Securities and Exchange  
6 Commission of the United States shall solicit public com-  
7 ment and thereafter conduct a study to determine the ex-  
8 tent to which private rights of action under the antifraud  
9 provisions of the Securities and Exchange Act of 1934 (15  
10 U.S.C. 78u-4) should be extended to cover—

11 (1) conduct within the United States that con-  
12 stitutes a significant step in the furtherance of the  
13 violation, even if the securities transaction occurs  
14 outside the United States and involves only foreign  
15 investors; and

16 (2) conduct occurring outside the United States  
17 that has a foreseeable substantial effect within the  
18 United States.

19 (b) CONTENTS.—The study shall consider and ana-  
20 lyze, among other things—

21 (1) the scope of such a private right of action,  
22 including whether it should extend to all private ac-  
23 tors or whether it should be more limited to extend  
24 just to institutional investors or otherwise;

1           (2) what implications such a private right of ac-  
2           tion would have on international comity;

3           (3) the economic costs and benefits of extending  
4           a private right of action for transnational securities  
5           frauds; and

6           (4) whether a narrower extraterritorial stand-  
7           ard should be adopted.

8           (c) REPORT.—A report of the study shall be sub-  
9           mitted and recommendations made to the Committee on  
10          Banking, Housing, and Urban Affairs of the Senate and  
11          the Committee on Financial Services of the House not  
12          later than 18 months after the date of enactment of this  
13          Act.

14          **SEC. 929Z. GAO STUDY ON SECURITIES LITIGATION.**

15          (a) STUDY.—The Comptroller General of the United  
16          States shall conduct a study on the impact of authorizing  
17          a private right of action against any person who aids or  
18          abets another person in violation of the securities laws.  
19          To the extent feasible, this study shall include—

20                 (1) a review of the role of secondary actors in  
21                 companies issuance of securities;

22                 (2) the courts interpretation of the scope of li-  
23                 ability for secondary actors under Federal securities  
24                 laws after January 14, 2008; and

1           (3) the types of lawsuits decided under the Pri-  
2       vate Securities Litigation Act of 1995.

3       (b) REPORT.—Not later than 1 year after the date  
4 of enactment of this Act, the Comptroller General shall  
5 submit a report to Congress on the findings of the study  
6 required under subsection (a).

7 **Subtitle C—Improvements to the**  
8 **Regulation of Credit Rating**  
9 **Agencies**

10 **SEC. 931. FINDINGS.**

11       Congress finds the following:

12           (1) Because of the systemic importance of cred-  
13       it ratings and the reliance placed on credit ratings  
14       by individual and institutional investors and finan-  
15       cial regulators, the activities and performances of  
16       credit rating agencies, including nationally recog-  
17       nized statistical rating organizations, are matters of  
18       national public interest, as credit rating agencies are  
19       central to capital formation, investor confidence, and  
20       the efficient performance of the United States econ-  
21       omy.

22           (2) Credit rating agencies, including nationally  
23       recognized statistical rating organizations, play a  
24       critical “gatekeeper” role in the debt market that is  
25       functionally similar to that of securities analysts,

1       who evaluate the quality of securities in the equity  
2       market, and auditors, who review the financial state-  
3       ments of firms. Such role justifies a similar level of  
4       public oversight and accountability.

5           (3) Because credit rating agencies perform eval-  
6       uative and analytical services on behalf of clients,  
7       much as other financial “gatekeepers” do, the activi-  
8       ties of credit rating agencies are fundamentally com-  
9       mercial in character and should be subject to the  
10      same standards of liability and oversight as apply to  
11      auditors, securities analysts, and investment bank-  
12      ers.

13          (4) In certain activities, particularly in advising  
14      arrangers of structured financial products on poten-  
15      tial ratings of such products, credit rating agencies  
16      face conflicts of interest that need to be carefully  
17      monitored and that therefore should be addressed  
18      explicitly in legislation in order to give clearer au-  
19      thority to the Securities and Exchange Commission.

20          (5) In the recent financial crisis, the ratings on  
21      structured financial products have proven to be inac-  
22      curate. This inaccuracy contributed significantly to  
23      the mismanagement of risks by financial institutions  
24      and investors, which in turn adversely impacted the  
25      health of the economy in the United States and



1 paragraph may be construed to afford a  
2 defense against any action or proceeding  
3 brought by the Commission to enforce the  
4 antifraud provisions of the securities  
5 laws.”; and

6 (B) by adding at the end the following:

7 “(3) INTERNAL CONTROLS OVER PROCESSES  
8 FOR DETERMINING CREDIT RATINGS.—

9 “(A) IN GENERAL.—Each nationally recog-  
10 nized statistical rating organization shall estab-  
11 lish, maintain, enforce, and document an effec-  
12 tive internal control structure governing the im-  
13 plementation of and adherence to policies, pro-  
14 cedures, and methodologies for determining  
15 credit ratings, taking into consideration such  
16 factors as the Commission may prescribe, by  
17 rule.

18 “(B) ATTESTATION REQUIREMENT.—The  
19 Commission shall prescribe rules requiring each  
20 nationally recognized statistical rating organiza-  
21 tion to submit to the Commission an annual in-  
22 ternal controls report, which shall contain—

23 “(i) a description of the responsibility  
24 of the management of the nationally recog-  
25 nized statistical rating organization in es-



1           tablishing and maintaining an effective in-  
2           ternal control structure under subpara-  
3           graph (A);

4           ““(ii) an assessment of the effective-  
5           ness of the internal control structure of the  
6           nationally recognized statistical rating or-  
7           ganization; and

8           ““(iii) the attestation of the chief exec-  
9           utive officer, or equivalent individual, of  
10          the nationally recognized statistical rating  
11          organization.”;

12          (3) in subsection (d)—

13                (A) by inserting after “or revoke the reg-  
14                istration of any nationally recognized statistical  
15                rating organization” the following: “, or with  
16                respect to any person who is associated with,  
17                who is seeking to become associated with, or, at  
18                the time of the alleged misconduct, who was as-  
19                sociated or was seeking to become associated  
20                with a nationally recognized statistical rating  
21                organization, the Commission, by order, shall  
22                censure, place limitations on the activities or  
23                functions of such person, suspend for a period  
24                not exceeding 1 year, or bar such person from

1 being associated with a nationally recognized  
2 statistical rating organization,”;

3 (B) by inserting “bar” after “placing of  
4 limitations, suspension,”;

5 (C) in paragraph (2), by striking “fur-  
6 nished to” and inserting “filed with”;

7 (D) in paragraph (2), by redesignating  
8 subparagraphs (A) and (B) as clauses (i) and  
9 (ii), respectively, and adjusting the clause mar-  
10 gins accordingly;

11 (E) by redesignating paragraphs (1)  
12 through (5) as subparagraphs (A) through (E),  
13 respectively, and adjusting the subparagraph  
14 margins accordingly;

15 (F) in the matter preceding subparagraph  
16 (A), as so redesignated, by striking “The Com-  
17 mission” and inserting the following:

18 “(1) IN GENERAL.—The Commission”;

19 (G) in subparagraph (D), as so redesi-  
20 gnated—

21 (i) by striking “furnish” and inserting  
22 “file”; and

23 (ii) by striking “or” at the end.

1 (H) in subparagraph (E), as so redesign-  
2 nated, by striking the period at the end and in-  
3 serting a semicolon; and

4 (I) by adding at the end the following:

5 “(F) has failed reasonably to supervise,  
6 with a view to preventing a violation of the se-  
7 curities laws, an individual who commits such a  
8 violation, if the individual is subject to the su-  
9 pervision of that person.

10 “(2) SUSPENSION OR REVOCATION FOR PAR-  
11 TICULAR CLASS OF SECURITIES.—

12 “(A) IN GENERAL.—The Commission may  
13 temporarily suspend or permanently revoke the  
14 registration of a nationally recognized statistical  
15 rating organization with respect to a particular  
16 class or subclass of securities, if the Commis-  
17 sion finds, on the record after notice and oppor-  
18 tunity for hearing, that the nationally recog-  
19 nized statistical rating organization does not  
20 have adequate financial and managerial re-  
21 sources to consistently produce credit ratings  
22 with integrity.

23 “(B) CONSIDERATIONS.—In making any  
24 determination under subparagraph (A), the  
25 Commission shall consider—

1                   “(i) whether the nationally recognized  
2                   statistical rating organization has failed  
3                   over a sustained period of time, as deter-  
4                   mined by the Commission, to produce rat-  
5                   ings that are accurate for that class or  
6                   subclass of securities; and

7                   “(ii) such other factors as the Com-  
8                   mission may determine.”;

9                   (4) in subsection (h), by adding at the end the  
10                  following:

11                  “(3) SEPARATION OF RATINGS FROM SALES  
12                  AND MARKETING.—

13                         “(A) RULES REQUIRED.—The Commission  
14                         shall issue rules to prevent the sales and mar-  
15                         keting considerations of a nationally recognized  
16                         statistical rating organization from influencing  
17                         the production of ratings by the nationally rec-  
18                         ognized statistical rating organization.

19                         “(B) CONTENTS OF RULES.—The rules  
20                         issued under subparagraph (A) shall provide  
21                         for—

22                                 “(i) exceptions for small nationally  
23                                 recognized statistical rating organizations  
24                                 with respect to which the Commission de-  
25                                 termines that the separation of the produc-

1                   tion of ratings and sales and marketing ac-  
2                   tivities is not appropriate; and

3                   “(ii) suspension or revocation of the  
4                   registration of a nationally recognized sta-  
5                   tistical rating organization, if the Commis-  
6                   sion finds, on the record, after notice and  
7                   opportunity for a hearing, that—

8                   “(I) the nationally recognized  
9                   statistical rating organization has  
10                  committed a violation of a rule issued  
11                  under this subsection; and

12                  “(II) the violation of a rule  
13                  issued under this subsection affected a  
14                  rating.

15                  “(4) LOOK-BACK REQUIREMENT.—

16                  “(A) REVIEW BY THE NATIONALLY RECOG-  
17                  NIZED STATISTICAL RATING ORGANIZATION.—

18                  Each nationally recognized statistical rating or-  
19                  ganization shall establish, maintain, and enforce  
20                  policies and procedures reasonably designed to  
21                  ensure that, in any case in which an employee  
22                  of a person subject to a credit rating of the na-  
23                  tionally recognized statistical rating organiza-  
24                  tion or the issuer, underwriter, or sponsor of a  
25                  security or money market instrument subject to

1 a credit rating of the nationally recognized sta-  
2 tistical rating organization was employed by the  
3 nationally recognized statistical rating organiza-  
4 tion and participated in any capacity in deter-  
5 mining credit ratings for the person or the se-  
6 curities or money market instruments during  
7 the 1-year period preceding the date an action  
8 was taken with respect to the credit rating, the  
9 nationally recognized statistical rating organiza-  
10 tion shall—

11 “(i) conduct a review to determine  
12 whether any conflicts of interest of the em-  
13 ployee influenced the credit rating; and

14 “(ii) take action to revise the rating if  
15 appropriate, in accordance with such rules  
16 as the Commission shall prescribe.

17 “(B) REVIEW BY COMMISSION.—

18 “(i) IN GENERAL.—The Commission  
19 shall conduct periodic reviews of the poli-  
20 cies described in subparagraph (A) and the  
21 implementation of the policies at each na-  
22 tionally recognized statistical rating orga-  
23 nization to ensure they are reasonably de-  
24 signed and implemented to most effectively  
25 eliminate conflicts of interest.

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1                   “(ii) TIMING OF REVIEWS.—The Com-  
2                   mission shall review the code of ethics and  
3                   conflict of interest policy of each nationally  
4                   recognized statistical rating organization—

5                                 “(I) not less frequently than an-  
6                                 nually; and

7                                 “(II) whenever such policies are  
8                                 materially modified or amended.

9                   “(5) REPORT TO COMMISSION ON CERTAIN EM-  
10                   PLOYMENT TRANSITIONS.—

11                                 “(A) REPORT REQUIRED.—Each nationally  
12                   recognized statistical rating organization shall  
13                   report to the Commission any case such organi-  
14                   zation knows or can reasonably be expected to  
15                   know where a person associated with such orga-  
16                   nization within the previous 5 years obtains em-  
17                   ployment with any obligor, issuer, underwriter,  
18                   or sponsor of a security or money market in-  
19                   strument for which the organization issued a  
20                   credit rating during the 12-month period prior  
21                   to such employment, if such employee—

22                                 “(i) was a senior officer of such orga-  
23                                 nization;

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1           “(ii) participated in any capacity in  
2           determining credit ratings for such obligor,  
3           issuer, underwriter, or sponsor; or

4           “(iii) supervised an employee de-  
5           scribed in clause (ii).

6           “(B) PUBLIC DISCLOSURE.—Upon receiv-  
7           ing such a report, the Commission shall make  
8           such information publicly available.”;

9           (5) in subsection (j)—

10           (A) by striking “Each” and inserting the  
11           following:

12           “(1) IN GENERAL.—Each”; and

13           (B) by adding at the end the following:

14           “(2) LIMITATIONS.—

15           “(A) IN GENERAL.—Except as provided in  
16           subparagraph (B), an individual designated  
17           under paragraph (1) may not, while serving in  
18           the designated capacity—

19           “(i) perform credit ratings;

20           “(ii) participate in the development of  
21           ratings methodologies or models;

22           “(iii) perform marketing or sales  
23           functions; or



1                   “(iv) participate in establishing com-  
2                   pensation levels, other than for employees  
3                   working for that individual.

4                   “(B) EXCEPTION.—The Commission may  
5                   exempt a small nationally recognized statistical  
6                   rating organization from the limitations under  
7                   this paragraph, if the Commission finds that  
8                   compliance with such limitations would impose  
9                   an unreasonable burden on the nationally recog-  
10                  nized statistical rating organization.

11                  “(3) OTHER DUTIES.—Each individual des-  
12                  ignated under paragraph (1) shall establish proce-  
13                  dures for the receipt, retention, and treatment of—

14                   “(A) complaints regarding credit ratings,  
15                   models, methodologies, and compliance with the  
16                   securities laws and the policies and procedures  
17                   developed under this section; and

18                   “(B) confidential, anonymous complaints  
19                   by employees or users of credit ratings.

20                  “(4) COMPENSATION.—The compensation of  
21                  each compliance officer appointed under paragraph  
22                  (1) shall not be linked to the financial performance  
23                  of the nationally recognized statistical rating organi-  
24                  zation and shall be arranged so as to ensure the  
25                  independence of the officer’s judgment.

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1 “(5) ANNUAL REPORTS REQUIRED.—

2 “(A) ANNUAL REPORTS REQUIRED.—Each  
3 individual designated under paragraph (1) shall  
4 submit to the nationally recognized statistical  
5 rating organization an annual report on the  
6 compliance of the nationally recognized statis-  
7 tical rating organization with the securities laws  
8 and the policies and procedures of the nation-  
9 ally recognized statistical rating organization  
10 that includes—

11 “(i) a description of any material  
12 changes to the code of ethics and conflict  
13 of interest policies of the nationally recog-  
14 nized statistical rating organization; and

15 “(ii) a certification that the report is  
16 accurate and complete.

17 “(B) SUBMISSION OF REPORTS TO THE  
18 COMMISSION.—Each nationally recognized sta-  
19 tistical rating organization shall file the reports  
20 required under subparagraph (A) together with  
21 the financial report that is required to be sub-  
22 mitted to the Commission under this section.”;  
23 (6) in subsection (k), by striking “furnish to”  
24 and inserting “file with”;

1           (7) in subsection (l)(2)(A)(i), by striking “fur-  
2           nished” and inserting “filed”; and

3           (8) by striking subsection (p) and inserting the  
4           following:

5           “(p) REGULATION OF NATIONALLY RECOGNIZED  
6 STATISTICAL RATING ORGANIZATIONS.—

7           “(1) ESTABLISHMENT OF OFFICE OF CREDIT  
8 RATINGS.—

9           “(A) OFFICE ESTABLISHED.—The Com-  
10           mission shall establish within the Commission  
11           an Office of Credit Ratings (referred to in this  
12           subsection as the ‘Office’) to administer the  
13           rules of the Commission—

14                   “(i) with respect to the practices of  
15                   nationally recognized statistical rating or-  
16                   ganizations in determining ratings, for the  
17                   protection of users of credit ratings and in  
18                   the public interest;

19                   “(ii) to promote accuracy in credit  
20                   ratings issued by nationally recognized sta-  
21                   tistical rating organizations; and

22                   “(iii) to ensure that such ratings are  
23                   not unduly influenced by conflicts of inter-  
24                   est.

1           “(B) DIRECTOR OF THE OFFICE.—The  
2           head of the Office shall be the Director, who  
3           shall report to the Chairman.

4           “(2) STAFFING.—The Office established under  
5           this subsection shall be staffed sufficiently to carry  
6           out fully the requirements of this section. The staff  
7           shall include persons with knowledge of and exper-  
8           tise in corporate, municipal, and structured debt fi-  
9           nance.

10          “(3) COMMISSION EXAMINATIONS.—

11           “(A) ANNUAL EXAMINATIONS RE-  
12           QUIRED.—The Office shall conduct an examina-  
13           tion of each nationally recognized statistical  
14           rating organization at least annually.

15           “(B) CONDUCT OF EXAMINATIONS.—Each  
16           examination under subparagraph (A) shall in-  
17           clude a review of—

18           “(i) whether the nationally recognized  
19           statistical rating organization conducts  
20           business in accordance with the policies,  
21           procedures, and rating methodologies of  
22           the nationally recognized statistical rating  
23           organization;

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1           “(ii) the management of conflicts of  
2           interest by the nationally recognized statis-  
3           tical rating organization;

4           “(iii) implementation of ethics policies  
5           by the nationally recognized statistical rat-  
6           ing organization;

7           “(iv) the internal supervisory controls  
8           of the nationally recognized statistical rat-  
9           ing organization;

10          “(v) the governance of the nationally  
11          recognized statistical rating organization;

12          “(vi) the activities of the individual  
13          designated by the nationally recognized  
14          statistical rating organization under sub-  
15          section (j)(1);

16          “(vii) the processing of complaints by  
17          the nationally recognized statistical rating  
18          organization; and

19          “(viii) the policies of the nationally  
20          recognized statistical rating organization  
21          governing the post-employment activities of  
22          former staff of the nationally recognized  
23          statistical rating organization.

24          “(C) INSPECTION REPORTS.—The Com-  
25          mission shall make available to the public, in an

1 easily understandable format, an annual report  
2 summarizing—

3 “(i) the essential findings of all ex-  
4 aminations conducted under subparagraph  
5 (A), as deemed appropriate by the Com-  
6 mission;

7 “(ii) the responses by the nationally  
8 recognized statistical rating organizations  
9 to any material regulatory deficiencies  
10 identified by the Commission under clause  
11 (i); and

12 “(iii) whether the nationally recog-  
13 nized statistical rating organizations have  
14 appropriately addressed the recommenda-  
15 tions of the Commission contained in pre-  
16 vious reports under this subparagraph.

17 “(4) RULEMAKING AUTHORITY.—The Commis-  
18 sion shall—

19 “(A) establish, by rule, fines, and other  
20 penalties applicable to any nationally recognized  
21 statistical rating organization that violates the  
22 requirements of this section and the rules there-  
23 under; and

24 “(B) issue such rules as may be necessary  
25 to carry out this section.

1 “(q) TRANSPARENCY OF RATINGS PERFORMANCE.—

2 “(1) RULEMAKING REQUIRED.—The Commis-  
3 sion shall, by rule, require that each nationally rec-  
4 ognized statistical rating organization publicly dis-  
5 close information on the initial credit ratings deter-  
6 mined by the nationally recognized statistical rating  
7 organization for each type of obligor, security, and  
8 money market instrument, and any subsequent  
9 changes to such credit ratings, for the purpose of al-  
10 lowing users of credit ratings to evaluate the accu-  
11 racy of ratings and compare the performance of rat-  
12 ings by different nationally recognized statistical rat-  
13 ing organizations.

14 “(2) CONTENT.—The rules of the Commission  
15 under this subsection shall require, at a minimum,  
16 disclosures that—

17 “(A) are comparable among nationally rec-  
18 ognized statistical rating organizations, to allow  
19 users of credit ratings to compare the perform-  
20 ance of credit ratings across nationally recog-  
21 nized statistical rating organizations;

22 “(B) are clear and informative for inves-  
23 tors having a wide range of sophistication who  
24 use or might use credit ratings;

1           “(C) include performance information over  
2 a range of years and for a variety of types of  
3 credit ratings, including for credit ratings with-  
4 drawn by the nationally recognized statistical  
5 rating organization;

6           “(D) are published and made freely avail-  
7 able by the nationally recognized statistical rat-  
8 ing organization, on an easily accessible portion  
9 of its website, and in writing, when requested;

10           “(E) are appropriate to the business model  
11 of a nationally recognized statistical rating or-  
12 ganization; and

13           “(F) each nationally recognized statistical  
14 rating organization include an attestation with  
15 any credit rating it issues affirming that no  
16 part of the rating was influenced by any other  
17 business activities, that the rating was based  
18 solely on the merits of the instruments being  
19 rated, and that such rating was an independent  
20 evaluation of the risks and merits of the instru-  
21 ment.

22           “(r) CREDIT RATINGS METHODOLOGIES.—The Com-  
23 mission shall prescribe rules, for the protection of inves-  
24 tors and in the public interest, with respect to the proce-  
25 dures and methodologies, including qualitative and quan-



1 titative data and models, used by nationally recognized  
2 statistical rating organizations that require each nation-  
3 ally recognized statistical rating organization—

4 “(1) to ensure that credit ratings are deter-  
5 mined using procedures and methodologies, includ-  
6 ing qualitative and quantitative data and models,  
7 that are—

8 “(A) approved by the board of the nation-  
9 ally recognized statistical rating organization, a  
10 body performing a function similar to that of a  
11 board; and

12 “(B) in accordance with the policies and  
13 procedures of the nationally recognized statis-  
14 tical rating organization for the development  
15 and modification of credit rating procedures  
16 and methodologies;

17 “(2) to ensure that when material changes to  
18 credit rating procedures and methodologies (includ-  
19 ing changes to qualitative and quantitative data and  
20 models) are made, that—

21 “(A) the changes are applied consistently  
22 to all credit ratings to which the changed proce-  
23 dures and methodologies apply;

24 “(B) to the extent that changes are made  
25 to credit rating surveillance procedures and

1 methodologies, the changes are applied to then-  
2 current credit ratings by the nationally recog-  
3 nized statistical rating organization within a  
4 reasonable time period determined by the Com-  
5 mission, by rule; and

6 “(C) the nationally recognized statistical  
7 rating organization publicly discloses the reason  
8 for the change; and

9 “(3) to notify users of credit ratings—

10 “(A) of the version of a procedure or meth-  
11 odology, including the qualitative methodology  
12 or quantitative inputs, used with respect to a  
13 particular credit rating;

14 “(B) when a material change is made to a  
15 procedure or methodology, including to a quali-  
16 tative model or quantitative inputs;

17 “(C) when a significant error is identified  
18 in a procedure or methodology, including a  
19 qualitative or quantitative model, that may re-  
20 sult in credit rating actions; and

21 “(D) of the likelihood of a material change  
22 described in subparagraph (B) resulting in a  
23 change in current credit ratings.

24 “(s) TRANSPARENCY OF CREDIT RATING METH-  
25 ODOLOGIES AND INFORMATION REVIEWED.—

1           “(1) FORM FOR DISCLOSURES.—The Commis-  
2           sion shall require, by rule, each nationally recognized  
3           statistical rating organization to prescribe a form to  
4           accompany the publication of each credit rating that  
5           discloses—

6                   “(A) information relating to—

7                           “(i) the assumptions underlying the  
8                           credit rating procedures and methodolo-  
9                           gies;

10                           “(ii) the data that was relied on to de-  
11                           termine the credit rating; and

12                           “(iii) if applicable, how the nationally  
13                           recognized statistical rating organization  
14                           used servicer or remittance reports, and  
15                           with what frequency, to conduct surveil-  
16                           lance of the credit rating; and

17                   “(B) information that can be used by in-  
18           vestors and other users of credit ratings to bet-  
19           ter understand credit ratings in each class of  
20           credit rating issued by the nationally recognized  
21           statistical rating organization.

22           “(2) FORMAT.—The form developed under  
23           paragraph (1) shall—

1           “(A) be easy to use and helpful for users  
2 of credit ratings to understand the information  
3 contained in the report;

4           “(B) require the nationally recognized sta-  
5 tistical rating organization to provide the con-  
6 tent described in paragraph (3)(B) in a manner  
7 that is directly comparable across types of secu-  
8 rities; and

9           “(C) be made readily available to users of  
10 credit ratings, in electronic or paper form, as  
11 the Commission may, by rule, determine.

12           “(3) CONTENT OF FORM.—

13           “(A) QUALITATIVE CONTENT.—Each na-  
14 tionally recognized statistical rating organiza-  
15 tion shall disclose on the form developed under  
16 paragraph (1)—

17           “(i) the credit ratings produced by the  
18 nationally recognized statistical rating or-  
19 ganization;

20           “(ii) the main assumptions and prin-  
21 ciples used in constructing procedures and  
22 methodologies, including qualitative meth-  
23 odologies and quantitative inputs and as-  
24 sumptions about the correlation of defaults

1 across underlying assets used in rating  
2 structured products;

3 “(iii) the potential limitations of the  
4 credit ratings, and the types of risks ex-  
5 cluded from the credit ratings that the na-  
6 tionally recognized statistical rating orga-  
7 nization does not comment on, including li-  
8 quidity, market, and other risks;

9 “(iv) information on the uncertainty  
10 of the credit rating, including—

11 “(I) information on the reli-  
12 ability, accuracy, and quality of the  
13 data relied on in determining the  
14 credit rating; and

15 “(II) a statement relating to the  
16 extent to which data essential to the  
17 determination of the credit rating  
18 were reliable or limited, including—

19 “(aa) any limits on the  
20 scope of historical data; and

21 “(bb) any limits in accessi-  
22 bility to certain documents or  
23 other types of information that  
24 would have better informed the  
25 credit rating;

1           “(v) whether and to what extent third  
2 party due diligence services have been used  
3 by the nationally recognized statistical rat-  
4 ing organization, a description of the infor-  
5 mation that such third party reviewed in  
6 conducting due diligence services, and a  
7 description of the findings or conclusions  
8 of such third party;

9           “(vi) a description of the data about  
10 any obligor, issuer, security, or money  
11 market instrument that were relied upon  
12 for the purpose of determining the credit  
13 rating;

14           “(vii) a statement containing an over-  
15 all assessment of the quality of information  
16 available and considered in producing a  
17 rating for an obligor, security, or money  
18 market instrument, in relation to the qual-  
19 ity of information available to the nation-  
20 ally recognized statistical rating organiza-  
21 tion in rating similar issuances;

22           “(viii) information relating to conflicts  
23 of interest of the nationally recognized sta-  
24 tistical rating organization; and

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1                   “(ix) such additional information as  
2                   the Commission may require.

3                   “(B) QUANTITATIVE CONTENT.—Each na-  
4                   tionally recognized statistical rating organiza-  
5                   tion shall disclose on the form developed under  
6                   this subsection—

7                   “(i) an explanation or measure of the  
8                   potential volatility of the credit rating, in-  
9                   cluding—

10                   “(I) any factors that might lead  
11                   to a change in the credit ratings; and

12                   “(II) the magnitude of the  
13                   change that a user can expect under  
14                   different market conditions;

15                   “(ii) information on the content of the  
16                   rating, including—

17                   “(I) the historical performance of  
18                   the rating; and

19                   “(II) the expected probability of  
20                   default and the expected loss in the  
21                   event of default;

22                   “(iii) information on the sensitivity of  
23                   the rating to assumptions made by the na-  
24                   tionally recognized statistical rating orga-  
25                   nization, including—

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1                   “(I) 5 assumptions made in the  
2 ratings process that, without account-  
3 ing for any other factor, would have  
4 the greatest impact on a rating if the  
5 assumptions were proven false or in-  
6 accurate; and

7                   “(II) an analysis, using specific  
8 examples, of how each of the 5 as-  
9 sumptions identified under subclause  
10 (I) impacts a rating;

11                   “(iv) such additional information as  
12 may be required by the Commission.

13                   “(4) DUE DILIGENCE SERVICES FOR ASSET-  
14 BACKED SECURITIES.—

15                   “(A) FINDINGS.—The issuer or under-  
16 writer of any asset-backed security shall make  
17 publicly available the findings and conclusions  
18 of any third-party due diligence report obtained  
19 by the issuer or underwriter.

20                   “(B) CERTIFICATION REQUIRED.—In any  
21 case in which third-party due diligence services  
22 are employed by a nationally recognized statis-  
23 tical rating organization, an issuer, or an un-  
24 derwriter, the person providing the due dili-  
25 gence services shall provide to any nationally



1 recognized statistical rating organization that  
2 produces a rating to which such services relate,  
3 written certification, as provided in subpara-  
4 graph (C).

5 “(C) FORMAT AND CONTENT.—The Com-  
6 mission shall establish the appropriate format  
7 and content for the written certifications re-  
8 quired under subparagraph (B), to ensure that  
9 providers of due diligence services have con-  
10 ducted a thorough review of data, documenta-  
11 tion, and other relevant information necessary  
12 for a nationally recognized statistical rating or-  
13 ganization to provide an accurate rating.

14 “(D) DISCLOSURE OF CERTIFICATION.—  
15 The Commission shall adopt rules requiring a  
16 nationally recognized statistical rating organiza-  
17 tion, at the time at which the nationally recog-  
18 nized statistical rating organization produces a  
19 rating, to disclose the certification described in  
20 subparagraph (B) to the public in a manner  
21 that allows the public to determine the ade-  
22 quacy and level of due diligence services pro-  
23 vided by a third party.

24 “(t) CORPORATE GOVERNANCE, ORGANIZATION, AND  
25 MANAGEMENT OF CONFLICTS OF INTEREST.—

1           “(1) BOARD OF DIRECTORS.—Each nationally  
2 recognized statistical rating organization shall have  
3 a board of directors.

4           “(2) INDEPENDENT DIRECTORS.—

5                 “(A) IN GENERAL.—At least  $\frac{1}{2}$  of the  
6 board of directors, but not fewer than 2 of the  
7 members thereof, shall be independent of the  
8 nationally recognized statistical rating agency.  
9 A portion of the independent directors shall in-  
10 clude users of ratings from a nationally recog-  
11 nized statistical rating organization.

12                 “(B) INDEPENDENCE DETERMINATION.—  
13 In order to be considered independent for pur-  
14 poses of this subsection, a member of the board  
15 of directors of a nationally recognized statistical  
16 rating organization—

17                         “(i) may not, other than in his or her  
18 capacity as a member of the board of di-  
19 rectors or any committee thereof—

20                                 “(I) accept any consulting, advi-  
21 sory, or other compensatory fee from  
22 the nationally recognized statistical  
23 rating organization; or

24                                 “(II) be a person associated with  
25 the nationally recognized statistical

1 rating organization or with any affli-  
2 ated company thereof; and

3 “(ii) shall be disqualified from any de-  
4 liberation involving a specific rating in  
5 which the independent board member has  
6 a financial interest in the outcome of the  
7 rating.

8 “(C) COMPENSATION AND TERM.—The  
9 compensation of the independent members of  
10 the board of directors of a nationally recognized  
11 statistical rating organization shall not be  
12 linked to the business performance of the na-  
13 tionally recognized statistical rating organiza-  
14 tion, and shall be arranged so as to ensure the  
15 independence of their judgment. The term of  
16 office of the independent directors shall be for  
17 a pre-agreed fixed period, not to exceed 5 years,  
18 and shall not be renewable.

19 “(3) DUTIES OF BOARD OF DIRECTORS.—In  
20 addition to the overall responsibilities of the board of  
21 directors, the board shall oversee—

22 “(A) the establishment, maintenance, and  
23 enforcement of policies and procedures for de-  
24 termining credit ratings;

1           “(B) the establishment, maintenance, and  
2           enforcement of policies and procedures to ad-  
3           dress, manage, and disclose any conflicts of in-  
4           terest;

5           “(C) the effectiveness of the internal con-  
6           trol system with respect to policies and proce-  
7           dures for determining credit ratings; and

8           “(D) the compensation and promotion poli-  
9           cies and practices of the nationally recognized  
10          statistical rating organization.

11          “(4) TREATMENT OF NRSRO SUBSIDIARIES.—If  
12          a nationally recognized statistical rating organiza-  
13          tion is a subsidiary of a parent entity, the board of  
14          the directors of the parent entity may satisfy the re-  
15          quirements of this subsection by assigning to a com-  
16          mittee of such board of directors the duties under  
17          paragraph (3), if—

18                 “(A) at least  $\frac{1}{2}$  of the members of the  
19                 committee (including the chairperson of the  
20                 committee) are independent, as defined in this  
21                 section; and

22                 “(B) at least 1 member of the committee  
23                 is a user of ratings from a nationally recognized  
24                 statistical rating organization.

1           “(5) EXCEPTION AUTHORITY.—If the Commis-  
2           sion finds that compliance with the provisions of this  
3           subsection present an unreasonable burden on a  
4           small nationally recognized statistical rating organi-  
5           zation, the Commission may permit the nationally  
6           recognized statistical rating organization to delegate  
7           such responsibilities to a committee that includes at  
8           least one individual who is a user of ratings of a na-  
9           tionally recognized statistical rating organization.”.

10          (b) CONFORMING AMENDMENT.—Section 3(a)(62) of  
11 the Securities Exchange Act of 1934 (15 U.S.C.  
12 78c(a)(62)) is amended by striking subparagraph (A) and  
13 redesignating subparagraphs (B) and (C) as subpara-  
14 graphs (A) and (B), respectively.

15 **SEC. 933. STATE OF MIND IN PRIVATE ACTIONS.**

16          (a) ACCOUNTABILITY.—Section 15E(m) of the Secu-  
17 rities Exchange Act of 1934 (15 U.S.C. 78o–7(m)) is  
18 amended to read as follows:

19           “(m) ACCOUNTABILITY.—

20           “(1) IN GENERAL.—The enforcement and pen-  
21           alty provisions of this title shall apply to statements  
22           made by a credit rating agency in the same manner  
23           and to the same extent as such provisions apply to  
24           statements made by a registered public accounting  
25           firm or a securities analyst under the securities laws,

1           and such statements shall not be deemed forward-  
2           looking statements for the purposes of section 21E.

3           “(2) RULEMAKING.—The Commission shall  
4           issue such rules as may be necessary to carry out  
5           this subsection.”.

6           (b) STATE OF MIND.—Section 21D(b)(2) of the Se-  
7           curities Exchange Act of 1934 (15 U.S.C. 78u-4(b)(2))  
8           is amended—

9           (1) by striking “In any” and inserting the fol-  
10          lowing:

11           “(A) IN GENERAL.—Except as provided in  
12           subparagraph (B), in any”; and

13          (2) by adding at the end the following:

14           “(B) EXCEPTION.—In the case of an ac-  
15           tion for money damages brought against a cred-  
16           it rating agency or a controlling person under  
17           this title, it shall be sufficient, for purposes of  
18           pleading any required state of mind in relation  
19           to such action, that the complaint state with  
20           particularity facts giving rise to a strong infer-  
21           ence that the credit rating agency knowingly or  
22           recklessly failed—

23           “(i) to conduct a reasonable investiga-  
24           tion of the rated security with respect to

1 the factual elements relied upon by its own  
2 methodology for evaluating credit risk; or  
3 “(ii) to obtain reasonable verification  
4 of such factual elements (which verification  
5 may be based on a sampling technique that  
6 does not amount to an audit) from other  
7 sources that the credit rating agency con-  
8 sidered to be competent and that were  
9 independent of the issuer and under-  
10 writer.”.

11 **SEC. 934. REFERRING TIPS TO LAW ENFORCEMENT OR**  
12 **REGULATORY AUTHORITIES.**

13 Section 15E of the Securities Exchange Act of 1934  
14 (15 U.S.C. 78o-7), as amended by this subtitle, is amend-  
15 ed by adding at the end the following:

16 “(u) DUTY TO REPORT TIPS ALLEGING MATERIAL  
17 VIOLATIONS OF LAW.—

18 “(1) DUTY TO REPORT.—Each nationally rec-  
19 ognized statistical rating organization shall refer to  
20 the appropriate law enforcement or regulatory au-  
21 thorities any information that the nationally recog-  
22 nized statistical rating organization receives from a  
23 third party and finds credible that alleges that an  
24 issuer of securities rated by the nationally recog-  
25 nized statistical rating organization has committed

1 or is committing a material violation of law that has  
2 not been adjudicated by a Federal or State court.

3 “(2) RULE OF CONSTRUCTION.—Nothing in  
4 paragraph (1) may be construed to require a nation-  
5 ally recognized statistical rating organization to  
6 verify the accuracy of the information described in  
7 paragraph (1).”.

8 **SEC. 935. CONSIDERATION OF INFORMATION FROM**  
9 **SOURCES OTHER THAN THE ISSUER IN RAT-**  
10 **ING DECISIONS.**

11 Section 15E of the Securities Exchange Act of 1934  
12 (15 U.S.C. 78o–7), as amended by this subtitle, is amend-  
13 ed by adding at the end the following:

14 “(v) INFORMATION FROM SOURCES OTHER THAN  
15 THE ISSUER.—In producing a credit rating, a nationally  
16 recognized statistical rating organization shall consider in-  
17 formation about an issuer that the nationally recognized  
18 statistical rating organization has, or receives from a  
19 source other than the issuer or underwriter, that the na-  
20 tionally recognized statistical rating organization finds  
21 credible and potentially significant to a rating decision.”.

22 **SEC. 936. QUALIFICATION STANDARDS FOR CREDIT RAT-**  
23 **ING ANALYSTS.**

24 Not later than 1 year after the date of enactment  
25 of this Act, the Commission shall issue rules that are rea-



1 sonably designed to ensure that any person employed by  
2 a nationally recognized statistical rating organization to  
3 perform credit ratings—

4 (1) meets standards of training, experience, and  
5 competence necessary to produce accurate ratings  
6 for the categories of issuers whose securities the per-  
7 son rates; and

8 (2) is tested for knowledge of the credit rating  
9 process.

10 **SEC. 937. TIMING OF REGULATIONS.**

11 Unless otherwise specifically provided in this subtitle,  
12 the Commission shall issue final regulations, as required  
13 by this subtitle and the amendments made by this subtitle,  
14 not later than 1 year after the date of enactment of this  
15 Act.

16 **SEC. 938. UNIVERSAL RATINGS SYMBOLS.**

17 (a) RULEMAKING.—The Commission shall require, by  
18 rule, each nationally recognized statistical rating organiza-  
19 tion to establish, maintain, and enforce written policies  
20 and procedures that—

21 (1) assess the probability that an issuer of a se-  
22 curity or money market instrument will default, fail  
23 to make timely payments, or otherwise not make  
24 payments to investors in accordance with the terms  
25 of the security or money market instrument;

1 (2) clearly define and disclose the meaning of  
2 any symbol used by the nationally recognized statis-  
3 tical rating organization to denote a credit rating;  
4 and

5 (3) apply any symbol described in paragraph  
6 (2) in a manner that is consistent for all types of  
7 securities and money market instruments for which  
8 the symbol is used.

9 (b) RULE OF CONSTRUCTION.—Nothing in this sec-  
10 tion shall prohibit a nationally recognized statistical rating  
11 organization from using distinct sets of symbols to denote  
12 credit ratings for different types of securities or money  
13 market instruments.

14 **SEC. 939. REMOVAL OF STATUTORY REFERENCES TO CRED-**  
15 **IT RATINGS.**

16 (a) FEDERAL DEPOSIT INSURANCE ACT.—The Fed-  
17 eral Deposit Insurance Act (12 U.S.C. 1811 et seq.) is  
18 amended—

19 (1) in section 7(b)(1)(E)(i), by striking “credit  
20 rating entities, and other private economic” and in-  
21 sert “private economic, credit,”;

22 (2) in section 28(d)—

23 (A) in the subsection heading, by striking  
24 “NOT OF INVESTMENT GRADE”;

1 (B) in paragraph (1), by striking “not of  
2 investment grade” and inserting “that does not  
3 meet standards of credit-worthiness as estab-  
4 lished by the Corporation”;

5 (C) in paragraph (2), by striking “not of  
6 investment grade”;

7 (D) by striking paragraph (3);

8 (E) by redesignating paragraph (4) as  
9 paragraph (3); and

10 (F) in paragraph (3), as so redesignated—

11 (i) by striking subparagraph (A);

12 (ii) by redesignating subparagraphs  
13 (B) and (C) as subparagraphs (A) and  
14 (B), respectively; and

15 (iii) in subparagraph (B), as so redesi-  
16 gnated, by striking “not of investment  
17 grade” and inserting “that does not meet  
18 standards of credit-worthiness as estab-  
19 lished by the Corporation”; and

20 (3) in section 28(e)—

21 (A) in the subsection heading, by striking  
22 “NOT OF INVESTMENT GRADE”;

23 (B) in paragraph (1), by striking “not of  
24 investment grade” and inserting “that does not

1 meet standards of credit-worthiness as estab-  
2 lished by the Corporation”; and

3 (C) in paragraphs (2) and (3), by striking  
4 “not of investment grade” each place that it ap-  
5 pears and inserting “that does not meet stand-  
6 ards of credit-worthiness established by the  
7 Corporation”.

8 (b) FEDERAL HOUSING ENTERPRISES FINANCIAL  
9 SAFETY AND SOUNDNESS ACT OF 1992.—Section 1319  
10 of the Federal Housing Enterprises Financial Safety and  
11 Soundness Act of 1992 (12 U.S.C. 4519) is amended by  
12 striking “that is a nationally recognized statistical rating  
13 organization, as such term is defined in section 3(a) of  
14 the Securities Exchange Act of 1934,”.

15 (c) INVESTMENT COMPANY ACT OF 1940.—Section  
16 6(a)(5)(A)(iv)(I) Investment Company Act of 1940 (15  
17 U.S.C. 80a–6(a)(5)(A)(iv)(I)) is amended by striking “is  
18 rated investment grade by not less than 1 nationally recog-  
19 nized statistical rating organization” and inserting “meets  
20 such standards of credit-worthiness as the Commission  
21 shall adopt”.

22 (d) REVISED STATUTES.—Section 5136A of title  
23 LXII of the Revised Statutes of the United States (12  
24 U.S.C. 24a) is amended—

1           (1) in subsection (a)(2)(E), by striking “any  
2           applicable rating” and inserting “standards of cred-  
3           it-worthiness established by the Comptroller of the  
4           Currency”;

5           (2) in the heading for subsection (a)(3) by  
6           striking “RATING OR COMPARABLE REQUIREMENT”  
7           and inserting “REQUIREMENT”;

8           (3) subsection (a)(3), by amending subpara-  
9           graph (A) to read as follows:

10                   “(A) IN GENERAL.—A national bank meets  
11                   the requirements of this paragraph if the bank  
12                   is one of the 100 largest insured banks and has  
13                   not fewer than 1 issue of outstanding debt that  
14                   meets standards of credit-worthiness or other  
15                   criteria as the Secretary of the Treasury and  
16                   the Board of Governors of the Federal Reserve  
17                   System may jointly establish.”.

18           (4) in the heading for subsection (f), by striking  
19           “MAINTAIN PUBLIC RATING OR” and inserting  
20           “MEET STANDARDS OF CREDIT-WORTHINESS”; and

21           (5) in subsection (f)(1), by striking “any appli-  
22           cable rating” and inserting “standards of credit-wor-  
23           thiness established by the Comptroller of the Cur-  
24           rency”.

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1 (e) SECURITIES EXCHANGE ACT OF 1934.—Section  
2 3(a) Securities Exchange Act of 1934 (15 U.S.C.  
3 78a(3)(a)) is amended—

4 (1) in paragraph (41), by striking “is rated in  
5 one of the two highest rating categories by at least  
6 one nationally recognized statistical rating organiza-  
7 tion” and inserting “meets standards of credit-wor-  
8 thiness as established by the Commission”; and

9 (2) in paragraph (53)(A), by striking “is rated  
10 in 1 of the 4 highest rating categories by at least 1  
11 nationally recognized statistical rating organization”  
12 and inserting “meets standards of credit-worthiness  
13 as established by the Commission”.

14 (f) WORLD BANK DISCUSSIONS.—Section 3(a)(6) of  
15 the amendment in the nature of a substitute to the text  
16 of H.R. 4645, as ordered reported from the Committee  
17 on Banking, Finance and Urban Affairs on September 22,  
18 1988, as enacted into law by section 555 of Public Law  
19 100–461, (22 U.S.C. 286hh(a)(6)), is amended by striking  
20 “credit rating” and inserting “credit-worthiness”.

21 (g) EFFECTIVE DATE.—The amendments made by  
22 this section shall take effect 2 years after the date of en-  
23 actment of this Act.

24 (h) STUDY AND REPORT.—

1           (1) IN GENERAL.—Commission shall undertake  
2 a study on the feasibility and desirability of—

3           (A) standardizing credit ratings termi-  
4 nology, so that all credit rating agencies issue  
5 credit ratings using identical terms;

6           (B) standardizing the market stress condi-  
7 tions under which ratings are evaluated;

8           (C) requiring a quantitative correspond-  
9 ence between credit ratings and a range of de-  
10 fault probabilities and loss expectations under  
11 standardized conditions of economic stress; and

12           (D) standardizing credit rating termi-  
13 nology across asset classes, so that named rat-  
14 ings correspond to a standard range of default  
15 probabilities and expected losses independent of  
16 asset class and issuing entity.

17           (2) REPORT.—Not later than 1 year after the  
18 date of enactment of this Act, the Commission shall  
19 submit to Congress a report containing the findings  
20 of the study under paragraph (1) and the rec-  
21 ommendations, if any, of the Commission with re-  
22 spect to the study.

1 **SEC. 939A. REVIEW OF RELIANCE ON RATINGS.**

2 (a) AGENCY REVIEW.—Not later than 1 year after  
3 the date of the enactment of this subtitle, each Federal  
4 agency shall, to the extent applicable, review—

5 (1) any regulation issued by such agency that  
6 requires the use of an assessment of the credit-wor-  
7 thiness of a security or money market instrument;  
8 and

9 (2) any references to or requirements in such  
10 regulations regarding credit ratings.

11 (b) MODIFICATIONS REQUIRED.—Each such agency  
12 shall modify any such regulations identified by the review  
13 conducted under subsection (a) to remove any reference  
14 to or requirement of reliance on credit ratings and to sub-  
15 stitute in such regulations such standard of credit-worthi-  
16 ness as each respective agency shall determine as appro-  
17 priate for such regulations. In making such determination,  
18 such agencies shall seek to establish, to the extent feasible,  
19 uniform standards of credit-worthiness for use by each  
20 such agency, taking into account the entities regulated by  
21 each such agency and the purposes for which such entities  
22 would rely on such standards of credit-worthiness.

23 (c) REPORT.—Upon conclusion of the review required  
24 under subsection (a), each Federal agency shall transmit  
25 a report to Congress containing a description of any modi-



1 fication of any regulation such agency made pursuant to  
2 subsection (b).

3 **SEC. 939B. ELIMINATION OF EXEMPTION FROM FAIR DIS-**  
4 **CLOSURE RULE.**

5 Not later than 90 days after the date of enactment  
6 of this subtitle, the Securities Exchange Commission shall  
7 revise Regulation FD (17 C.F.R. 243.100) to remove from  
8 such regulation the exemption for entities whose primary  
9 business is the issuance of credit ratings (17 C.F.R.  
10 243.100(b)(2)(iii)).

11 **SEC. 939C. SECURITIES AND EXCHANGE COMMISSION**  
12 **STUDY ON STRENGTHENING CREDIT RATING**  
13 **AGENCY INDEPENDENCE.**

14 (a) STUDY.—The Commission shall conduct a study  
15 of—

16 (1) the independence of nationally recognized  
17 statistical rating organizations; and

18 (2) how the independence of nationally recog-  
19 nized statistical rating organizations affects the rat-  
20 ings issued by the nationally recognized statistical  
21 rating organizations.

22 (b) SUBJECTS FOR EVALUATION.—In conducting the  
23 study under subsection (a), the Commission shall evalu-  
24 ate—

1           (1) the management of conflicts of interest  
2           raised by a nationally recognized statistical rating  
3           organization providing other services, including risk  
4           management advisory services, ancillary assistance,  
5           or consulting services;

6           (2) the potential impact of rules prohibiting a  
7           nationally recognized statistical rating organization  
8           that provides a rating to an issuer from providing  
9           other services to the issuer; and

10          (3) any other issue relating to nationally recog-  
11          nized statistical rating organizations, as the Chair-  
12          man of the Commission determines is appropriate.

13          (c) REPORT.—Not later than 3 years after the date  
14 of enactment of this Act, the Chairman of the Commission  
15 shall submit to the Committee on Banking, Housing, and  
16 Urban Affairs of the Senate and the Committee on Finan-  
17 cial Services of the House of Representatives a report on  
18 the results of the study conducted under subsection (a),  
19 including recommendations, if any, for improving the in-  
20 tegrity of ratings issued by nationally recognized statis-  
21 tical rating organizations.

22 **SEC. 939D. GOVERNMENT ACCOUNTABILITY OFFICE STUDY**  
23 **ON ALTERNATIVE BUSINESS MODELS.**

24          (a) STUDY.—The Comptroller General of the United  
25 States shall conduct a study on alternative means for com-

1 pensating nationally recognized statistical rating organiza-  
2 tions in order to create incentives for nationally recognized  
3 statistical rating organizations to provide more accurate  
4 credit ratings, including any statutory changes that would  
5 be required to facilitate the use of an alternative means  
6 of compensation.

7 (b) REPORT.—Not later than 18 months after the  
8 date of enactment of this Act, the Comptroller General  
9 shall submit to the Committee on Banking, Housing, and  
10 Urban Affairs of the Senate and the Committee on Finan-  
11 cial Services of the House of Representatives a report on  
12 the results of the study conducted under subsection (a),  
13 including recommendations, if any, for providing incen-  
14 tives to credit rating agencies to improve the credit rating  
15 process.

16 **SEC. 939E. GOVERNMENT ACCOUNTABILITY OFFICE STUDY**  
17 **ON THE CREATION OF AN INDEPENDENT**  
18 **PROFESSIONAL ANALYST ORGANIZATION.**

19 (a) STUDY.—The Comptroller General of the United  
20 States shall conduct a study on the feasibility and merits  
21 of creating an independent professional organization for  
22 rating analysts employed by nationally recognized statis-  
23 tical rating organizations that would be responsible for—

24 (1) establishing independent standards for gov-  
25 erning the profession of rating analysts;

1 (2) establishing a code of ethical conduct; and

2 (3) overseeing the profession of rating analysts.

3 (b) REPORT.—Not later than 1 year after the date  
4 of publication of the rules issued by the Commission pur-  
5 suant to section 936, the Comptroller General shall submit  
6 to the Committee on Banking, Housing, and Urban Af-  
7 fairs of the Senate and the Committee on Financial Serv-  
8 ices of the House of Representatives a report on the re-  
9 sults of the study conducted under subsection (a).

10 **SEC. 939F. STUDY AND RULEMAKING ON ASSIGNED CREDIT**  
11 **RATINGS.**

12 (a) DEFINITION.—In this section, the term “struc-  
13 tured finance product” means an asset-backed security, as  
14 defined in section 3(a)(77) of the Securities Exchange Act  
15 of 1934, as added by section 941, and any structured  
16 product based on an asset-backed security, as determined  
17 by the Commission, by rule.

18 (b) STUDY.—The Commission shall carry out a study  
19 of—

20 (1) the credit rating process for structured fi-  
21 nance products and the conflicts of interest associ-  
22 ated with the issuer-pay and the subscriber-pay  
23 models;

24 (2) the feasibility of establishing a system in  
25 which a public or private utility or a self-regulatory

1 organization assigns nationally recognized statistical  
2 rating organizations to determine the credit ratings  
3 of structured finance products, including—

4 (A) an assessment of potential mechanisms  
5 for determining fees for the nationally recog-  
6 nized statistical rating organizations;

7 (B) appropriate methods for paying fees to  
8 the nationally recognized statistical rating orga-  
9 nizations;

10 (C) the extent to which the creation of  
11 such a system would be viewed as the creation  
12 of moral hazard by the Federal Government;  
13 and

14 (D) any constitutional or other issues con-  
15 cerning the establishment of such a system;

16 (3) the range of metrics that could be used to  
17 determine the accuracy of credit ratings; and

18 (4) alternative means for compensating nation-  
19 ally recognized statistical rating organizations that  
20 would create incentives for accurate credit ratings.

21 (c) REPORT AND RECOMMENDATION.—Not later  
22 than 24 months after the date of enactment of this Act,  
23 the Commission shall submit to the Committee on Bank-  
24 ing, Housing, and Urban Affairs of the Senate and the

1 Committee on Financial Services of the House of Rep-  
2 resentatives a report that contains—

3 (1) the findings of the study required under  
4 subsection (b); and

5 (2) any recommendations for regulatory or stat-  
6 utory changes that the Commission determines  
7 should be made to implement the findings of the  
8 study required under subsection (b).

9 (d) RULEMAKING.—

10 (1) RULEMAKING.—After submission of the re-  
11 port under subsection (c), the Commission shall, by  
12 rule, as the Commission determines is necessary or  
13 appropriate in the public interest or for the protec-  
14 tion of investors, establish a system for the assign-  
15 ment of nationally recognized statistical rating orga-  
16 nizations to determine the initial credit ratings of  
17 structured finance products, in a manner that pre-  
18 vents the issuer, sponsor, or underwriter of the  
19 structured finance product from selecting the nation-  
20 ally recognized statistical rating organization that  
21 will determine the initial credit ratings and monitor  
22 such credit ratings. In issuing any rule under this  
23 paragraph, the Commission shall give thorough con-  
24 sideration to the provisions of section 15E(w) of the  
25 Securities Exchange Act of 1934, as that provision

1 would have been added by section 939D of H.R.  
2 4173 (111th Congress), as passed by the Senate on  
3 May 20, 2010, and shall implement the system de-  
4 scribed in such section 939D unless the Commission  
5 determines that an alternative system would better  
6 serve the public interest and the protection of inves-  
7 tors.

8 (2) **RULE OF CONSTRUCTION.**—Nothing in this  
9 subsection may be construed to limit or suspend any  
10 other rulemaking authority of the Commission.

11 **SEC. 939G. EFFECT OF RULE 436(G).**

12 Rule 436(g), promulgated by the Securities and Ex-  
13 change Commission under the Securities Act of 1933,  
14 shall have no force or effect.

15 **SEC. 939H. SENSE OF CONGRESS.**

16 It is the sense of Congress that the Securities and  
17 Exchange Commission should exercise the rulemaking au-  
18 thority of the Commission under section 15E(h)(2)(B) of  
19 the Securities Exchange Act of 1934 (15 U.S.C. 78o-  
20 7(h)(2)(B)) to prevent improper conflicts of interest aris-  
21 ing from employees of nationally recognized statistical rat-  
22 ing organizations providing services to issuers of securities  
23 that are unrelated to the issuance of credit ratings, includ-  
24 ing consulting, advisory, and other services.

1 **Subtitle D—Improvements to the**  
2 **Asset-Backed Securitization**  
3 **Process**

4 **SEC. 941. REGULATION OF CREDIT RISK RETENTION.**

5 (a) DEFINITION OF ASSET-BACKED SECURITY.—Sec-  
6 tion 3(a) of the Securities Exchange Act of 1934 (15  
7 U.S.C. 78c(a)) is amended by adding at the end the fol-  
8 lowing:

9 “(77) ASSET-BACKED SECURITY.—The term  
10 ‘asset-backed security’—

11 “(A) means a fixed-income or other secu-  
12 rity collateralized by any type of self-liquidating  
13 financial asset (including a loan, a lease, a  
14 mortgage, or a secured or unsecured receivable)  
15 that allows the holder of the security to receive  
16 payments that depend primarily on cash flow  
17 from the asset, including—

18 “(i) a collateralized mortgage obliga-  
19 tion;

20 “(ii) a collateralized debt obligation;

21 “(iii) a collateralized bond obligation;

22 “(iv) a collateralized debt obligation of  
23 asset-backed securities;

24 “(v) a collateralized debt obligation of  
25 collateralized debt obligations; and



1                   “(vi) a security that the Commission,  
2                   by rule, determines to be an asset-backed  
3                   security for purposes of this section; and

4                   “(B) does not include a security issued by  
5                   a finance subsidiary held by the parent com-  
6                   pany or a company controlled by the parent  
7                   company, if none of the securities issued by the  
8                   finance subsidiary are held by an entity that is  
9                   not controlled by the parent company.”.

10           (b) CREDIT RISK RETENTION.—The Securities Ex-  
11 change Act of 1934 (15 U.S.C. 78a et seq.) is amended  
12 by inserting after section 15F, as added by this Act, the  
13 following:

14   **“SEC. 15G. CREDIT RISK RETENTION.**

15           “(a) DEFINITIONS.—In this section—

16                   “(1) the term ‘Federal banking agencies’ means  
17                   the Office of the Comptroller of the Currency, the  
18                   Board of Governors of the Federal Reserve System,  
19                   and the Federal Deposit Insurance Corporation;

20                   “(2) the term ‘insured depository institution’  
21                   has the same meaning as in section 3(c) of the Fed-  
22                   eral Deposit Insurance Act (12 U.S.C. 1813(c));

23                   “(3) the term ‘securitizer’ means—

24                           “(A) an issuer of an asset-backed security;

25                           or

1           “(B) a person who organizes and initiates  
2           an asset-backed securities transaction by selling  
3           or transferring assets, either directly or indi-  
4           rectly, including through an affiliate, to the  
5           issuer; and

6           “(4) the term ‘originator’ means a person  
7           who—

8           “(A) through the extension of credit or  
9           otherwise, creates a financial asset that  
10          collateralizes an asset-backed security; and

11          “(B) sells an asset directly or indirectly to  
12          a securitizer.

13          “(b) REGULATIONS REQUIRED.—

14          “(1) IN GENERAL.—Not later than 270 days  
15          after the date of enactment of this section, the Fed-  
16          eral banking agencies and the Commission shall  
17          jointly prescribe regulations to require any  
18          securitizer to retain an economic interest in a por-  
19          tion of the credit risk for any asset that the  
20          securitizer, through the issuance of an asset-backed  
21          security, transfers, sells, or conveys to a third party.

22          “(2) RESIDENTIAL MORTGAGES.—Not later  
23          than 270 days after the date of the enactment of  
24          this section, the Federal banking agencies, the Com-  
25          mission, the Secretary of Housing and Urban Devel-



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1 an asset-backed security by the  
2 securitizer, if 1 or more of the assets  
3 that collateralize the asset-backed se-  
4 curity are not qualified residential  
5 mortgages; or

6 “(ii) less than 5 percent of the credit  
7 risk for an asset that is not a qualified res-  
8 idential mortgage that is transferred, sold,  
9 or conveyed through the issuance of an  
10 asset-backed security by the securitizer, if  
11 the originator of the asset meets the un-  
12 derwriting standards prescribed under  
13 paragraph (2)(B);

14 “(C) specify—

15 “(i) the permissible forms of risk re-  
16 tention for purposes of this section;

17 “(ii) the minimum duration of the  
18 risk retention required under this section;

19 and

20 “(iii) that a securitizer is not required  
21 to retain any part of the credit risk for an  
22 asset that is transferred, sold or conveyed  
23 through the issuance of an asset-backed se-  
24 curity by the securitizer, if all of the assets

1           that collateralize the asset-backed security  
2           are qualified residential mortgages;

3           “(D) apply, regardless of whether the  
4 securitizer is an insured depository institution;

5           “(E) with respect to a commercial mort-  
6 gage, specify the permissible types, forms, and  
7 amounts of risk retention that would meet the  
8 requirements of subparagraph (B), which in the  
9 determination of the Federal banking agencies  
10 and the Commission may include—

11           “(i) retention of a specified amount or  
12 percentage of the total credit risk of the  
13 asset;

14           “(ii) retention of the first-loss position  
15 by a third-party purchaser that specifically  
16 negotiates for the purchase of such first  
17 loss position, holds adequate financial re-  
18 sources to back losses, provides due dili-  
19 gence on all individual assets in the pool  
20 before the issuance of the asset-backed se-  
21 curities, and meets the same standards for  
22 risk retention as the Federal banking  
23 agencies and the Commission require of  
24 the securitizer;

1                   “(iii) a determination by the Federal  
2                   banking agencies and the Commission that  
3                   the underwriting standards and controls  
4                   for the asset are adequate; and

5                   “(iv) provision of adequate representa-  
6                   tions and warranties and related enforce-  
7                   ment mechanisms; and

8                   “(F) establish appropriate standards for  
9                   retention of an economic interest with respect  
10                  to collateralized debt obligations, securities  
11                  collateralized by collateralized debt obligations,  
12                  and similar instruments collateralized by other  
13                  asset-backed securities; and

14                  “(G) provide for—

15                  “(i) a total or partial exemption of  
16                  any securitization, as may be appropriate  
17                  in the public interest and for the protec-  
18                  tion of investors;

19                  “(ii) a total or partial exemption for  
20                  the securitization of an asset issued or  
21                  guaranteed by the United States, or an  
22                  agency of the United States, as the Fed-  
23                  eral banking agencies and the Commission  
24                  jointly determine appropriate in the public  
25                  interest and for the protection of investors,

1           except that, for purposes of this clause, the  
2           Federal National Mortgage Association  
3           and the Federal Home Loan Mortgage  
4           Corporation are not agencies of the United  
5           States;

6           “(iii) a total or partial exemption for  
7           any asset-backed security that is a security  
8           issued or guaranteed by any State of the  
9           United States, or by any political subdivi-  
10          sion of a State or territory, or by any pub-  
11          lic instrumentality of a State or territory  
12          that is exempt from the registration re-  
13          quirements of the Securities Act of 1933  
14          by reason of section 3(a)(2) of that Act  
15          (15 U.S.C. 77c(a)(2)), or a security de-  
16          fined as a qualified scholarship funding  
17          bond in section 150(d)(2) of the Internal  
18          Revenue Code of 1986, as may be appro-  
19          priate in the public interest and for the  
20          protection of investors; and

21          “(iv) the allocation of risk retention  
22          obligations between a securitizer and an  
23          originator in the case of a securitizer that  
24          purchases assets from an originator, as the

1 Federal banking agencies and the Commis-  
2 sion jointly determine appropriate.

3 “(2) ASSET CLASSES.—

4 “(A) ASSET CLASSES.—The regulations  
5 prescribed under subsection (b) shall establish  
6 asset classes with separate rules for securitizers  
7 of different classes of assets, including residen-  
8 tial mortgages, commercial mortgages, commer-  
9 cial loans, auto loans, and any other class of as-  
10 sets that the Federal banking agencies and the  
11 Commission deem appropriate.

12 “(B) CONTENTS.—For each asset class es-  
13 tablished under subparagraph (A), the regula-  
14 tions prescribed under subsection (b) shall in-  
15 clude underwriting standards established by the  
16 Federal banking agencies that specify the  
17 terms, conditions, and characteristics of a loan  
18 within the asset class that indicate a low credit  
19 risk with respect to the loan.

20 “(d) ORIGINATORS.—In determining how to allocate  
21 risk retention obligations between a securitizer and an  
22 originator under subsection (c)(1)(E)(iv), the Federal  
23 banking agencies and the Commission shall—

24 “(1) reduce the percentage of risk retention ob-  
25 ligations required of the securitizer by the percent-



1 age of risk retention obligations required of the  
2 originator; and

3 “(2) consider—

4 “(A) whether the assets sold to the  
5 securitizer have terms, conditions, and charac-  
6 teristics that reflect low credit risk;

7 “(B) whether the form or volume of trans-  
8 actions in securitization markets creates incen-  
9 tives for imprudent origination of the type of  
10 loan or asset to be sold to the securitizer; and

11 “(C) the potential impact of the risk reten-  
12 tion obligations on the access of consumers and  
13 businesses to credit on reasonable terms, which  
14 may not include the transfer of credit risk to a  
15 third party.

16 “(e) EXEMPTIONS, EXCEPTIONS, AND ADJUST-  
17 MENTS.—

18 “(1) IN GENERAL.—The Federal banking agen-  
19 cies and the Commission may jointly adopt or issue  
20 exemptions, exceptions, or adjustments to the rules  
21 issued under this section, including exemptions, ex-  
22 ceptions, or adjustments for classes of institutions or  
23 assets relating to the risk retention requirement and  
24 the prohibition on hedging under subsection (c)(1).

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1           “(2) APPLICABLE STANDARDS.—Any exemp-  
2           tion, exception, or adjustment adopted or issued by  
3           the Federal banking agencies and the Commission  
4           under this paragraph shall—

5                   “(A) help ensure high quality underwriting  
6                   standards for the securitizers and originators of  
7                   assets that are securitized or available for  
8                   securitization; and

9                   “(B) encourage appropriate risk manage-  
10                  ment practices by the securitizers and origina-  
11                  tors of assets, improve the access of consumers  
12                  and businesses to credit on reasonable terms, or  
13                  otherwise be in the public interest and for the  
14                  protection of investors.

15           “(3) CERTAIN INSTITUTIONS AND PROGRAMS  
16           EXEMPT.—

17                   “(A) FARM CREDIT SYSTEM INSTITU-  
18                   TIONS.—Notwithstanding any other provision of  
19                   this section, the requirements of this section  
20                   shall not apply to any loan or other financial  
21                   asset made, insured, guaranteed, or purchased  
22                   by any institution that is subject to the super-  
23                   vision of the Farm Credit Administration, in-  
24                   cluding the Federal Agricultural Mortgage Cor-  
25                   poration.

1           “(B) OTHER FEDERAL PROGRAMS.—This  
2 section shall not apply to any residential, multi-  
3 family, or health care facility mortgage loan  
4 asset, or securitization based directly or indi-  
5 rectly on such an asset, which is insured or  
6 guaranteed by the United States or an agency  
7 of the United States. For purposes of this sub-  
8 section, the Federal National Mortgage Associa-  
9 tion, the Federal Home Loan Mortgage Cor-  
10 poration, and the Federal home loan banks  
11 shall not be considered an agency of the United  
12 States.

13           “(4) EXEMPTION FOR QUALIFIED RESIDENTIAL  
14 MORTGAGES.—

15           “(A) IN GENERAL.—The Federal banking  
16 agencies, the Commission, the Secretary of  
17 Housing and Urban Development, and the Di-  
18 rector of the Federal Housing Finance Agency  
19 shall jointly issue regulations to exempt quali-  
20 fied residential mortgages from the risk reten-  
21 tion requirements of this subsection.

22           “(B) QUALIFIED RESIDENTIAL MORT-  
23 GAGE.—The Federal banking agencies, the  
24 Commission, the Secretary of Housing and  
25 Urban Development, and the Director of the

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1 Federal Housing Finance Agency shall jointly  
2 define the term ‘qualified residential mortgage’  
3 for purposes of this subsection, taking into con-  
4 sideration underwriting and product features  
5 that historical loan performance data indicate  
6 result in a lower risk of default, such as—

7 “(i) documentation and verification of  
8 the financial resources relied upon to qual-  
9 ify the mortgagor;

10 “(ii) standards with respect to—

11 “(I) the residual income of the  
12 mortgagor after all monthly obliga-  
13 tions;

14 “(II) the ratio of the housing  
15 payments of the mortgagor to the  
16 monthly income of the mortgagor;

17 “(III) the ratio of total monthly  
18 installment payments of the mort-  
19 gagor to the income of the mortgagor;

20 “(iii) mitigating the potential for pay-  
21 ment shock on adjustable rate mortgages  
22 through product features and underwriting  
23 standards;

24 “(iv) mortgage guarantee insurance or  
25 other types of insurance or credit enhance-

1                   ment obtained at the time of origination,  
2                   to the extent such insurance or credit en-  
3                   hancement reduces the risk of default; and

4                   “(v) prohibiting or restricting the use  
5                   of balloon payments, negative amortization,  
6                   prepayment penalties, interest-only pay-  
7                   ments, and other features that have been  
8                   demonstrated to exhibit a higher risk of  
9                   borrower default.

10                  “(C) LIMITATION ON DEFINITION.—The  
11                  Federal banking agencies, the Commission, the  
12                  Secretary of Housing and Urban Development,  
13                  and the Director of the Federal Housing Fi-  
14                  nance Agency in defining the term ‘qualified  
15                  residential mortgage’, as required by subpara-  
16                  graph (B), shall define that term to be no  
17                  broader than the definition ‘qualified mortgage’  
18                  as the term is defined under section 129C(c)(2)  
19                  of the Truth in Lending Act, as amended by  
20                  the Consumer Financial Protection Act of  
21                  2010, and regulations adopted thereunder.

22                  “(5) CONDITION FOR QUALIFIED RESIDENTIAL  
23                  MORTGAGE EXEMPTION.—The regulations issued  
24                  under paragraph (4) shall provide that an asset-  
25                  backed security that is collateralized by tranches of

1 other asset-backed securities shall not be exempt  
2 from the risk retention requirements of this sub-  
3 section.

4 “(6) CERTIFICATION.—The Commission shall  
5 require an issuer to certify, for each issuance of an  
6 asset-backed security collateralized exclusively by  
7 qualified residential mortgages, that the issuer has  
8 evaluated the effectiveness of the internal super-  
9 visory controls of the issuer with respect to the proc-  
10 ess for ensuring that all assets that collateralize the  
11 asset-backed security are qualified residential mort-  
12 gages.

13 “(f) ENFORCEMENT.—The regulations issued under  
14 this section shall be enforced by—

15 “(1) the appropriate Federal banking agency,  
16 with respect to any securitizer that is an insured de-  
17 pository institution; and

18 “(2) the Commission, with respect to any  
19 securitizer that is not an insured depository institu-  
20 tion.

21 “(g) AUTHORITY OF COMMISSION.—The authority of  
22 the Commission under this section shall be in addition to  
23 the authority of the Commission to otherwise enforce the  
24 securities laws.

1       “(h) AUTHORITY TO COORDINATE ON RULE-  
2 MAKING.—The Chairperson of the Financial Stability  
3 Oversight Council shall coordinate all joint rulemaking re-  
4 quired under this section.

5       “(i) EFFECTIVE DATE OF REGULATIONS.—The regu-  
6 lations issued under this section shall become effective—

7           “(1) with respect to securitizers and originators  
8 of asset-backed securities backed by residential  
9 mortgages, 1 year after the date on which final rules  
10 under this section are published in the Federal Reg-  
11 ister; and

12           “(2) with respect to securitizers and originators  
13 of all other classes of asset-backed securities, 2 years  
14 after the date on which final rules under this section  
15 are published in the Federal Register.”.

16       (c) STUDY ON RISK RETENTION.—

17           (1) STUDY.—The Board of Governors of the  
18 Federal Reserve System, in coordination and con-  
19 sultation with the Comptroller of the Currency, the  
20 Director of the Office of Thrift Supervision, the  
21 Chairperson of the Federal Deposit Insurance Cor-  
22 poration, and the Securities and Exchange Commis-  
23 sion shall conduct a study of the combined impact  
24 on each individual class of asset-backed security es-  
25 tablished under section 15G(c)(2) of the Securities

1 Exchange Act of 1934, as added by subsection (b),  
2 of—

3 (A) the new credit risk retention require-  
4 ments contained in the amendment made by  
5 subsection (b), including the effect credit risk  
6 retention requirements have on increasing the  
7 market for Federally subsidized loans; and

8 (B) the Financial Accounting Statements  
9 166 and 167 issued by the Financial Account-  
10 ing Standards Board.

11 (2) REPORT.—Not later than 90 days after the  
12 date of enactment of this Act, the Board of Gov-  
13 ernors of the Federal Reserve System shall submit  
14 to Congress a report on the study conducted under  
15 paragraph (1). Such report shall include statutory  
16 and regulatory recommendations for eliminating any  
17 negative impacts on the continued viability of the  
18 asset-backed securitization markets and on the avail-  
19 ability of credit for new lending identified by the  
20 study conducted under paragraph (1).

21 **SEC. 942. DISCLOSURES AND REPORTING FOR ASSET-**  
22 **BACKED SECURITIES.**

23 (a) SECURITIES EXCHANGE ACT OF 1934.—Section  
24 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.  
25 78o(d)) is amended—



1           (1) by striking “(d) Each” and inserting the  
2 following:

3           “(d) SUPPLEMENTARY AND PERIODIC INFORMA-  
4 TION.—

5           “(1) IN GENERAL.—Each”;

6           (2) in the third sentence, by inserting after “se-  
7 curities of each class” the following: “, other than  
8 any class of asset-backed securities,”; and

9           (3) by adding at the end the following:

10           “(2) ASSET-BACKED SECURITIES.—

11           “(A) SUSPENSION OF DUTY TO FILE.—The  
12 Commission may, by rule or regulation, provide  
13 for the suspension or termination of the duty to  
14 file under this subsection for any class of asset-  
15 backed security, on such terms and conditions  
16 and for such period or periods as the Commis-  
17 sion deems necessary or appropriate in the pub-  
18 lic interest or for the protection of investors.

19           “(B) CLASSIFICATION OF ISSUERS.—The  
20 Commission may, for purposes of this sub-  
21 section, classify issuers and prescribe require-  
22 ments appropriate for each class of issuers of  
23 asset-backed securities.”.

1           (b) SECURITIES ACT OF 1933.—Section 7 of the Se-  
2 curities Act of 1933 (15 U.S.C. 77g) is amended by add-  
3 ing at the end the following:

4           “(c) DISCLOSURE REQUIREMENTS.—

5                 “(1) IN GENERAL.—The Commission shall  
6 adopt regulations under this subsection requiring  
7 each issuer of an asset-backed security to disclose,  
8 for each tranche or class of security, information re-  
9 garding the assets backing that security.

10                 “(2) CONTENT OF REGULATIONS.—In adopting  
11 regulations under this subsection, the Commission  
12 shall—

13                         “(A) set standards for the format of the  
14 data provided by issuers of an asset-backed se-  
15 curity, which shall, to the extent feasible, facili-  
16 tate comparison of such data across securities  
17 in similar types of asset classes; and

18                         “(B) require issuers of asset-backed securi-  
19 ties, at a minimum, to disclose asset-level or  
20 loan-level data, if such data are necessary for  
21 investors to independently perform due dili-  
22 gence, including—

23                                 “(i) data having unique identifiers re-  
24 lating to loan brokers or originators;

1                   “(ii) the nature and extent of the  
2                   compensation of the broker or originator of  
3                   the assets backing the security; and

4                   “(iii) the amount of risk retention by  
5                   the originator and the securitizer of such  
6                   assets.”.

7   **SEC. 943. REPRESENTATIONS AND WARRANTIES IN ASSET-**  
8                   **BACKED OFFERINGS.**

9           Not later than 180 days after the date of enactment  
10 of this Act, the Securities and Exchange Commission shall  
11 prescribe regulations on the use of representations and  
12 warranties in the market for asset-backed securities (as  
13 that term is defined in section 3(a)(77) of the Securities  
14 Exchange Act of 1934, as added by this subtitle) that—

15                   (1) require each national recognized statistical  
16                   rating organization to include in any report accom-  
17                   panying a credit rating a description of—

18                           (A) the representations, warranties, and  
19                           enforcement mechanisms available to investors;  
20                           and

21                           (B) how they differ from the representa-  
22                           tions, warranties, and enforcement mechanisms  
23                           in issuances of similar securities; and

24                   (2) require any securitizer (as that term is de-  
25                   fined in section 15G(a) of the Securities Exchange

1 Act of 1934, as added by this subtitle) to disclose  
2 fulfilled and unfulfilled repurchase requests across  
3 all trusts aggregated by the securitizer, so that in-  
4 vestors may identify asset originators with clear un-  
5 derwriting deficiencies.

6 **SEC. 944. EXEMPTED TRANSACTIONS UNDER THE SECURI-**  
7 **TIES ACT OF 1933.**

8 (a) EXEMPTION ELIMINATED.—Section 4 of the Se-  
9 curities Act of 1933 (15 U.S.C. 77d) is amended—

10 (1) by striking paragraph (5); and

11 (2) by striking “(6) transactions” and inserting  
12 the following:

13 “(5) transactions”.

14 (b) CONFORMING AMENDMENT.—Section  
15 3(a)(4)(B)(vii)(I) of the Securities Exchange Act of 1934  
16 (15 U.S.C. 78c(a)(4)(B)(vii)(I)) is amended by striking  
17 “4(6)” and inserting “4(5)”.

18 **SEC. 945. DUE DILIGENCE ANALYSIS AND DISCLOSURE IN**  
19 **ASSET-BACKED SECURITIES ISSUES.**

20 Section 7 of the Securities Act of 1933 (15 U.S.C.  
21 77g), as amended by this subtitle, is amended by adding  
22 at the end the following:

23 “(d) REGISTRATION STATEMENT FOR ASSET-  
24 BACKED SECURITIES.—Not later than 180 days after the  
25 date of enactment of this subsection, the Commission shall

1 issue rules relating to the registration statement required  
2 to be filed by any issuer of an asset-backed security (as  
3 that term is defined in section 3(a)(77) of the Securities  
4 Exchange Act of 1934) that require any issuer of an asset-  
5 backed security—

6           “(1) to perform a review of the assets under-  
7           lying the asset-backed security; and

8           “(2) to disclose the nature of the review under  
9           paragraph (1).”.

10 **SEC. 946. STUDY ON THE MACROECONOMIC EFFECTS OF**  
11 **RISK RETENTION REQUIREMENTS.**

12           (a) **STUDY REQUIRED.**—The Chairman of the Finan-  
13 cial Services Oversight Council shall carry out a study on  
14 the macroeconomic effects of the risk retention require-  
15 ments under this subtitle, and the amendments made by  
16 this subtitle, with emphasis placed on potential beneficial  
17 effects with respect to stabilizing the real estate market.  
18 Such study shall include—

19           (1) an analysis of the effects of risk retention  
20           on real estate asset price bubbles, including a retro-  
21           spective estimate of what fraction of real estate  
22           losses may have been averted had such requirements  
23           been in force in recent years;

24           (2) an analysis of the feasibility of minimizing  
25           real estate price bubbles by proactively adjusting the

1 percentage of risk retention that must be borne by  
2 creditors and securitizers of real estate debt, as a  
3 function of regional or national market conditions;

4 (3) a comparable analysis for proactively ad-  
5 justing mortgage origination requirements;

6 (4) an assessment of whether such proactive ad-  
7 justments should be made by an independent regu-  
8 lator, or in a formulaic and transparent manner;

9 (5) an assessment of whether such adjustments  
10 should take place independently or in concert with  
11 monetary policy; and

12 (6) recommendations for implementation and  
13 enabling legislation.

14 (b) REPORT.—Not later than the end of the 180-day  
15 period beginning on the date of the enactment of this title,  
16 the Chairman of the Financial Services Oversight Council  
17 shall issue a report to the Congress containing any find-  
18 ings and determinations made in carrying out the study  
19 required under subsection (a).

1           **Subtitle E—Accountability and**  
2           **Executive Compensation**

3   **SEC. 951. SHAREHOLDER VOTE ON EXECUTIVE COMPENSA-**  
4           **TION DISCLOSURES.**

5           The Securities Exchange Act of 1934 (15 U.S.C. 78a  
6 et seq.) is amended by inserting after section 14 (15  
7 U.S.C. 78n) the following:

8   **“SEC. 14A. SHAREHOLDER APPROVAL OF EXECUTIVE COM-**  
9           **PENSATION.**

10          “(a) SEPARATE RESOLUTION REQUIRED.—

11                 “(1) IN GENERAL.—Not less frequently than  
12                 once every 3 years, a proxy or consent or authoriza-  
13                 tion for an annual or other meeting of the share-  
14                 holders for which the proxy solicitation rules of the  
15                 Commission require compensation disclosure shall  
16                 include a separate resolution subject to shareholder  
17                 vote to approve the compensation of executives, as  
18                 disclosed pursuant to section 229.402 of title 17,  
19                 Code of Federal Regulations, or any successor there-  
20                 to.

21                 “(2) FREQUENCY OF VOTE.—Not less fre-  
22                 quently than once every 6 years, a proxy or consent  
23                 or authorization for an annual or other meeting of  
24                 the shareholders for which the proxy solicitation  
25                 rules of the Commission require compensation dis-

1 closure shall include a separate resolution subject to  
2 shareholder vote to determine whether votes on the  
3 resolutions required under paragraph (1) will occur  
4 every 1, 2, or 3 years.

5 “(3) EFFECTIVE DATE.—The proxy or consent  
6 or authorization for the first annual or other meet-  
7 ing of the shareholders occurring after the end of  
8 the 6-month period beginning on the date of enact-  
9 ment of this section shall include—

10 “(A) the resolution described in paragraph  
11 (1); and

12 “(B) a separate resolution subject to  
13 shareholder vote to determine whether votes on  
14 the resolutions required under paragraph (1)  
15 will occur every 1, 2, or 3 years.

16 “(b) SHAREHOLDER APPROVAL OF GOLDEN PARA-  
17 CHUTE COMPENSATION.—

18 “(1) DISCLOSURE.—In any proxy or consent  
19 solicitation material (the solicitation of which is sub-  
20 ject to the rules of the Commission pursuant to sub-  
21 section (a)) for a meeting of the shareholders occur-  
22 ring after the end of the 6-month period beginning  
23 on the date of enactment of this section, at which  
24 shareholders are asked to approve an acquisition,  
25 merger, consolidation, or proposed sale or other dis-



1 position of all or substantially all the assets of an  
2 issuer, the person making such solicitation shall dis-  
3 close in the proxy or consent solicitation material, in  
4 a clear and simple form in accordance with regula-  
5 tions to be promulgated by the Commission, any  
6 agreements or understandings that such person has  
7 with any named executive officers of such issuer (or  
8 of the acquiring issuer, if such issuer is not the ac-  
9 quiring issuer) concerning any type of compensation  
10 (whether present, deferred, or contingent) that is  
11 based on or otherwise relates to the acquisition,  
12 merger, consolidation, sale, or other disposition of all  
13 or substantially all of the assets of the issuer and  
14 the aggregate total of all such compensation that  
15 may (and the conditions upon which it may) be paid  
16 or become payable to or on behalf of such executive  
17 officer.

18 “(2) SHAREHOLDER APPROVAL.—Any proxy or  
19 consent or authorization relating to the proxy or  
20 consent solicitation material containing the disclo-  
21 sure required by paragraph (1) shall include a sepa-  
22 rate resolution subject to shareholder vote to ap-  
23 prove such agreements or understandings and com-  
24 pensation as disclosed, unless such agreements or

1 understandings have been subject to a shareholder  
2 vote under subsection (a).

3 “(c) RULE OF CONSTRUCTION.—The shareholder  
4 vote referred to in subsections (a) and (b) shall not be  
5 binding on the issuer or the board of directors of an issuer,  
6 and may not be construed—

7 “(1) as overruling a decision by such issuer or  
8 board of directors;

9 “(2) to create or imply any change to the fidu-  
10 ciary duties of such issuer or board of directors;

11 “(3) to create or imply any additional fiduciary  
12 duties for such issuer or board of directors; or

13 “(4) to restrict or limit the ability of share-  
14 holders to make proposals for inclusion in proxy ma-  
15 terials related to executive compensation.

16 “(d) DISCLOSURE OF VOTES.—Every institutional in-  
17 vestment manager subject to section 13(f) shall report at  
18 least annually how it voted on any shareholder vote pursu-  
19 ant to subsections (a) and (b), unless such vote is other-  
20 wise required to be reported publicly by rule or regulation  
21 of the Commission.

22 “(e) EXEMPTION.—The Commission may, by rule or  
23 order, exempt an issuer or class of issuers from the re-  
24 quirement under subsection (a) or (b). In determining  
25 whether to make an exemption under this subsection, the

1 Commission shall take into account, among other consid-  
2 erations, whether the requirements under subsections (a)  
3 and (b) disproportionately burdens small issuers.”.

4 **SEC. 952. COMPENSATION COMMITTEE INDEPENDENCE.**

5 (a) IN GENERAL.—The Securities Exchange Act of  
6 1934 (15 U.S.C. 78 et seq.) is amended by inserting after  
7 section 10B, as added by section 753, the following:

8 **“SEC. 10C. COMPENSATION COMMITTEES.**

9 “(a) INDEPENDENCE OF COMPENSATION COMMIT-  
10 TEES.—

11 “(1) LISTING STANDARDS.—The Commission  
12 shall, by rule, direct the national securities ex-  
13 changes and national securities associations to pro-  
14 hibit the listing of any equity security of an issuer,  
15 other than an issuer that is a controlled company,  
16 limited partnership, company in bankruptcy pro-  
17 ceedings, open-ended management investment com-  
18 pany that is registered under the Investment Com-  
19 pany Act of 1940, or a foreign private issuer that  
20 provides annual disclosures to shareholders of the  
21 reasons that the foreign private issuer does not have  
22 an independent compensation committee, that does  
23 not comply with the requirements of this subsection.

24 “(2) INDEPENDENCE OF COMPENSATION COM-  
25 MITTEES.—The rules of the Commission under para-

1 graph (1) shall require that each member of the  
2 compensation committee of the board of directors of  
3 an issuer be—

4 “(A) a member of the board of directors of  
5 the issuer; and

6 “(B) independent.

7 “(3) INDEPENDENCE.—The rules of the Com-  
8 mission under paragraph (1) shall require that, in  
9 determining the definition of the term ‘independ-  
10 ence’ for purposes of paragraph (2), the national se-  
11 curities exchanges and the national securities asso-  
12 ciations shall consider relevant factors, including—

13 “(A) the source of compensation of a mem-  
14 ber of the board of directors of an issuer, in-  
15 cluding any consulting, advisory, or other com-  
16 pensatory fee paid by the issuer to such mem-  
17 ber of the board of directors; and

18 “(B) whether a member of the board of di-  
19 rectors of an issuer is affiliated with the issuer,  
20 a subsidiary of the issuer, or an affiliate of a  
21 subsidiary of the issuer.

22 “(4) EXEMPTION AUTHORITY.—The rules of  
23 the Commission under paragraph (1) shall permit a  
24 national securities exchange or a national securities  
25 association to exempt a particular relationship from

1 the requirements of paragraph (2), with respect to  
2 the members of a compensation committee, as the  
3 national securities exchange or national securities  
4 association determines is appropriate, taking into  
5 consideration the size of an issuer and any other rel-  
6 evant factors.

7 “(b) INDEPENDENCE OF COMPENSATION CONSULT-  
8 ANTS AND OTHER COMPENSATION COMMITTEE ADVIS-  
9 ERS.—

10 “(1) IN GENERAL.—The compensation com-  
11 mittee of an issuer may only select a compensation  
12 consultant, legal counsel, or other adviser to the  
13 compensation committee after taking into consider-  
14 ation the factors identified by the Commission under  
15 paragraph (2).

16 “(2) RULES.—The Commission shall identify  
17 factors that affect the independence of a compensa-  
18 tion consultant, legal counsel, or other adviser to a  
19 compensation committee of an issuer. Such factors  
20 shall be competitively neutral among categories of  
21 consultants, legal counsel, or other advisers and pre-  
22 serve the ability of compensation committees to re-  
23 tain the services of members of any such category,  
24 and shall include—

1           “(A) the provision of other services to the  
2 issuer by the person that employs the com-  
3 pensation consultant, legal counsel, or other ad-  
4 viser;

5           “(B) the amount of fees received from the  
6 issuer by the person that employs the com-  
7 pensation consultant, legal counsel, or other ad-  
8 viser, as a percentage of the total revenue of  
9 the person that employs the compensation con-  
10 sultant, legal counsel, or other adviser;

11           “(C) the policies and procedures of the  
12 person that employs the compensation consult-  
13 ant, legal counsel, or other adviser that are de-  
14 signed to prevent conflicts of interest;

15           “(D) any business or personal relationship  
16 of the compensation consultant, legal counsel,  
17 or other adviser with a member of the com-  
18 pensation committee; and

19           “(E) any stock of the issuer owned by the  
20 compensation consultant, legal counsel, or other  
21 adviser.

22           “(c) COMPENSATION COMMITTEE AUTHORITY RE-  
23 LATING TO COMPENSATION CONSULTANTS.—

24           “(1) AUTHORITY TO RETAIN COMPENSATION  
25 CONSULTANT.—

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1           “(A) IN GENERAL.—The compensation  
2           committee of an issuer, in its capacity as a  
3           committee of the board of directors, may, in its  
4           sole discretion, retain or obtain the advice of a  
5           compensation consultant.

6           “(B) DIRECT RESPONSIBILITY OF COM-  
7           PENSATION COMMITTEE.—The compensation  
8           committee of an issuer shall be directly respon-  
9           sible for the appointment, compensation, and  
10          oversight of the work of a compensation con-  
11          sultant.

12          “(C) RULE OF CONSTRUCTION.—This  
13          paragraph may not be construed—

14                 “(i) to require the compensation com-  
15                 mittee to implement or act consistently  
16                 with the advice or recommendations of the  
17                 compensation consultant; or

18                 “(ii) to affect the ability or obligation  
19                 of a compensation committee to exercise its  
20                 own judgment in fulfillment of the duties  
21                 of the compensation committee.

22          “(2) DISCLOSURE.—In any proxy or consent  
23          solicitation material for an annual meeting of the  
24          shareholders (or a special meeting in lieu of the an-  
25          nual meeting) occurring on or after the date that is

1       1 year after the date of enactment of this section,  
2       each issuer shall disclose in the proxy or consent  
3       material, in accordance with regulations of the Com-  
4       mission, whether—

5               “(A) the compensation committee of the  
6               issuer retained or obtained the advice of a com-  
7               pensation consultant; and

8               “(B) the work of the compensation con-  
9               sultant has raised any conflict of interest and,  
10              if so, the nature of the conflict and how the  
11              conflict is being addressed.

12       “(d) **AUTHORITY TO ENGAGE INDEPENDENT LEGAL**  
13 **COUNSEL AND OTHER ADVISERS.—**

14               “(1) **IN GENERAL.—**The compensation com-  
15               mittee of an issuer, in its capacity as a committee  
16               of the board of directors, may, in its sole discretion,  
17               retain and obtain the advice of independent legal  
18               counsel and other advisers.

19               “(2) **DIRECT RESPONSIBILITY OF COMPENSA-**  
20 **TION COMMITTEE.—**The compensation committee of  
21               an issuer shall be directly responsible for the ap-  
22               pointment, compensation, and oversight of the work  
23               of independent legal counsel and other advisers.

24               “(3) **RULE OF CONSTRUCTION.—**This sub-  
25               section may not be construed—



1           “(A) to require a compensation committee  
2           to implement or act consistently with the advice  
3           or recommendations of independent legal coun-  
4           sel or other advisers under this subsection; or

5           “(B) to affect the ability or obligation of a  
6           compensation committee to exercise its own  
7           judgment in fulfillment of the duties of the  
8           compensation committee.

9           “(e) COMPENSATION OF COMPENSATION CONSULT-  
10          ANTS, INDEPENDENT LEGAL COUNSEL, AND OTHER AD-  
11          VISERS.—Each issuer shall provide for appropriate fund-  
12          ing, as determined by the compensation committee in its  
13          capacity as a committee of the board of directors, for pay-  
14          ment of reasonable compensation—

15                 “(1) to a compensation consultant; and

16                 “(2) to independent legal counsel or any other  
17          adviser to the compensation committee.

18          “(f) COMMISSION RULES.—

19                 “(1) IN GENERAL.—Not later than 360 days  
20          after the date of enactment of this section, the Com-  
21          mission shall, by rule, direct the national securities  
22          exchanges and national securities associations to  
23          prohibit the listing of any security of an issuer that  
24          is not in compliance with the requirements of this  
25          section.

1           “(2) OPPORTUNITY TO CURE DEFECTS.—The  
2 rules of the Commission under paragraph (1) shall  
3 provide for appropriate procedures for an issuer to  
4 have a reasonable opportunity to cure any defects  
5 that would be the basis for the prohibition under  
6 paragraph (1), before the imposition of such prohibi-  
7 tion.

8           “(3) EXEMPTION AUTHORITY.—

9           “(A) IN GENERAL.—The rules of the Com-  
10 mission under paragraph (1) shall permit a na-  
11 tional securities exchange or a national securi-  
12 ties association to exempt a category of issuers  
13 from the requirements under this section, as  
14 the national securities exchange or the national  
15 securities association determines is appropriate.

16           “(B) CONSIDERATIONS.—In determining  
17 appropriate exemptions under subparagraph  
18 (A), the national securities exchange or the na-  
19 tional securities association shall take into ac-  
20 count the potential impact of the requirements  
21 of this section on smaller reporting issuers.

22           “(g) CONTROLLED COMPANY EXEMPTION.—

23           “(1) IN GENERAL.—This section shall not apply  
24 to any controlled company.

1           “(2) DEFINITION.—For purposes of this sec-  
2           tion, the term ‘controlled company’ means an  
3           issuer—

4                   “(A) that is listed on a national securities  
5                   exchange or by a national securities association;  
6                   and

7                   “(B) that holds an election for the board  
8                   of directors of the issuer in which more than 50  
9                   percent of the voting power is held by an indi-  
10                  vidual, a group, or another issuer.”.

11          (b) STUDY AND REPORT.—

12                  (1) STUDY.—The Securities and Exchange  
13                  Commission shall conduct a study and review of the  
14                  use of compensation consultants and the effects of  
15                  such use.

16                  (2) REPORT.—Not later than 2 years after the  
17                  date of the enactment of this Act, the Commission  
18                  shall submit a report to Congress on the results of  
19                  the study and review required by this subsection.

20          **SEC. 953. EXECUTIVE COMPENSATION DISCLOSURES.**

21                  (a) DISCLOSURE OF PAY VERSUS PERFORMANCE.—  
22                  Section 14 of the Securities Exchange Act of 1934 (15  
23                  U.S.C. 78n), as amended by this title, is amended by add-  
24                  ing at the end the following:

1           “(i) DISCLOSURE OF PAY VERSUS PERFORMANCE.—  
2 The Commission shall, by rule, require each issuer to dis-  
3 close in any proxy or consent solicitation material for an  
4 annual meeting of the shareholders of the issuer a clear  
5 description of any compensation required to be disclosed  
6 by the issuer under section 229.402 of title 17, Code of  
7 Federal Regulations (or any successor thereto), including  
8 information that shows the relationship between executive  
9 compensation actually paid and the financial performance  
10 of the issuer, taking into account any change in the value  
11 of the shares of stock and dividends of the issuer and any  
12 distributions. The disclosure under this subsection may in-  
13 clude a graphic representation of the information required  
14 to be disclosed.”.

15           (b) ADDITIONAL DISCLOSURE REQUIREMENTS.—

16           (1) IN GENERAL.—The Commission shall  
17 amend section 229.402 of title 17, Code of Federal  
18 Regulations, to require each issuer to disclose in any  
19 filing of the issuer described in section 229.10(a) of  
20 title 17, Code of Federal Regulations (or any suc-  
21 cessor thereto)—

22           (A) the median of the annual total com-  
23 pensation of all employees of the issuer, except  
24 the chief executive officer (or any equivalent po-  
25 sition) of the issuer;

1 (B) the annual total compensation of the  
2 chief executive officer (or any equivalent posi-  
3 tion) of the issuer; and

4 (C) the ratio of the amount described in  
5 subparagraph (A) to the amount described in  
6 subparagraph (B).

7 (2) **TOTAL COMPENSATION.**—For purposes of  
8 this subsection, the total compensation of an em-  
9 ployee of an issuer shall be determined in accordance  
10 with section 229.402(c)(2)(x) of title 17, Code of  
11 Federal Regulations, as in effect on the day before  
12 the date of enactment of this Act.

13 **SEC. 954. RECOVERY OF ERRONEOUSLY AWARDED COM-**  
14 **PENSATION.**

15 The Securities Exchange Act of 1934 is amended by  
16 inserting after section 10C, as added by section 952, the  
17 following:

18 **“SEC. 10D. RECOVERY OF ERRONEOUSLY AWARDED COM-**  
19 **PENSATION POLICY.**

20 “(a) **LISTING STANDARDS.**—The Commission shall,  
21 by rule, direct the national securities exchanges and na-  
22 tional securities associations to prohibit the listing of any  
23 security of an issuer that does not comply with the re-  
24 quirements of this section.

1           “(b) RECOVERY OF FUNDS.—The rules of the Com-  
2 mission under subsection (a) shall require each issuer to  
3 develop and implement a policy providing—

4           “(1) for disclosure of the policy of the issuer on  
5 incentive-based compensation that is based on finan-  
6 cial information required to be reported under the  
7 securities laws; and

8           “(2) that, in the event that the issuer is re-  
9 quired to prepare an accounting restatement due to  
10 the material noncompliance of the issuer with any fi-  
11 nancial reporting requirement under the securities  
12 laws, the issuer will recover from any current or  
13 former executive officer of the issuer who received  
14 incentive-based compensation (including stock op-  
15 tions awarded as compensation) during the 3-year  
16 period preceding the date on which the issuer is re-  
17 quired to prepare an accounting restatement, based  
18 on the erroneous data, in excess of what would have  
19 been paid to the executive officer under the account-  
20 ing restatement.”.

21 **SEC. 955. DISCLOSURE REGARDING EMPLOYEE AND DIREC-**  
22 **TOR HEDGING.**

23           Section 14 of the Securities Exchange Act of 1934  
24 (15 U.S.C. 78n), as amended by this title, is amended by  
25 adding at the end the following:

1           “(j) DISCLOSURE OF HEDGING BY EMPLOYEES AND  
2 DIRECTORS.—The Commission shall, by rule, require each  
3 issuer to disclose in any proxy or consent solicitation mate-  
4 rial for an annual meeting of the shareholders of the issuer  
5 whether any employee or member of the board of directors  
6 of the issuer, or any designee of such employee or member,  
7 is permitted to purchase financial instruments (including  
8 prepaid variable forward contracts, equity swaps, collars,  
9 and exchange funds) that are designed to hedge or offset  
10 any decrease in the market value of equity securities—

11           “(1) granted to the employee or member of the  
12 board of directors by the issuer as part of the com-  
13 pensation of the employee or member of the board  
14 of directors; or

15           “(2) held, directly or indirectly, by the employee  
16 or member of the board of directors.”.

17 **SEC. 956. ENHANCED COMPENSATION STRUCTURE RE-**  
18 **PORTING.**

19           (a) ENHANCED DISCLOSURE AND REPORTING OF  
20 COMPENSATION ARRANGEMENTS.—

21           (1) IN GENERAL.—Not later than 9 months  
22 after the date of enactment of this title, the appro-  
23 priate Federal regulators jointly shall prescribe regu-  
24 lations or guidelines to require each covered finan-  
25 cial institution to disclose to the appropriate Federal

1 regulator the structures of all incentive-based com-  
2 pensation arrangements offered by such covered fi-  
3 nancial institutions sufficient to determine whether  
4 the compensation structure—

5 (A) provides an executive officer, employee,  
6 director, or principal shareholder of the covered  
7 financial institution with excessive compensa-  
8 tion, fees, or benefits; or

9 (B) could lead to material financial loss to  
10 the covered financial institution.

11 (2) RULES OF CONSTRUCTION.—Nothing in  
12 this section shall be construed as requiring the re-  
13 porting of the actual compensation of particular in-  
14 dividuals. Nothing in this section shall be construed  
15 to require a covered financial institution that does  
16 not have an incentive-based payment arrangement to  
17 make the disclosures required under this subsection.

18 (b) PROHIBITION ON CERTAIN COMPENSATION AR-  
19 RANGEMENTS.—Not later than 9 months after the date  
20 of enactment of this title, the appropriate Federal regu-  
21 lators shall jointly prescribe regulations or guidelines that  
22 prohibit any types of incentive-based payment arrange-  
23 ment, or any feature of any such arrangement, that the  
24 regulators determine encourages inappropriate risks by  
25 covered financial institutions—



1           (1) by providing an executive officer, employee,  
2           director, or principal shareholder of the covered fi-  
3           nancial institution with excessive compensation, fees,  
4           or benefits; or

5           (2) that could lead to material financial loss to  
6           the covered financial institution.

7           (c) STANDARDS.—The appropriate Federal regu-  
8           lators shall—

9           (1) ensure that any standards for compensation  
10          established under subsections (a) or (b) are com-  
11          parable to the standards established under section of  
12          the Federal Deposit Insurance Act (12 U.S.C. 2  
13          1831p–1) for insured depository institutions; and

14          (2) in establishing such standards under such  
15          subsections, take into consideration the compensa-  
16          tion standards described in section 39(c) of the Fed-  
17          eral Deposit Insurance Act (12 U.S.C. 1831p– 9  
18          1(c)).

19          (d) ENFORCEMENT.—The provisions of this section  
20          and the regulations issued under this section shall be en-  
21          forced under section 505 of the Gramm-Leach-Bliley Act  
22          and, for purposes of such section, a violation of this sec-  
23          tion or such regulations shall be treated as a violation of  
24          subtitle A of title V of such Act.

25          (e) DEFINITIONS.—As used in this section—

1           (1) the term “appropriate Federal regulator”  
2 means the Board of Governors of the Federal Re-  
3 serve System, the Office of the Comptroller of the  
4 Currency, the Board of Directors of the Federal De-  
5 posit Insurance Corporation, the Director of the Of-  
6 fice of Thrift Supervision, the National Credit Union  
7 Administration Board, the Securities and Exchange  
8 Commission, the Federal Housing Finance Agency;  
9 and

10           (2) the term “covered financial institution”  
11 means—

12           (A) a depository institution or depository  
13 institution holding company, as such terms are  
14 defined in section 3 of the Federal Deposit In-  
15 surance Act (12 U.S.C. 1813);

16           (B) a broker-dealer registered under sec-  
17 tion 15 of the Securities Exchange Act of 1934  
18 (15 U.S.C. 78o);

19           (C) a credit union, as described in section  
20 19(b)(1)(A)(iv) of the Federal Reserve Act;

21           (D) an investment advisor, as such term is  
22 defined in section 202(a)(11) of the Investment  
23 Advisers Act of 1940 (15 U.S.C. 80b-2(a)(11));

24           (E) the Federal National Mortgage Asso-  
25 ciation;

1 (F) the Federal Home Loan Mortgage  
2 Corporation; and

3 (G) any other financial institution that the  
4 appropriate Federal regulators, jointly, by rule,  
5 determine should be treated as a covered finan-  
6 cial institution for purposes of this section.

7 (f) EXEMPTION FOR CERTAIN FINANCIAL INSTITU-  
8 TIONS.—The requirements of this section shall not apply  
9 to covered financial institutions with assets of less than  
10 \$1,000,000,000.

11 **SEC. 957. VOTING BY BROKERS.**

12 Section 6(b) of the Securities Exchange Act of 1934  
13 (15 U.S.C. 78f(b)) is amended—

14 (1) in paragraph (9)—

15 (A) in subparagraph (A), by redesignating  
16 clauses (i) through (v) as subclauses (I)  
17 through (V), respectively, and adjusting the  
18 margins accordingly;

19 (B) by redesignating subparagraphs (A)  
20 through (D) as clauses (i) through (iv), respec-  
21 tively, and adjusting the margins accordingly;

22 (C) by inserting “(A)” after “(9)”; and

23 (D) in the matter immediately following  
24 clause (iv), as so redesignated, by striking “As  
25 used” and inserting the following:

1 “(B) As used”.

2 (2) by adding at the end the following:

3 “(10)(A) The rules of the exchange prohibit  
4 any member that is not the beneficial owner of a se-  
5 curity registered under section 12 from granting a  
6 proxy to vote the security in connection with a  
7 shareholder vote described in subparagraph (B), un-  
8 less the beneficial owner of the security has in-  
9 structed the member to vote the proxy in accordance  
10 with the voting instructions of the beneficial owner.

11 “(B) A shareholder vote described in this sub-  
12 paragraph is a shareholder vote with respect to the  
13 election of a member of the board of directors of an  
14 issuer, executive compensation, or any other signifi-  
15 cant matter, as determined by the Commission, by  
16 rule, and does not include a vote with respect to the  
17 uncontested election of a member of the board of di-  
18 rectors of any investment company registered under  
19 the Investment Company Act of 1940 (15 U.S.C.  
20 80b–1 et seq.).

21 “(C) Nothing in this paragraph shall be con-  
22 strued to prohibit a national securities exchange  
23 from prohibiting a member that is not the beneficial  
24 owner of a security registered under section 12 from  
25 granting a proxy to vote the security in connection

1 with a shareholder vote not described in subpara-  
2 graph (A).”.

3 **Subtitle F—Improvements to the**  
4 **Management of the Securities**  
5 **and Exchange Commission**

6 **SEC. 961. REPORT AND CERTIFICATION OF INTERNAL SU-**  
7 **PERVISORY CONTROLS.**

8 (a) ANNUAL REPORTS AND CERTIFICATION.—Not  
9 later than 90 days after the end of each fiscal year, the  
10 Commission shall submit a report to the Committee on  
11 Banking, Housing, and Urban Affairs of the Senate and  
12 the Committee on Financial Services of the House of Rep-  
13 resentatives on the conduct by the Commission of exami-  
14 nations of registered entities, enforcement investigations,  
15 and review of corporate financial securities filings.

16 (b) CONTENTS OF REPORTS.—Each report under  
17 subsection (a) shall contain—

18 (1) an assessment, as of the end of the most re-  
19 cent fiscal year, of the effectiveness of—

20 (A) the internal supervisory controls of the  
21 Commission; and

22 (B) the procedures of the Commission ap-  
23 plicable to the staff of the Commission who per-  
24 form examinations of registered entities, en-

1           enforcement investigations, and reviews of cor-  
2           porate financial securities filings;

3           (2) a certification that the Commission has ade-  
4           quate internal supervisory controls to carry out the  
5           duties of the Commission described in paragraph  
6           (1)(B); and

7           (3) a summary by the Comptroller General of  
8           the United States of the review carried out under  
9           subsection (d).

10          (c) CERTIFICATION.—

11           (1) SIGNATURE.—The certification under sub-  
12           section (b)(2) shall be signed by the Director of the  
13           Division of Enforcement, the Director of the Divi-  
14           sion of Corporation Finance, and the Director of the  
15           Office of Compliance Inspections and Examinations  
16           (or the head of any successor division or office).

17           (2) CONTENT OF CERTIFICATION.—Each indi-  
18           vidual described in paragraph (1) shall certify that  
19           the individual—

20                   (A) is directly responsible for establishing  
21                   and maintaining the internal supervisory con-  
22                   trols of the Division or Office of which the indi-  
23                   vidual is the head;

1 (B) is knowledgeable about the internal su-  
2 pervisory controls of the Division or Office of  
3 which the individual is the head;

4 (C) has evaluated the effectiveness of the  
5 internal supervisory controls during the 90-day  
6 period ending on the final day of the fiscal year  
7 to which the report relates; and

8 (D) has disclosed to the Commission any  
9 significant deficiencies in the design or oper-  
10 ation of internal supervisory controls that could  
11 adversely affect the ability of the Division or  
12 Office to consistently conduct inspections, or in-  
13 vestigations, or reviews of filings with profes-  
14 sional competence and integrity.

15 (d) NEW DIRECTOR OR ACTING DIRECTOR.—Not-  
16 withstanding subsection (a), if the Director of the Division  
17 of Enforcement, the Director of the Division of Corporate  
18 Finance, or the Director of the Office of Compliance In-  
19 spections and Examinations has served as Director of the  
20 Division or Office for less than 90 days on the date on  
21 which a report is required to be submitted under sub-  
22 section (a), the Commission may submit the report on the  
23 date on which the Director has served as Director for 90  
24 days. If there is no Director of the Division of Enforce-  
25 ment, the Division of Corporate Finance, or the Office of

1 Compliance Inspections and Examinations, on the date on  
2 which a report is required to be submitted under sub-  
3 section (a), the Acting Director of the Division or Office  
4 may make the certification required under subsection (c).

5 (e) REVIEW BY THE COMPTROLLER GENERAL.—

6 (1) REPORT.—The Comptroller General of the  
7 United States shall submit to the Committee on  
8 Banking, Housing, and Urban Affairs of the Senate  
9 and the Committee on Financial Services of the  
10 House of Representatives a report that contains a  
11 review of the adequacy and effectiveness of the inter-  
12 nal supervisory control structure and procedures de-  
13 scribed in subsection (b)(1), not less frequently than  
14 once every 3 years, at a time to coincide with the  
15 publication of the reports of the Commission under  
16 this section.

17 (2) AUTHORITY TO HIRE EXPERTS.—The  
18 Comptroller General of the United States may hire  
19 independent consultants with specialized expertise in  
20 any area relevant to the duties of the Comptroller  
21 General described in this section, in order to assist  
22 the Comptroller General in carrying out such duties.



1 **SEC. 962. TRIENNIAL REPORT ON PERSONNEL MANAGE-**  
2 **MENT.**

3 (a) TRIENNIAL REPORT REQUIRED.—Once every 3  
4 years, the Comptroller General of the United States shall  
5 submit a report to the Committee on Banking, Housing,  
6 and Urban Affairs of the Senate and the Committee on  
7 Financial Services of the House of Representatives on the  
8 quality of personnel management by the Commission.

9 (b) CONTENTS OF REPORT.—Each report under sub-  
10 section (a) shall include—

11 (1) an evaluation of—

12 (A) the effectiveness of supervisors in  
13 using the skills, talents, and motivation of the  
14 employees of the Commission to achieve the  
15 goals of the Commission;

16 (B) the criteria for promoting employees of  
17 the Commission to supervisory positions;

18 (C) the fairness of the application of the  
19 promotion criteria to the decisions of the Com-  
20 mission;

21 (D) the competence of the professional  
22 staff of the Commission;

23 (E) the efficiency of communication be-  
24 tween the units of the Commission regarding  
25 the work of the Commission (including commu-  
26 nication between divisions and between subunits

1 of a division) and the efforts by the Commission  
2 to promote such communication;

3 (F) the turnover within subunits of the  
4 Commission, including the consideration of su-  
5 pervisors whose subordinates have an unusually  
6 high rate of turnover;

7 (G) whether there are excessive numbers of  
8 low-level, mid-level, or senior-level managers;

9 (H) any initiatives of the Commission that  
10 increase the competence of the staff of the  
11 Commission;

12 (I) the actions taken by the Commission  
13 regarding employees of the Commission who  
14 have failed to perform their duties and cir-  
15 cumstances under which the Commission has  
16 issued to employees a notice of termination; and

17 (J) such other factors relating to the man-  
18 agement of the Commission as the Comptroller  
19 General determines are appropriate;

20 (2) an evaluation of any improvements made  
21 with respect to the areas described in paragraph (1)  
22 since the date of submission of the previous report;  
23 and

24 (3) recommendations for how the Commission  
25 can use the human resources of the Commission

1 more effectively and efficiently to carry out the mis-  
2 sion of the Commission.

3 (c) CONSULTATION.—In preparing the report under  
4 subsection (a), the Comptroller General shall consult with  
5 current employees of the Commission, retired employees  
6 and other former employees of the Commission, the In-  
7 spector General of the Commission, persons that have  
8 business before the Commission, any union representing  
9 the employees of the Commission, private management  
10 consultants, academics, and any other source that the  
11 Comptroller General deems appropriate.

12 (d) REPORT BY COMMISSION.—Not later than 90  
13 days after the date on which the Comptroller General sub-  
14 mits each report under subsection (a), the Commission  
15 shall submit to the Committee on Banking, Housing, and  
16 Urban Affairs of the Senate and the Committee on Finan-  
17 cial Services of the House of Representatives a report de-  
18 scribing the actions taken by the Commission in response  
19 to the recommendations contained in the report under  
20 subsection (a).

21 (e) REIMBURSEMENTS FOR COST OF REPORTS.—

22 (1) REIMBURSEMENTS REQUIRED.—The Com-  
23 mission shall reimburse the Government Account-  
24 ability Office for the full cost of making the reports

1 under this section, as billed therefor by the Comp-  
2 troller General.

3 (2) CREDITING AND USE OF REIMBURSE-  
4 MENTS.—Such reimbursements shall—

5 (A) be credited to the appropriation ac-  
6 count “Salaries and Expenses, Government Ac-  
7 countability Office” current when the payment  
8 is received; and

9 (B) remain available until expended.

10 (f) AUTHORITY TO HIRE EXPERTS.—The Comp-  
11 troller General of the United States may hire independent  
12 consultants with specialized expertise in any area relevant  
13 to the duties of the Comptroller General described in this  
14 section, in order to assist the Comptroller General in car-  
15 rying out such duties.

16 **SEC. 963. ANNUAL FINANCIAL CONTROLS AUDIT.**

17 (a) REPORTS OF COMMISSION.—

18 (1) ANNUAL REPORTS REQUIRED.—Not later  
19 than 6 months after the end of each fiscal year, the  
20 Commission shall publish and submit to Congress a  
21 report that—

22 (A) describes the responsibility of the man-  
23 agement of the Commission for establishing and  
24 maintaining an adequate internal control struc-  
25 ture and procedures for financial reporting; and

1           (B) contains an assessment of the effec-  
2           tiveness of the internal control structure and  
3           procedures for financial reporting of the Com-  
4           mission during that fiscal year.

5           (2) ATTESTATION.—The reports required under  
6           paragraph (1) shall be attested to by the Chairman  
7           and chief financial officer of the Commission.

8           (b) REPORT BY COMPTROLLER GENERAL.—

9           (1) REPORT REQUIRED.—Not later than 6  
10          months after the end of the first fiscal year after the  
11          date of enactment of this Act, the Comptroller Gen-  
12          eral of the United States shall submit a report to  
13          Congress that assesses—

14                (A) the effectiveness of the internal control  
15                structure and procedures of the Commission for  
16                financial reporting; and

17                (B) the assessment of the Commission  
18                under subsection (a)(1)(B).

19           (2) ATTESTATION.—The Comptroller General  
20           shall attest to, and report on, the assessment made  
21           by the Commission under subsection (a).

22           (c) REIMBURSEMENTS FOR COST OF REPORTS.—

23           (1) REIMBURSEMENTS REQUIRED.—The Com-  
24           mission shall reimburse the Government Account-  
25           ability Office for the full cost of making the reports

1 under subsection (b), as billed therefor by the Comp-  
2 troller General.

3 (2) CREDITING AND USE OF REIMBURSE-  
4 MENTS.—Such reimbursements shall—

5 (A) be credited to the appropriation ac-  
6 count “Salaries and Expenses, Government Ac-  
7 countability Office” current when the payment  
8 is received; and

9 (B) remain available until expended.

10 **SEC. 964. REPORT ON OVERSIGHT OF NATIONAL SECURI-**  
11 **TIES ASSOCIATIONS.**

12 (a) REPORT REQUIRED.—Not later than 2 years  
13 after the date of enactment of this Act, and every 3 years  
14 thereafter, the Comptroller General of the United States  
15 shall submit to the Committee on Banking, Housing, and  
16 Urban Affairs of the Senate and the Committee on Finan-  
17 cial Services of the House of Representatives a report that  
18 includes an evaluation of the oversight by the Commission  
19 of national securities associations registered under section  
20 15A of the Securities Exchange Act of 1934 (15 U.S.C.  
21 78o–3) with respect to—

22 (1) the governance of such national securities  
23 associations, including the identification and man-  
24 agement of conflicts of interest by such national se-  
25 curities associations, together with an analysis of the

1 impact of any conflicts of interest on the regulatory  
2 enforcement or rulemaking by such national securi-  
3 ties associations;

4 (2) the examinations carried out by the national  
5 securities associations, including the expertise of the  
6 examiners;

7 (3) the executive compensation practices of such  
8 national securities associations;

9 (4) the arbitration services provided by the na-  
10 tional securities associations;

11 (5) the review performed by national securities  
12 associations of advertising by the members of the  
13 national securities associations;

14 (6) the cooperation with and assistance to State  
15 securities administrators by the national securities  
16 associations to promote investor protection;

17 (7) how the funding of national securities asso-  
18 ciations is used to support the mission of the na-  
19 tional securities associations, including—

20 (A) the methods of funding;

21 (B) the sufficiency of funds;

22 (C) how funds are invested by the national  
23 securities association pending use; and

1 (D) the impact of the methods, sufficiency,  
2 and investment of funds on regulatory enforce-  
3 ment by the national securities associations;

4 (8) the policies regarding the employment of  
5 former employees of national securities associations  
6 by regulated entities;

7 (9) the ongoing effectiveness of the rules of the  
8 national securities associations in achieving the goals  
9 of the rules;

10 (10) the transparency of governance and activi-  
11 ties of the national securities associations; and

12 (11) any other issue that has an impact, as de-  
13 termined by the Comptroller General, on the effec-  
14 tiveness of such national securities associations in  
15 performing their mission and in dealing fairly with  
16 investors and members;

17 (b) REIMBURSEMENTS FOR COST OF REPORTS.—

18 (1) REIMBURSEMENTS REQUIRED.—The Com-  
19 mission shall reimburse the Government Account-  
20 ability Office for the full cost of making the reports  
21 under subsection (a), as billed therefor by the Comp-  
22 troller General.

23 (2) CREDITING AND USE OF REIMBURSE-  
24 MENTS.—Such reimbursements shall—



1           (A) be credited to the appropriation ac-  
2           count “Salaries and Expenses, Government Ac-  
3           countability Office” current when the payment  
4           is received; and

5           (B) remain available until expended.

6 **SEC. 965. COMPLIANCE EXAMINERS.**

7           Section 4 of the Securities Exchange Act of 1934 (15  
8 U.S.C. 78d) is amended by adding at the end the fol-  
9           lowing:

10          “(h) EXAMINERS.—

11           “(1) DIVISION OF TRADING AND MARKETS.—

12           The Division of Trading and Markets of the Com-  
13           mission, or any successor organizational unit, shall  
14           have a staff of examiners who shall—

15           “(A) perform compliance inspections and  
16           examinations of entities under the jurisdiction  
17           of that Division; and

18           “(B) report to the Director of that Divi-  
19           sion.

20           “(2) DIVISION OF INVESTMENT MANAGE-  
21           MENT.—The Division of Investment Management of  
22           the Commission, or any successor organizational  
23           unit, shall have a staff of examiners who shall—

1           “(A) perform compliance inspections and  
2           examinations of entities under the jurisdiction  
3           of that Division; and

4           “(B) report to the Director of that Divi-  
5           sion.”.

6   **SEC. 966. SUGGESTION PROGRAM FOR EMPLOYEES OF THE**  
7           **COMMISSION.**

8           The Securities Exchange Act of 1934 (15 U.S.C. 78a  
9   et seq.) is amended by inserting after section 4C (15  
10 U.S.C. 78d-3) the following:

11   **“SEC. 4D. ADDITIONAL DUTIES OF INSPECTOR GENERAL.**

12           “(a) SUGGESTION SUBMISSIONS BY COMMISSION EM-  
13   PLOYEES.—

14           “(1) HOTLINE ESTABLISHED.—The Inspector  
15           General of the Commission shall establish and main-  
16           tain a telephone hotline or other electronic means for  
17           the receipt of—

18           “(A) suggestions by employees of the Com-  
19           mission for improvements in the work effi-  
20           ciency, effectiveness, and productivity, and the  
21           use of the resources, of the Commission; and

22           “(B) allegations by employees of the Com-  
23           mission of waste, abuse, misconduct, or mis-  
24           management within the Commission.

1           “(2) CONFIDENTIALITY.—The Inspector Gen-  
2           eral shall maintain as confidential—

3                   “(A) the identity of any individual who  
4                   provides information by the means established  
5                   under paragraph (1), unless the individual re-  
6                   quests otherwise, in writing; and

7                   “(B) at the request of any such individual,  
8                   any specific information provided by the indi-  
9                   vidual.

10          “(b) CONSIDERATION OF REPORTS.—The Inspector  
11          General shall consider any suggestions or allegations re-  
12          ceived by the means established under subsection (a)(1),  
13          and shall recommend appropriate action in relation to  
14          such suggestions or allegations.

15          “(c) RECOGNITION.—The Inspector General may rec-  
16          ognize any employee who makes a suggestion under sub-  
17          section (a)(1) (or by other means) that would or does—

18                   “(1) increase the work efficiency, effectiveness,  
19                   or productivity of the Commission; or

20                   “(2) reduce waste, abuse, misconduct, or mis-  
21                   management within the Commission.

22          “(d) REPORT.—The Inspector General of the Com-  
23          mission shall submit to Congress an annual report con-  
24          taining a description of—

1           “(1) the nature, number, and potential benefits  
2 of any suggestions received under subsection (a);

3           “(2) the nature, number, and seriousness of  
4 any allegations received under subsection (a);

5           “(3) any recommendations made or actions  
6 taken by the Inspector General in response to sub-  
7 stantiated allegations received under subsection (a);  
8 and

9           “(4) any action the Commission has taken in  
10 response to suggestions or allegations received under  
11 subsection (a).

12           “(e) FUNDING.—The activities of the Inspector Gen-  
13 eral under this subsection shall be funded by the Securities  
14 and Exchange Commission Investor Protection Fund es-  
15 tablished under section 21F.”.

16 **SEC. 967. COMMISSION ORGANIZATIONAL STUDY AND RE-**  
17 **FORM.**

18           (a) STUDY REQUIRED.—

19           (1) IN GENERAL.—Not later than the end of  
20 the 90-day period beginning on the date of the en-  
21 actment of this subtitle, the Securities and Ex-  
22 change Commission (hereinafter in this section re-  
23 ferred to as the “SEC”) shall hire an independent  
24 consultant of high caliber and with expertise in orga-  
25 nizational restructuring and the operations of capital

1 markets to examine the internal operations, struc-  
2 ture, funding, and the need for comprehensive re-  
3 form of the SEC, as well as the SEC's relationship  
4 with and the reliance on self-regulatory organiza-  
5 tions and other entities relevant to the regulation of  
6 securities and the protection of securities investors  
7 that are under the SEC's oversight.

8 (2) SPECIFIC AREAS FOR STUDY.—The study  
9 required under paragraph (1) shall, at a minimum,  
10 include the study of—

11 (A) the possible elimination of unnecessary  
12 or redundant units at the SEC;

13 (B) improving communications between  
14 SEC offices and divisions;

15 (C) the need to put in place a clear chain-  
16 of-command structure, particularly for enforce-  
17 ment examinations and compliance inspections;

18 (D) the effect of high-frequency trading  
19 and other technological advances on the market  
20 and what the SEC requires to monitor the ef-  
21 fect of such trading and advances on the mar-  
22 ket;

23 (E) the SEC's hiring authorities, work-  
24 place policies, and personal practices, includ-  
25 ing—

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1 (i) whether there is a need to further  
2 streamline hiring authorities for those who  
3 are not lawyers, accountants, compliance  
4 examiners, or economists;

5 (ii) whether there is a need for further  
6 pay reforms;

7 (iii) the diversity of skill sets of SEC  
8 employees and whether the present skill set  
9 diversity efficiently and effectively fosters  
10 the SEC's mission of investor protection;  
11 and

12 (iv) the application of civil service  
13 laws by the SEC;

14 (F) whether the SEC's oversight and reli-  
15 ance on self-regulatory organizations promotes  
16 efficient and effective governance for the securi-  
17 ties markets; and

18 (G) whether adjusting the SEC's reliance  
19 on self-regulatory organizations is necessary to  
20 promote more efficient and effective governance  
21 for the securities markets.

22 (b) CONSULTANT REPORT.—Not later than the end  
23 of the 150-day period after being retained, the inde-  
24 pendent consultant hired pursuant to subsection (a)(1)

1 shall issue a report to the SEC and the Congress con-  
2 taining—

3 (1) a detailed description of any findings and  
4 conclusions made while carrying out the study re-  
5 quired under subsection (a)(1); and

6 (2) recommendations for legislative, regulatory,  
7 or administrative action that the consultant deter-  
8 mines appropriate to enable the SEC and other enti-  
9 ties on which the consultant reports to perform their  
10 statutorily or otherwise mandated missions.

11 (c) SEC REPORT.—Not later than the end of the 6-  
12 month period beginning on the date the consultant issues  
13 the report under subsection (b), and every 6-months there-  
14 after during the 2-year period following the date on which  
15 the consultant issues such report, the SEC shall issue a  
16 report to the Committee on Financial Services of the  
17 House of Representatives and the Committee on Banking,  
18 Housing, and Urban Affairs of the Senate describing the  
19 SEC's implementation of the regulatory and administra-  
20 tive recommendations contained in the consultant's report.

21 **SEC. 968. STUDY ON SEC REVOLVING DOOR.**

22 (a) GOVERNMENT ACCOUNTABILITY OFFICE  
23 STUDY.—The Comptroller General of the United States  
24 shall conduct a study that will—

1           (1) review the number of employees who leave  
2           the Securities and Exchange Commission to work  
3           for financial institutions regulated by such Commis-  
4           sion;

5           (2) determine how many employees who leave  
6           the Securities and Exchange Commission worked on  
7           cases that involved financial institutions regulated by  
8           such Commission;

9           (3) review the length of time employees work  
10          for the Securities and Exchange Commission before  
11          leaving to be employed by financial institutions regu-  
12          lated by such Commission;

13          (4) review existing internal controls and make  
14          recommendations on strengthening such controls to  
15          ensure that employees of the Securities and Ex-  
16          change Commission who are later employed by fi-  
17          nancial institutions did not assist such institutions  
18          in violating any rules or regulations of the Commis-  
19          sion during the course of their employment with  
20          such Commission;

21          (5) determine if greater post-employment re-  
22          strictions are necessary to prevent employees of the  
23          Securities and Exchange Commission from being  
24          employed by financial institutions after employment  
25          with such Commission;



1           (6) determine if the volume of employees of the  
2       Securities and Exchange Commission who are later  
3       employed by financial institutions has led to ineffi-  
4       ciencies in enforcement;

5           (7) determine if employees of the Securities and  
6       Exchange Commission who are later employed by fi-  
7       nancial institutions assisted such institutions in cir-  
8       cumventing Federal rules and regulations while em-  
9       ployed by such Commission;

10          (8) review any information that may address  
11       the volume of employees of the Securities and Ex-  
12       change Commission who are later employed by fi-  
13       nancial institutions, and make recommendations to  
14       Congress; and

15          (9) review other additional issues as may be  
16       raised during the course of the study conducted  
17       under this subsection.

18       (b) REPORT.—Not later than 1 year after the date  
19       of the enactment of this subtitle, the Comptroller General  
20       of the United States shall submit to the Committee on  
21       Financial Services of the House of Representatives and  
22       the Committee on Banking, Housing, and Urban Affairs  
23       of the Senate a report on the results of the study required  
24       by subsection (a).

1                   **Subtitle G—Strengthening**  
2                   **Corporate Governance**

3 **SEC. 971. PROXY ACCESS.**

4           (a) PROXY ACCESS.—Section 14(a) of the Securities  
5 Exchange Act of 1934 (15 U.S.C. 78n(a)) is amended—

6                   (1) by inserting “(1)” after “(a)”; and

7                   (2) by adding at the end the following:

8           “(2) The rules and regulations prescribed by the  
9 Commission under paragraph (1) may include—

10                   “(A) a requirement that a solicitation of proxy,  
11 consent, or authorization by (or on behalf of) an  
12 issuer include a nominee submitted by a shareholder  
13 to serve on the board of directors of the issuer; and

14                   “(B) a requirement that an issuer follow a cer-  
15 tain procedure in relation to a solicitation described  
16 in subparagraph (A).”.

17           (b) REGULATIONS.—The Commission may issue rules  
18 permitting the use by a shareholder of proxy solicitation  
19 materials supplied by an issuer of securities for the pur-  
20 pose of nominating individuals to membership on the  
21 board of directors of the issuer, under such terms and con-  
22 ditions as the Commission determines are in the interests  
23 of shareholders and for the protection of investors.

24           (c) EXEMPTIONS.—The Commission may, by rule or  
25 order, exempt an issuer or class of issuers from the re-

1 quirement made by this section or an amendment made  
2 by this section. In determining whether to make an exemp-  
3 tion under this subsection, the Commission shall take into  
4 account, among other considerations, whether the require-  
5 ment in the amendment made by subsection (a) dispropor-  
6 tionately burdens small issuers.

7 **SEC. 972. DISCLOSURES REGARDING CHAIRMAN AND CEO**  
8 **STRUCTURES.**

9 The Securities Exchange Act of 1934 (15 U.S. C. 78a  
10 et seq.) is amended by inserting after section 14A, as  
11 added by this title, the following:

12 **“SEC. 14B. CORPORATE GOVERNANCE.**

13 “Not later than 180 days after the date of enactment  
14 of this subsection, the Commission shall issue rules that  
15 require an issuer to disclose in the annual proxy sent to  
16 investors the reasons why the issuer has chosen—

17 “(1) the same person to serve as chairman of  
18 the board of directors and chief executive officer (or  
19 in equivalent positions); or

20 “(2) different individuals to serve as chairman  
21 of the board of directors and chief executive officer  
22 (or in equivalent positions of the issuer).”.

1     **Subtitle H—Municipal Securities**

2     **SEC. 975. REGULATION OF MUNICIPAL SECURITIES AND**  
3                   **CHANGES TO THE BOARD OF THE MSRB.**

4           (a) REGISTRATION OF MUNICIPAL SECURITIES  
5 DEALERS AND MUNICIPAL ADVISORS.—Section 15B(a) of  
6 the Securities Exchange Act of 1934 (15 U.S.C. 78o–4(a))  
7 is amended—

8           (1) in paragraph (1)—

9                   (A) by inserting “(A)” after “(1)”; and

10                   (B) by adding at the end the following:

11                   “(B) It shall be unlawful for a municipal  
12 advisor to provide advice to or on behalf of a  
13 municipal entity or obligated person with re-  
14 spect to municipal financial products or the  
15 issuance of municipal securities, or to under-  
16 take a solicitation of a municipal entity or obli-  
17 gated person, unless the municipal advisor is  
18 registered in accordance with this subsection.”;

19           (2) in paragraph (2), by inserting “or municipal  
20 advisor” after “municipal securities dealer” each  
21 place that term appears;

22           (3) in paragraph (3), by inserting “or municipal  
23 advisor” after “municipal securities dealer” each  
24 place that term appears;

1           (4) in paragraph (4), by striking “dealer, or  
2           municipal securities dealer or class of brokers, deal-  
3           ers, or municipal securities dealers” and inserting  
4           “dealer, municipal securities dealer, or municipal ad-  
5           visor, or class of brokers, dealers, municipal securi-  
6           ties dealers, or municipal advisors”; and

7           (5) by adding at the end the following:

8           “(5) No municipal advisor shall make use of the  
9           mails or any means or instrumentality of interstate  
10          commerce to provide advice to or on behalf of a mu-  
11          nicipal entity or obligated person with respect to mu-  
12          nicipal financial products, the issuance of municipal  
13          securities, or to undertake a solicitation of a munic-  
14          ipal entity or obligated person, in connection with  
15          which such municipal advisor engages in any fraudu-  
16          lent, deceptive, or manipulative act or practice.”.

17          (b) MUNICIPAL SECURITIES RULEMAKING BOARD.—  
18          Section 15B(b) of the Securities Exchange Act of 1934  
19          (15 U.S.C. 78o–4(b)) is amended—

20                 (1) in paragraph (1)—

21                         (A) in the first sentence, by striking “Not  
22                         later than” and all that follows through “ap-  
23                         pointed by the Commission” and inserting “The  
24                         Municipal Securities Rulemaking Board shall be  
25                         composed of 15 members, or such other number

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1 of members as specified by rules of the Board  
2 pursuant to paragraph (2)(B),”;

3 (B) by striking the second sentence and in-  
4 serting the following: “The members of the  
5 Board shall serve as members for a term of 3  
6 years or for such other terms as specified by  
7 rules of the Board pursuant to paragraph  
8 (2)(B), and shall consist of (A) 8 individuals  
9 who are independent of any municipal securities  
10 broker, municipal securities dealer, or municipal  
11 advisor, at least 1 of whom shall be representa-  
12 tive of institutional or retail investors in munic-  
13 ipal securities, at least 1 of whom shall be rep-  
14 resentative of municipal entities, and at least 1  
15 of whom shall be a member of the public with  
16 knowledge of or experience in the municipal in-  
17 dustry (which members are hereinafter referred  
18 to as ‘public representatives’); and (B) 7 indi-  
19 viduals who are associated with a broker, deal-  
20 er, municipal securities dealer, or municipal ad-  
21 visor, including at least 1 individual who is as-  
22 sociated with and representative of brokers,  
23 dealers, or municipal securities dealers that are  
24 not banks or subsidiaries or departments or di-  
25 visions of banks (which members are herein-

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1 after referred to as ‘broker-dealer representa-  
2 tives’), at least 1 individual who is associated  
3 with and representative of municipal securities  
4 dealers which are banks or subsidiaries or de-  
5 partments or divisions of banks (which mem-  
6 bers are hereinafter referred to as ‘bank rep-  
7 resentatives’), and at least 1 individual who is  
8 associated with a municipal advisor (which  
9 members are hereinafter referred to as ‘advisor  
10 representatives’ and, together with the broker-  
11 dealer representatives and the bank representa-  
12 tives, are referred to as ‘regulated representa-  
13 tives’). Each member of the board shall be  
14 knowledgeable of matters related to the munic-  
15 ipal securities markets.”; and

16 (C) in the third sentence, by striking “ini-  
17 tial”;

18 (2) in paragraph (2)—

19 (A) in the matter preceding subparagraph  
20 (A)—

21 (i) by inserting before the period at  
22 the end of the first sentence the following:  
23 “and advice provided to or on behalf of  
24 municipal entities or obligated persons by  
25 brokers, dealers, municipal securities deal-

1           ers, and municipal advisors with respect to  
2           municipal financial products, the issuance  
3           of municipal securities, and solicitations of  
4           municipal entities or obligated persons un-  
5           dertaken by brokers, dealers, municipal se-  
6           curities dealers, and municipal advisors”;  
7           and

8                   (ii) by striking the second sentence;

9           (B) in subparagraph (A)—

10                   (i) in the matter preceding clause

11                   (i)—

12                           (I) by inserting “, and no broker,  
13                           dealer, municipal securities dealer, or  
14                           municipal advisor shall provide advice  
15                           to or on behalf of a municipal entity  
16                           or obligated person with respect to  
17                           municipal financial products or the  
18                           issuance of municipal securities,”  
19                           after “sale of, any municipal secu-  
20                           rity”; and

21                           (II) by inserting “and municipal  
22                           entities or obligated persons” after  
23                           “protection of investors”;

24                           (ii) in clause (i), by striking “munic-  
25                           ipal securities brokers and municipal secu-



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1           rities dealers” each place that term ap-  
2           pears and inserting “municipal securities  
3           brokers, municipal securities dealers, and  
4           municipal advisors”;

5           (iii) in clause (ii), by adding “and” at  
6           the end;

7           (iv) in clause (iii), by striking “; and”  
8           and inserting a period; and

9           (v) by striking clause (iv);

10          (C) by amending subparagraph (B) to read  
11          as follows:

12          “(B) establish fair procedures for the nomina-  
13          tion and election of members of the Board and as-  
14          sure fair representation in such nominations and  
15          elections of public representatives, broker dealer rep-  
16          resentatives, bank representatives, and advisor rep-  
17          resentatives. Such rules—

18                 “(i) shall provide that the number of public  
19                 representatives of the Board shall at all times  
20                 exceed the total number of regulated represent-  
21                 atives and that the membership shall at all  
22                 times be as evenly divided in number as possible  
23                 between public representatives and regulated  
24                 representatives;

1           “(ii) shall specify the length or lengths of  
2 terms members shall serve;

3           “(iii) may increase the number of members  
4 which shall constitute the whole Board, pro-  
5 vided that such number is an odd number; and

6           “(iv) shall establish requirements regard-  
7 ing the independence of public representa-  
8 tives.”.

9           (D) in subparagraph (C)—

10           (i) by inserting “and municipal finan-  
11 cial products” after “municipal securities”  
12 the first two times that term appears;

13           (ii) by inserting “, municipal entities,  
14 obligated persons,” before “and the public  
15 interest”;

16           (iii) by striking “between” and insert-  
17 ing “among”;

18           (iv) by striking “issuers, municipal se-  
19 curities brokers, or municipal securities  
20 dealers, to fix” and inserting “municipal  
21 entities, obligated persons, municipal secu-  
22 rities brokers, municipal securities dealers,  
23 or municipal advisors, to fix”; and

24           (v) by striking “brokers or municipal  
25 securities dealers, to regulate” and insert-

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1 ing “brokers, municipal securities dealers,  
2 or municipal advisors, to regulate”;

3 (E) in subparagraph (D)—

4 (i) by inserting “and advice con-  
5 cerning municipal financial products” after  
6 “transactions in municipal securities”;

7 (ii) by striking “That no” and insert-  
8 ing “that no”;

9 (iii) by inserting “municipal advisor,”  
10 before “or person associated”; and

11 (iv) by striking “a municipal securi-  
12 ties broker or municipal securities dealer  
13 may be compelled” and inserting “a mu-  
14 nicipal securities broker, municipal securi-  
15 ties dealer, or municipal advisor may be  
16 compelled”;

17 (F) in subparagraph (E)—

18 (i) by striking “municipal securities  
19 brokers and municipal securities dealers”  
20 and inserting “municipal securities bro-  
21 kers, municipal securities dealers, and mu-  
22 nicipal advisors”; and

23 (ii) by striking “municipal securities  
24 broker or municipal securities dealer” and  
25 inserting “municipal securities broker, mu-

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1           municipal securities dealer, or municipal advi-  
2           sor”;

3           (G) in subparagraph (G), by striking “mu-  
4           nicipal securities brokers and municipal securi-  
5           ties dealers” and inserting “municipal securities  
6           brokers, municipal securities dealers, and mu-  
7           nicipal advisors”;

8           (H) in subparagraph (J)—

9           (i) by striking “municipal securities  
10          broker and each municipal securities deal-  
11          er” and inserting “municipal securities  
12          broker, municipal securities dealer, and  
13          municipal advisor”; and

14          (ii) by striking the period at the end  
15          of the second sentence and inserting “,  
16          which may include charges for failure to  
17          submit to the Board, or to any information  
18          system operated by the Board, within the  
19          prescribed timeframes, any items of infor-  
20          mation or documents required to be sub-  
21          mitted under any rule issued by the  
22          Board.”;

23          (I) in subparagraph (K)—

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1 (i) by inserting “broker, dealer, or”  
2 before “municipal securities dealer” each  
3 place that term appears; and

4 (ii) by striking “municipal securities  
5 investment portfolio” and inserting “re-  
6 lated account of a broker, dealer, or mu-  
7 nicipal securities dealer”; and

8 (J) by adding at the end the following:

9 “(L) with respect to municipal advisors—

10 “(i) prescribe means reasonably de-  
11 signed to prevent acts, practices, and  
12 courses of business as are not consistent  
13 with a municipal advisor’s fiduciary duty  
14 to its clients;

15 “(ii) provide continuing education re-  
16 quirements for municipal advisors;

17 “(iii) provide professional standards;  
18 and

19 “(iv) not impose a regulatory burden  
20 on small municipal advisors that is not  
21 necessary or appropriate in the public in-  
22 terest and for the protection of investors,  
23 municipal entities, and obligated persons,  
24 provided that there is robust protection of  
25 investors against fraud.”;

1           (3) by redesignating paragraph (3) as para-  
2           graph (7); and

3           (4) by inserting after paragraph (2) the fol-  
4           lowing:

5           “(3) The Board, in conjunction with or on be-  
6           half of any Federal financial regulator or self-regu-  
7           latory organization, may—

8                   “(A) establish information systems; and

9                   “(B) assess such reasonable fees and  
10                  charges for the submission of information to, or  
11                  the receipt of information from, such systems  
12                  from any persons which systems may be devel-  
13                  oped for the purposes of serving as a repository  
14                  of information from municipal market partici-  
15                  pants or otherwise in furtherance of the pur-  
16                  poses of the Board, a Federal financial regu-  
17                  lator, or a self-regulatory organization, except  
18                  that the Board—

19                           “(i) may not charge a fee to municipal  
20                           entities or obligated persons to submit doc-  
21                           uments or other information to the Board  
22                           or charge a fee to any person to obtain, di-  
23                           rectly from the Internet site of the Board,  
24                           documents or information submitted by  
25                           municipal entities, obligated persons, bro-

1           kers, dealers, municipal securities dealers,  
2           or municipal advisors, including documents  
3           submitted under the rules of the Board or  
4           the Commission; and

5           “(ii) shall not be prohibited from  
6           charging commercially reasonable fees for  
7           automated subscription-based feeds or  
8           similar services, or for charging for other  
9           data or document-based services cus-  
10          tomized upon request of any person, made  
11          available to commercial enterprises, munic-  
12          ipal securities market professionals, or the  
13          general public, whether delivered through  
14          the Internet or any other means, that con-  
15          tain all or part of the documents or infor-  
16          mation, subject to approval of the fees by  
17          the Commission under section 19(b).

18          “(4) The Board may provide guidance and as-  
19          sistance in the enforcement of, and examination for,  
20          compliance with the rules of the Board to the Com-  
21          mission, a registered securities association under  
22          section 15A, or any other appropriate regulatory  
23          agency, as applicable.

24          “(5) The Board, the Commission, and a reg-  
25          istered securities association under section 15A, or

1 the designees of the Board, the Commission, or such  
2 association, shall meet not less frequently than 2  
3 times a year—

4 “(A) to describe the work of the Board,  
5 the Commission, and the registered securities  
6 association involving the regulation of municipal  
7 securities; and

8 “(B) to share information about—

9 “(i) the interpretation of the Board,  
10 the Commission, and the registered securi-  
11 ties association of Board rules; and

12 “(ii) examination and enforcement of  
13 compliance with Board rules.”.

14 (c) DISCIPLINE OF BROKERS, DEALERS, MUNICIPAL  
15 SECURITIES DEALERS AND MUNICIPAL ADVISORS; FIDU-  
16 CIARY DUTY OF MUNICIPAL ADVISORS.—Section 15B(c)  
17 of the Securities Exchange Act of 1934 (15 U.S.C. 78o-  
18 4(c)) is amended—

19 (1) in paragraph (1), by inserting “, and no  
20 broker, dealer, municipal securities dealer, or munic-  
21 ipal advisor shall make use of the mails or any  
22 means or instrumentality of interstate commerce to  
23 provide advice to or on behalf of a municipal entity  
24 or obligated person with respect to municipal finan-  
25 cial products, the issuance of municipal securities, or



1 to undertake a solicitation of a municipal entity or  
2 obligated person,” after “any municipal security”;

3 (2) by adding at the end of paragraph (1) the  
4 following: “A municipal advisor and any person as-  
5 sociated with such municipal advisor shall be deemed  
6 to have a fiduciary duty to any municipal entity for  
7 whom such municipal advisor acts as a municipal  
8 advisor, and no municipal advisor may engage in  
9 any act, practice, or course of business which is not  
10 consistent with a municipal advisor’s fiduciary duty  
11 or that is in contravention of any rule of the  
12 Board.”.

13 (3) in paragraph (2), by inserting “or municipal  
14 advisor” after “municipal securities dealer” each  
15 place that term appears;

16 (4) in paragraph (3)—

17 (A) by inserting “or municipal entities or  
18 obligated person” after “protection of inves-  
19 tors” each place that term appears; and

20 (B) by inserting “or municipal advisor”  
21 after “municipal securities dealer” each place  
22 that term appears;

23 (5) in paragraph (4), by inserting “or municipal  
24 advisor” after “municipal securities dealer or obli-  
25 gated person” each place that term appears;

1           (6) in paragraph (6)(B), by inserting “or mu-  
2           nicipal entities or obligated person” after “protec-  
3           tion of investors”;

4           (7) in paragraph (7)—

5                 (A) in subparagraph (A)—

6                     (i) in clause (i), by striking “; and”  
7                     and inserting a semicolon;

8                     (ii) in clause (ii), by striking the pe-  
9                     riod and inserting “; and”; and

10                    (iii) by adding at the end the fol-  
11                    lowing:

12                         “(iii) the Commission, or its designee,  
13                         in the case of municipal advisors.”.

14                 (B) in subparagraph (B), by inserting “or  
15                 municipal entities or obligated person” after  
16                 “protection of investors”; and

17           (8) by adding at the end the following:

18                 “(9)(A) Fines collected by the Commission for  
19                 violations of the rules of the Board shall be equally  
20                 divided between the Commission and the Board.

21                 “(B) Fines collected by a registered securities  
22                 association under section 15A(7) with respect to vio-  
23                 lations of the rules of the Board shall be accounted  
24                 for by such registered securities association sepa-  
25                 rately from other fines collected under section

1 15A(7) and shall be allocated between such reg-  
2 istered securities association and the Board, and  
3 such allocation shall require the registered securities  
4 association to pay to the Board  $\frac{1}{3}$  of all fines col-  
5 lected by the registered securities association reason-  
6 ably allocable to violations of the rules of the Board,  
7 or such other portion of such fines as may be di-  
8 rected by the Commission upon agreement between  
9 the registered securities association and the Board.”.

10 (d) ISSUANCE OF MUNICIPAL SECURITIES.—Section  
11 15B(d)(2) of the Securities Exchange Act of 1934 (15  
12 U.S.C. 78o–4(d)) is amended—

13 (1) by striking “through a municipal securities  
14 broker or municipal securities dealer or otherwise”  
15 and inserting “through a municipal securities  
16 broker, municipal securities dealer, municipal advi-  
17 sor, or otherwise”; and

18 (2) by inserting “or municipal advisors” before  
19 “to furnish”.

20 (e) DEFINITIONS.—Section 15B of the Securities Ex-  
21 change Act of 1934 (15 U.S.C. 78o–4) is amended by add-  
22 ing at the end the following:

23 “(e) DEFINITIONS.—For purposes of this section—

1           “(1) the term ‘Board’ means the Municipal Se-  
2           curities Rulemaking Board established under sub-  
3           section (b)(1);

4           “(2) the term ‘guaranteed investment contract’  
5           includes any investment that has specified with-  
6           drawal or reinvestment provisions and a specifically  
7           negotiated or bid interest rate, and also includes any  
8           agreement to supply investments on 2 or more fu-  
9           ture dates, such as a forward supply contract;

10           “(3) the term ‘investment strategies’ includes  
11           plans or programs for the investment of the proceeds  
12           of municipal securities that are not municipal de-  
13           rivatives, guaranteed investment contracts, and the  
14           recommendation of and brokerage of municipal es-  
15           crow investments;

16           “(4) the term ‘municipal advisor’—

17           “(A) means a person (who is not a munic-  
18           ipal entity or an employee of a municipal enti-  
19           ty) that—

20           “(i) provides advice to or on behalf of  
21           a municipal entity or obligated person with  
22           respect to municipal financial products or  
23           the issuance of municipal securities, in-  
24           cluding advice with respect to the struc-  
25           ture, timing, terms, and other similar mat-

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1           ters concerning such financial products or  
2           issues; or

3                   “(ii) undertakes a solicitation of a  
4           municipal entity;

5                   “(B) includes financial advisors, guaran-  
6           teed investment contract brokers, third-party  
7           marketers, placement agents, solicitors, finders,  
8           and swap advisors, if such persons are de-  
9           scribed in any of clauses (i) through (iii) of sub-  
10          paragraph (A); and

11                   “(C) does not include a broker, dealer, or  
12          municipal securities dealer serving as an under-  
13          writer (as defined in section 2(a)(11) of the Se-  
14          curities Act of 1933) (15 U.S.C. 77b(a)(11)),  
15          any investment adviser registered under the In-  
16          vestment Advisers Act of 1940, or persons asso-  
17          ciated with such investment advisers who are  
18          providing investment advice, any commodity  
19          trading advisor registered under the Commodity  
20          Exchange Act or persons associated with a com-  
21          modity trading advisor who are providing advice  
22          related to swaps, attorneys offering legal advice  
23          or providing services that are of a traditional  
24          legal nature, or engineers providing engineering  
25          advice;

1           “(5) the term ‘municipal financial product’  
2 means municipal derivatives, guaranteed investment  
3 contracts, and investment strategies;

4           “(6) the term ‘rules of the Board’ means the  
5 rules proposed and adopted by the Board under sub-  
6 section (b)(2);

7           “(7) the term ‘person associated with a munic-  
8 ipal advisor’ or ‘associated person of an advisor’  
9 means—

10           “(A) any partner, officer, director, or  
11 branch manager of such municipal advisor (or  
12 any person occupying a similar status or per-  
13 forming similar functions);

14           “(B) any other employee of such municipal  
15 advisor who is engaged in the management, di-  
16 rection, supervision, or performance of any ac-  
17 tivities relating to the provision of advice to or  
18 on behalf of a municipal entity or obligated per-  
19 son with respect to municipal financial products  
20 or the issuance of municipal securities; and

21           “(C) any person directly or indirectly con-  
22 trolling, controlled by, or under common control  
23 with such municipal advisor;

1           “(8) the term ‘municipal entity’ means any  
2 State, political subdivision of a State, or municipal  
3 corporate instrumentality of a State, including—

4                   “(A) any agency, authority, or instrumen-  
5 tality of the State, political subdivision, or mu-  
6 nicipal corporate instrumentality;

7                   “(B) any plan, program, or pool of assets  
8 sponsored or established by the State, political  
9 subdivision, or municipal corporate instrumen-  
10 tality or any agency, authority, or instrumen-  
11 tality thereof; and

12                   “(C) any other issuer of municipal securi-  
13 ties;

14           “(9) the term ‘solicitation of a municipal entity  
15 or obligated person’ means a direct or indirect com-  
16 munication with a municipal entity or obligated per-  
17 son made by a person, for direct or indirect com-  
18 pensation, on behalf of a broker, dealer, municipal  
19 securities dealer, municipal advisor, or investment  
20 adviser (as defined in section 202 of the Investment  
21 Advisers Act of 1940) that does not control, is not  
22 controlled by, or is not under common control with  
23 the person undertaking such solicitation for the pur-  
24 pose of obtaining or retaining an engagement by a  
25 municipal entity or obligated person of a broker,

1 dealer, municipal securities dealer, or municipal ad-  
2 visor for or in connection with municipal financial  
3 products, the issuance of municipal securities, or of  
4 an investment adviser to provide investment advisory  
5 services to or on behalf of a municipal entity; and

6 “(10) the term ‘obligated person’ means any  
7 person, including an issuer of municipal securities,  
8 who is either generally or through an enterprise,  
9 fund, or account of such person, committed by con-  
10 tract or other arrangement to support the payment  
11 of all or part of the obligations on the municipal se-  
12 curities to be sold in an offering of municipal securi-  
13 ties.”.

14 (f) REGISTERED SECURITIES ASSOCIATION.—Section  
15 15A(b) of the Securities Exchange Act of 1934 (15 U.S.C.  
16 78o–3(b)) is amended by adding at the end the following:

17 “(15) The rules of the association provide that  
18 the association shall—

19 “(A) request guidance from the Municipal  
20 Securities Rulemaking Board in interpretation  
21 of the rules of the Municipal Securities Rule-  
22 making Board; and

23 “(B) provide information to the Municipal  
24 Securities Rulemaking Board about the enforce-  
25 ment actions and examinations of the associa-



1           tion under section 15B(b)(2)(E), so that the  
2           Municipal Securities Rulemaking Board may—

3                   “(i) assist in such enforcement actions  
4                   and examinations; and

5                   “(ii) evaluate the ongoing effective-  
6                   ness of the rules of the Board.”.

7           (g) REGISTRATION AND REGULATION OF BROKERS  
8           AND DEALERS.—Section 15 of the Securities Exchange  
9           Act of 1934 is amended—

10           (1) in subsection (b)(4), by inserting “munic-  
11           ipal advisor,” after “municipal securities dealer”  
12           each place that term appears; and

13           (2) in subsection (c), by inserting “broker, deal-  
14           er, or” before “municipal securities dealer” each  
15           place that term appears.

16           (h) ACCOUNTS AND RECORDS, REPORTS, EXAMINA-  
17           TIONS OF EXCHANGES, MEMBERS, AND OTHERS.—Sec-  
18           tion 17(a)(1) of the Securities Exchange Act of 1934 is  
19           amended by inserting “municipal advisor,” after “munic-  
20           ipal securities dealer”.

21           (i) EFFECTIVE DATE.—This section, and the amend-  
22           ments made by this section, shall take effect on October  
23           1, 2010.

1 **SEC. 976. GOVERNMENT ACCOUNTABILITY OFFICE STUDY**  
2 **OF INCREASED DISCLOSURE TO INVESTORS.**

3 (a) STUDY.—The Comptroller General of the United  
4 States shall conduct a study and review of the disclosure  
5 required to be made by issuers of municipal securities.

6 (b) SUBJECTS FOR EVALUATION.—In conducting the  
7 study under subsection (a), the Comptroller General of the  
8 United States shall—

9 (1) broadly describe—

10 (A) the size of the municipal securities  
11 markets and the issuers and investors; and

12 (B) the disclosures provided by issuers to  
13 investors;

14 (2) compare the amount, frequency, and quality  
15 of disclosures that issuers of municipal securities are  
16 required by law to provide for the benefit of munic-  
17 ipal securities holders, including the amount of and  
18 frequency of disclosures actually provided by issuers  
19 of municipal securities, with the amount of and fre-  
20 quency of disclosures that issuers of corporate secu-  
21 rities provide for the benefit of corporate securities  
22 holders, taking into account the differences between  
23 issuers of municipal securities and issuers of cor-  
24 porate securities;

25 (3) evaluate the costs and benefits to various  
26 types of issuers of municipal securities of requiring

1 issuers of municipal bonds to provide additional fi-  
2 nancial disclosures for the benefit of investors;

3 (4) evaluate the potential benefit to investors  
4 from additional financial disclosures by issuers of  
5 municipal bonds; and

6 (5) make recommendations relating to disclo-  
7 sure requirements for municipal issuers, including  
8 the advisability of the repeal or retention of section  
9 15B(d) of the Securities Exchange Act of 1934 (15  
10 U.S.C. 78o-4(d)) (commonly known as the “Tower  
11 Amendment”).

12 (c) REPORT.—Not later than 24 months after the  
13 date of enactment of this Act, the Comptroller General  
14 of the United States shall submit a report to Congress  
15 on the results of the study conducted under subsection (a),  
16 including recommendations for how to improve disclosure  
17 by issuers of municipal securities.

18 **SEC. 977. GOVERNMENT ACCOUNTABILITY OFFICE STUDY**  
19 **ON THE MUNICIPAL SECURITIES MARKETS.**

20 (a) STUDY.—The Comptroller General of the United  
21 States shall conduct a study of the municipal securities  
22 markets.

23 (b) REPORT.—Not later than 18 months after the  
24 date of enactment of this Act, the Comptroller General  
25 of the United States shall submit a report to the Com-

1 mittee on Banking, Housing, and Urban Affairs of the  
2 Senate, and the Committee on Financial Services of the  
3 House of Representatives, with copies to the Special Com-  
4 mittee on Aging of the Senate and the Commission, on  
5 the results of the study conducted under subsection (a),  
6 including—

7           (1) an analysis of the mechanisms for trading,  
8           quality of trade executions, market transparency,  
9           trade reporting, price discovery, settlement clearing,  
10          and credit enhancements;

11          (2) the needs of the markets and investors and  
12          the impact of recent innovations;

13          (3) recommendations for how to improve the  
14          transparency, efficiency, fairness, and liquidity of  
15          trading in the municipal securities markets, includ-  
16          ing with reference to items listed in paragraph (1);  
17          and

18          (4) potential uses of derivatives in the munic-  
19          ipal securities markets.

20          (c) RESPONSES.—Not later than 180 days after re-  
21          ceipt of the report required under subsection (b), the Com-  
22          mission shall submit a response to the Committee on  
23          Banking, Housing, and Urban Affairs of the Senate, and  
24          the Committee on Financial Services of the House of Rep-  
25          resentatives, with a copy to the Special Committee on

1 Aging of the Senate, stating the actions the Commission  
2 has taken in response to the recommendations contained  
3 in such report.

4 **SEC. 978. FUNDING FOR GOVERNMENTAL ACCOUNTING**  
5 **STANDARDS BOARD.**

6 (a) AMENDMENT TO THE SECURITIES ACT OF  
7 1933.—Section 19 of the Securities Act of 1933 (15  
8 U.S.C. 77s), as amended by section 912, is further amend-  
9 ed by adding at the end the following:

10 “(g) FUNDING FOR THE GASB.—

11 “(1) IN GENERAL.—The Commission may, sub-  
12 ject to the limitations imposed by section 15B of the  
13 Securities Exchange Act of 1934 (15 U.S.C. 78o–4),  
14 require a national securities association registered  
15 under the Securities Exchange Act of 1934 to estab-  
16 lish—

17 “(A) a reasonable annual accounting sup-  
18 port fee to adequately fund the annual budget  
19 of the Governmental Accounting Standards  
20 Board (referred to in this subsection as the  
21 ‘GASB’); and

22 “(B) rules and procedures, in consultation  
23 with the principal organizations representing  
24 State governors, legislators, local elected offi-  
25 cials, and State and local finance officers, to

1 provide for the equitable allocation, assessment,  
2 and collection of the accounting support fee es-  
3 tablished under subparagraph (A) from the  
4 members of the association, and the remittance  
5 of all such accounting support fees to the Fi-  
6 nancial Accounting Foundation.

7 “(2) ANNUAL BUDGET.—For purposes of this  
8 subsection, the annual budget of the GASB is the  
9 annual budget reviewed and approved according to  
10 the internal procedures of the Financial Accounting  
11 Foundation.

12 “(3) USE OF FUNDS.—Any fees or funds col-  
13 lected under this subsection shall be used to support  
14 the efforts of the GASB to establish standards of fi-  
15 nancial accounting and reporting recognized as gen-  
16 erally accepted accounting principles applicable to  
17 State and local governments of the United States.

18 “(4) LIMITATION ON FEE.—The annual ac-  
19 counting support fees collected under this subsection  
20 for a fiscal year shall not exceed the recoverable an-  
21 nual budgeted expenses of the GASB (which may in-  
22 clude operating expenses, capital, and accrued  
23 items).

24 “(5) RULES OF CONSTRUCTION.—

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1           “(A) FEES NOT PUBLIC MONIES.—Ac-  
2           counting support fees collected under this sub-  
3           section and other receipts of the GASB shall  
4           not be considered public monies of the United  
5           States.

6           “(B) LIMITATION ON AUTHORITY OF THE  
7           COMMISSION.—Nothing in this subsection shall  
8           be construed to—

9                   “(i) provide the Commission or any  
10                  national securities association direct or in-  
11                  direct oversight of the budget or technical  
12                  agenda of the GASB; or

13                   “(ii) affect the setting of generally ac-  
14                  cepted accounting principles by the GASB.

15           “(C) NONINTERFERENCE WITH STATES.—  
16           Nothing in this subsection shall be construed to  
17           impair or limit the authority of a State or local  
18           government to establish accounting and finan-  
19           cial reporting standards.”.

20           (b) STUDY OF FUNDING FOR GOVERNMENTAL AC-  
21           COUNTING STANDARDS BOARD.—

22                   (1) STUDY.—The Comptroller General of the  
23           United States shall conduct a study that evaluates—

1 (A) the role and importance of the Govern-  
2 mental Accounting Standards Board in the mu-  
3 nicipal securities markets; and

4 (B) the manner and the level at which the  
5 Governmental Accounting Standards Board has  
6 been funded.

7 (2) CONSULTATION.—In conducting the study  
8 required under paragraph (1), the Comptroller Gen-  
9 eral shall consult with the principal organizations  
10 representing State governors, legislators, local elect-  
11 ed officials, and State and local finance officers.

12 (3) REPORT.—Not later than 180 days after  
13 the date of enactment of this Act, the Comptroller  
14 General shall submit to the Committee on Banking,  
15 Housing, and Urban Affairs of the Senate and the  
16 Committee on Financial Services of the House of  
17 Representatives a report on the study required  
18 under paragraph (1).

19 **SEC. 979. COMMISSION OFFICE OF MUNICIPAL SECURITIES.**

20 (a) IN GENERAL.—There shall be in the Commission  
21 an Office of Municipal Securities, which shall—

22 (1) administer the rules of the Commission with  
23 respect to the practices of municipal securities bro-  
24 kers and dealers, municipal securities advisors, mu-



1 municipal securities investors, and municipal securities  
2 issuers; and

3 (2) coordinate with the Municipal Securities  
4 Rulemaking Board for rulemaking and enforcement  
5 actions as required by law.

6 (b) DIRECTOR OF THE OFFICE.—The head of the Of-  
7 fice of Municipal Securities shall be the Director, who  
8 shall report to the Chairman.

9 (c) STAFFING.—

10 (1) IN GENERAL.—The Office of Municipal Se-  
11 curities shall be staffed sufficiently to carry out the  
12 requirements of this section.

13 (2) REQUIREMENT.—The staff of the Office of  
14 Municipal Securities shall include individuals with  
15 knowledge of and expertise in municipal finance.

16 **Subtitle I—Public Company Ac-**  
17 **counting Oversight Board, Port-**  
18 **folio Margining, and Other Mat-**  
19 **ters**

20 **SEC. 981. AUTHORITY TO SHARE CERTAIN INFORMATION**  
21 **WITH FOREIGN AUTHORITIES.**

22 (a) DEFINITION.—Section 2(a) of the Sarbanes-  
23 Oxley Act of 2002 (15 U.S.C. 7201(a)) is amended by  
24 adding at the end the following:

1           “(17) FOREIGN AUDITOR OVERSIGHT AUTHOR-  
2           ITY.—The term ‘foreign auditor oversight authority’  
3           means any governmental body or other entity em-  
4           powered by a foreign government to conduct inspec-  
5           tions of public accounting firms or otherwise to ad-  
6           minister or enforce laws related to the regulation of  
7           public accounting firms.”.

8           (b) AVAILABILITY TO SHARE INFORMATION.—Sec-  
9           tion 105(b)(5) of the Sarbanes-Oxley Act of 2002 (15  
10          U.S.C. 7215(b)(5)) is amended by adding at the end the  
11          following:

12                   “(C) AVAILABILITY TO FOREIGN OVER-  
13                   SIGHT AUTHORITIES.—Without the loss of its  
14                   status as confidential and privileged in the  
15                   hands of the Board, all information referred to  
16                   in subparagraph (A) that relates to a public ac-  
17                   counting firm that a foreign government has  
18                   empowered a foreign auditor oversight authority  
19                   to inspect or otherwise enforce laws with re-  
20                   spect to, may, at the discretion of the Board, be  
21                   made available to the foreign auditor oversight  
22                   authority, if—

23                           “(i) the Board finds that it is nec-  
24                           essary to accomplish the purposes of this  
25                           Act or to protect investors;

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1 “(ii) the foreign auditor oversight au-  
2 thority provides—

3 “(I) such assurances of confiden-  
4 tiality as the Board may request;

5 “(II) a description of the applica-  
6 ble information systems and controls  
7 of the foreign auditor oversight au-  
8 thority; and

9 “(III) a description of the laws  
10 and regulations of the foreign govern-  
11 ment of the foreign auditor oversight  
12 authority that are relevant to informa-  
13 tion access; and

14 “(iii) the Board determines that it is  
15 appropriate to share such information.”.

16 (c) CONFORMING AMENDMENT.—Section  
17 105(b)(5)(A) of the Sarbanes-Oxley Act of 2002 (15  
18 U.S.C. 7215(b)(5)(A)) is amended by striking “subpara-  
19 graph (B)” and inserting “subparagraphs (B) and (C)”.

20 **SEC. 982. OVERSIGHT OF BROKERS AND DEALERS.**

21 (a) DEFINITIONS.—

22 (1) DEFINITIONS AMENDED.—Title I of the  
23 Sarbanes-Oxley Act of 2002 (15 U.S.C. 7201 et  
24 seq.) is amended by adding at the end the following  
25 new section:

1 **“SEC. 110. DEFINITIONS.**

2 “For the purposes of this title, the following defini-  
3 tions shall apply:

4 “(1) AUDIT.—The term ‘audit’ means an exam-  
5 ination of the financial statements, reports, docu-  
6 ments, procedures, controls, or notices of any issuer,  
7 broker, or dealer by an independent public account-  
8 ing firm in accordance with the rules of the Board  
9 or the Commission, for the purpose of expressing an  
10 opinion on the financial statements or providing an  
11 audit report.

12 “(2) AUDIT REPORT.—The term ‘audit report’  
13 means a document, report, notice, or other record—

14 “(A) prepared following an audit per-  
15 formed for purposes of compliance by an issuer,  
16 broker, or dealer with the requirements of the  
17 securities laws; and

18 “(B) in which a public accounting firm ei-  
19 ther—

20 “(i) sets forth the opinion of that firm  
21 regarding a financial statement, report, no-  
22 tice, or other document, procedures, or  
23 controls; or

24 “(ii) asserts that no such opinion can  
25 be expressed.

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1           “(3) BROKER.—The term ‘broker’ means a  
2 broker (as such term is defined in section 3(a)(4) of  
3 the Securities Exchange Act of 1934 (15 U.S.C.  
4 78c(a)(4))) that is required to file a balance sheet,  
5 income statement, or other financial statement  
6 under section 17(e)(1)(A) of such Act (15 U.S.C.  
7 78q(e)(1)(A)), where such balance sheet, income  
8 statement, or financial statement is required to be  
9 certified by a registered public accounting firm.

10           “(4) DEALER.—The term ‘dealer’ means a  
11 dealer (as such term is defined in section 3(a)(5) of  
12 the Securities Exchange Act of 1934 (15 U.S.C.  
13 78c(a)(5))) that is required to file a balance sheet,  
14 income statement, or other financial statement  
15 under section 17(e)(1)(A) of such Act (15 U.S.C.  
16 78q(e)(1)(A)), where such balance sheet, income  
17 statement, or financial statement is required to be  
18 certified by a registered public accounting firm.

19           “(5) PROFESSIONAL STANDARDS.—The term  
20 ‘professional standards’ means—

21           “(A) accounting principles that are—

22                   “(i) established by the standard set-  
23                   ting body described in section 19(b) of the  
24                   Securities Act of 1933, as amended by this  
25                   Act, or prescribed by the Commission

1 under section 19(a) of that Act (15 U.S.C.  
2 17a(s)) or section 13(b) of the Securities  
3 Exchange Act of 1934 (15 U.S.C. 78a(m));  
4 and

5 “(ii) relevant to audit reports for par-  
6 ticular issuers, brokers, or dealers, or dealt  
7 with in the quality control system of a par-  
8 ticular registered public accounting firm;  
9 and

10 “(B) auditing standards, standards for at-  
11 testation engagements, quality control policies  
12 and procedures, ethical and competency stand-  
13 ards, and independence standards (including  
14 rules implementing title II) that the Board or  
15 the Commission determines—

16 “(i) relate to the preparation or  
17 issuance of audit reports for issuers, bro-  
18 kers, or dealers; and

19 “(ii) are established or adopted by the  
20 Board under section 103(a), or are pro-  
21 mulgated as rules of the Commission.

22 “(6) SELF-REGULATORY ORGANIZATION.—The  
23 term ‘self-regulatory organization’ has the same  
24 meaning as in section 3(a) of the Securities Ex-  
25 change Act of 1934 (15 U.S.C. 78c(a)).”.

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1           (2) CONFORMING AMENDMENT.—Section 2(a)  
2 of the Sarbanes-Oxley Act of 2002 (15 U.S.C.  
3 7201(a)) is amended in the matter preceding para-  
4 graph (1), by striking “In this” and inserting “Ex-  
5 cept as otherwise specifically provided in this Act, in  
6 this”.

7           (b) ESTABLISHMENT AND ADMINISTRATION OF THE  
8 PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD.—  
9 Section 101 of the Sarbanes-Oxley Act of 2002 (15 U.S.C.  
10 7211) is amended—

11           (1) by striking “issuers” each place that term  
12 appears and inserting “issuers, brokers, and deal-  
13 ers”; and

14           (2) in subsection (a)—

15           (A) by striking “public companies” and in-  
16 serting “companies”; and

17           (B) by striking “for companies the securi-  
18 ties of which are sold to, and held by and for,  
19 public investors”.

20           (c) REGISTRATION WITH THE BOARD.—Section 102  
21 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7212) is  
22 amended—

23           (1) in subsection (a)—

1 (A) by striking “Beginning 180” and all  
2 that follows through “101(d), it” and inserting  
3 “It”; and

4 (B) by striking “issuer” and inserting  
5 “issuer, broker, or dealer”;

6 (2) in subsection (b)—

7 (A) in paragraph (2)(A), by striking  
8 “issuers” and inserting “issuers, brokers, and  
9 dealers”; and

10 (B) by striking “issuer” each place that  
11 term appears and inserting “issuer, broker, or  
12 dealer”.

13 (d) AUDITING AND INDEPENDENCE.—Section 103(a)  
14 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7213(a))  
15 is amended—

16 (1) in paragraph (1), by striking “and such eth-  
17 ics standards” and inserting “such ethics standards,  
18 and such independence standards”;

19 (2) in paragraph (2)(A)(iii), by striking “de-  
20 scribe in each audit report” and inserting “in each  
21 audit report for an issuer, describe”; and

22 (3) in paragraph (2)(B)(i), by striking  
23 “issuers” and inserting “issuers, brokers, and deal-  
24 ers”.



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1 (e) INSPECTIONS OF REGISTERED PUBLIC ACCOUNT-  
2 ING FIRMS.—

3 (1) AMENDMENTS.—Section 104(a) of the Sar-  
4 banes-Oxley Act of 2002 (15 U.S.C. 7214(a)) is  
5 amended—

6 (A) by striking “The Board shall” and in-  
7 serting the following:

8 “(1) INSPECTIONS GENERALLY.—The Board  
9 shall”; and

10 (B) by adding at the end the following:

11 “(2) INSPECTIONS OF AUDIT REPORTS FOR  
12 BROKERS AND DEALERS.—

13 “(A) The Board may, by rule, conduct and  
14 require a program of inspection in accordance  
15 with paragraph (1), on a basis to be determined  
16 by the Board, of registered public accounting  
17 firms that provide one or more audit reports for  
18 a broker or dealer. The Board, in establishing  
19 such a program, may allow for differentiation  
20 among classes of brokers and dealers, as appro-  
21 priate.

22 “(B) If the Board determines to establish  
23 a program of inspection pursuant to subpara-  
24 graph (A), the Board shall consider in estab-  
25 lishing any inspection schedules whether dif-

1           fering schedules would be appropriate with re-  
2           spect to registered public accounting firms that  
3           issue audit reports only for one or more brokers  
4           or dealers that do not receive, handle, or hold  
5           customer securities or cash or are not a mem-  
6           ber of the Securities Investor Protection Cor-  
7           poration.

8           “(C) Any rules of the Board pursuant to  
9           this paragraph shall be subject to prior ap-  
10          proval by the Commission pursuant to section  
11          107(b) before the rules become effective, includ-  
12          ing an opportunity for public notice and com-  
13          ment.

14          “(D) Notwithstanding anything to the con-  
15          trary in section 102 of this Act, a public ac-  
16          counting firm shall not be required to register  
17          with the Board if the public accounting firm is  
18          exempt from the inspection program which may  
19          be established by the Board under subpara-  
20          graph (A).”.

21          (2)       CONFORMING        AMENDMENT.—Section  
22          17(e)(1)(A) of the Securities Exchange Act of 1934  
23          (15 U.S.C. 78q(e)(1)(A)) is amended by striking  
24          “registered public accounting firm” and inserting  
25          “independent public accounting firm, or by a reg-

1        istered public accounting firm if the firm is required  
2        to be registered under the Sarbanes-Oxley Act of  
3        2002,”.

4        (f) INVESTIGATIONS AND DISCIPLINARY PRO-  
5        CEEDINGS.—Section 105(c)(7)(B) of the Sarbanes-Oxley  
6        Act of 2002 (15 U.S.C. 7215(c)(7)(B)) is amended—

7            (1) in the subparagraph heading, by inserting  
8            “, BROKER, OR DEALER” after “ISSUER”;

9            (2) by striking “any issuer” each place that  
10          term appears and inserting “any issuer, broker, or  
11          dealer”; and

12          (3) by striking “an issuer under this sub-  
13          section” and inserting “a registered public account-  
14          ing firm under this subsection”.

15        (g) FOREIGN PUBLIC ACCOUNTING FIRMS.—Section  
16        106(a) of the Sarbanes-Oxley Act of 2002 (15 U.S.C.  
17        7216(a)) is amended—

18            (1) in paragraph (1), by striking “issuer” and  
19            inserting “issuer, broker, or dealer”; and

20            (2) in paragraph (2), by striking “issuers” and  
21            inserting “issuers, brokers, or dealers”.

22        (h) FUNDING.—Section 109 of the Sarbanes-Oxley  
23        Act of 2002 (15 U.S.C. 7219) is amended—

24            (1) in subsection (c)(2), by striking “subsection  
25            (i)” and inserting “subsection (j)”;

1 (2) in subsection (d)—

2 (A) in paragraph (2), by striking “allowing  
3 for differentiation among classes of issuers, as  
4 appropriate” and inserting “and among brokers  
5 and dealers, in accordance with subsection (h),  
6 and allowing for differentiation among classes  
7 of issuers, brokers and dealers, as appropriate”;  
8 and

9 (B) by adding at the end the following:

10 “(3) **BROKERS AND DEALERS.**—The Board  
11 shall begin the allocation, assessment, and collection  
12 of fees under paragraph (2) with respect to brokers  
13 and dealers with the payment of support fees to  
14 fund the first full fiscal year beginning after the  
15 date of enactment of the Investor Protection and Se-  
16 curities Reform Act of 2010.”;

17 (3) by redesignating subsections (h), (i), and (j)  
18 as subsections (i), (j), and (k), respectively; and

19 (4) by inserting after subsection (g) the fol-  
20 lowing:

21 “(h) **ALLOCATION OF ACCOUNTING SUPPORT FEES**  
22 **AMONG BROKERS AND DEALERS.**—

23 “(1) **OBLIGATION TO PAY.**—Each broker or  
24 dealer shall pay to the Board the annual accounting

1 support fee allocated to such broker or dealer under  
2 this section.

3 “(2) ALLOCATION.—Any amount due from a  
4 broker or dealer (or from a particular class of bro-  
5 kers and dealers) under this section shall be allo-  
6 cated among brokers and dealers and payable by the  
7 broker or dealer (or the brokers and dealers in the  
8 particular class, as applicable).

9 “(3) PROPORTIONALITY.—The amount due  
10 from a broker or dealer shall be in proportion to the  
11 net capital of the broker or dealer (before or after  
12 any adjustments), compared to the total net capital  
13 of all brokers and dealers (before or after any ad-  
14 justments), in accordance with rules issued by the  
15 Board.”.

16 (i) REFERRAL OF INVESTIGATIONS TO A SELF-REGU-  
17 LATORY ORGANIZATION.—Section 105(b)(4)(B) of the  
18 Sarbanes-Oxley Act of 2002 (15 U.S.C. 7215(b)(4)(B))  
19 is amended—

20 (1) by redesignating clauses (ii) and (iii) as  
21 clauses (iii) and (iv), respectively; and

22 (2) by inserting after clause (i) the following:

23 “(ii) to a self-regulatory organization,  
24 in the case of an investigation that con-  
25 cerns an audit report for a broker or deal-

1 er that is under the jurisdiction of such  
2 self-regulatory organization;”.

3 (j) USE OF DOCUMENTS RELATED TO AN INSPEC-  
4 TION OR INVESTIGATION.—Section 105(b)(5)(B)(ii) of the  
5 Sarbanes-Oxley Act of 2002 (15 U.S.C. 7215(b)(5)(B)(ii))  
6 is amended—

7 (1) in subclause (III), by striking “and” at the  
8 end;

9 (2) in subclause (IV), by striking the comma  
10 and inserting “; and”; and

11 (3) by inserting after subclause (IV) the fol-  
12 lowing:

13 “(V) a self-regulatory organiza-  
14 tion, with respect to an audit report  
15 for a broker or dealer that is under  
16 the jurisdiction of such self-regulatory  
17 organization,”.

18 **SEC. 983. PORTFOLIO MARGINING.**

19 (a) ADVANCES.—Section 9(a)(1) of the Securities In-  
20 vestor Protection Act of 1970 (15 U.S.C. 78fff3(a)(1)) is  
21 amended by inserting “or options on commodity futures  
22 contracts” after “claim for securities”.

23 (b) DEFINITIONS.—Section 16 of the Securities In-  
24 vestor Protection Act of 1970 (15 U.S.C. 78lll) is amend-  
25 ed—

1           (1) by striking paragraph (2) and inserting the  
2 following:

3           “(2) CUSTOMER.—

4                   “(A) IN GENERAL.—The term ‘customer’  
5 of a debtor means any person (including any  
6 person with whom the debtor deals as principal  
7 or agent) who has a claim on account of securi-  
8 ties received, acquired, or held by the debtor in  
9 the ordinary course of its business as a broker  
10 or dealer from or for the securities accounts of  
11 such person for safekeeping, with a view to sale,  
12 to cover consummated sales, pursuant to pur-  
13 chases, as collateral, security, or for purposes of  
14 effecting transfer.

15                   “(B) INCLUDED PERSONS.—The term  
16 ‘customer’ includes—

17                           “(i) any person who has deposited  
18 cash with the debtor for the purpose of  
19 purchasing securities;

20                           “(ii) any person who has a claim  
21 against the debtor for cash, securities, fu-  
22 tures contracts, or options on futures con-  
23 tracts received, acquired, or held in a port-  
24 folio margining account carried as a secu-  
25 rities account pursuant to a portfolio mar-

1           gining program approved by the Commis-  
2           sion; and

3           “(iii) any person who has a claim  
4           against the debtor arising out of sales or  
5           conversions of such securities.

6           “(C) EXCLUDED PERSONS.—The term  
7           ‘customer’ does not include any person, to the  
8           extent that—

9           “(i) the claim of such person arises  
10          out of transactions with a foreign sub-  
11          sidiary of a member of SIPC; or

12          “(ii) such person has a claim for cash  
13          or securities which by contract, agreement,  
14          or understanding, or by operation of law,  
15          is part of the capital of the debtor, or is  
16          subordinated to the claims of any or all  
17          creditors of the debtor, notwithstanding  
18          that some ground exists for declaring such  
19          contract, agreement, or understanding void  
20          or voidable in a suit between the claimant  
21          and the debtor.”;

22          (2) in paragraph (4)—

23                 (A) in subparagraph (C), by striking  
24                 “and” at the end;



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1 (B) by redesignating subparagraph (D) as  
2 subparagraph (E); and

3 (C) by inserting after subparagraph (C)  
4 the following:

5 “(D) in the case of a portfolio margining  
6 account of a customer that is carried as a secu-  
7 rities account pursuant to a portfolio margining  
8 program approved by the Commission, a futures  
9 contract or an option on a futures contract re-  
10 ceived, acquired, or held by or for the account  
11 of a debtor from or for such portfolio margining  
12 account, and the proceeds thereof; and”;

13 (3) in paragraph (9), in the matter following  
14 subparagraph (L), by inserting after “Such term”  
15 the following: “includes revenues earned by a broker  
16 or dealer in connection with a transaction in the  
17 portfolio margining account of a customer carried as  
18 securities accounts pursuant to a portfolio margining  
19 program approved by the Commission. Such term”;  
20 and

21 (4) in paragraph (11)—

22 (A) in subparagraph (A)—

23 (i) by striking “filing date, all” and  
24 all that follows through the end of the sub-

1 paragraph and inserting the following: “fil-  
2 ing date—

3 “(i) all securities positions of such  
4 customer (other than customer name secu-  
5 rities reclaimed by such customer); and

6 “(ii) all positions in futures contracts  
7 and options on futures contracts held in a  
8 portfolio margining account carried as a  
9 securities account pursuant to a portfolio  
10 margining program approved by the Com-  
11 mission, including all property  
12 collateralizing such positions, to the extent  
13 that such property is not otherwise in-  
14 cluded herein; minus”; and

15 (B) in the matter following subparagraph  
16 (C), by striking “In determining” and inserting  
17 the following: “A claim for a commodity futures  
18 contract received, acquired, or held in a port-  
19 folio margining account pursuant to a portfolio  
20 margining program approved by the Commis-  
21 sion or a claim for a security futures contract,  
22 shall be deemed to be a claim with respect to  
23 such contract as of the filing date, and such  
24 claim shall be treated as a claim for cash. In  
25 determining”.

1 **SEC. 984. LOAN OR BORROWING OF SECURITIES.**

2 (a) RULEMAKING AUTHORITY.—Section 10 of the Se-  
3 curities Exchange Act of 1934 (15 U.S.C. 78j) is amended  
4 by adding at the end the following:

5 “(c)(1) To effect, accept, or facilitate a trans-  
6 action involving the loan or borrowing of securities  
7 in contravention of such rules and regulations as the  
8 Commission may prescribe as necessary or appro-  
9 priate in the public interest or for the protection of  
10 investors.

11 “(2) Nothing in paragraph (1) may be con-  
12 strued to limit the authority of the appropriate Fed-  
13 eral banking agency (as defined in section 3(q) of  
14 the Federal Deposit Insurance Act (12 U.S.C.  
15 1813(q))), the National Credit Union Administra-  
16 tion, or any other Federal department or agency  
17 having a responsibility under Federal law to pre-  
18 scribe rules or regulations restricting transactions  
19 involving the loan or borrowing of securities in order  
20 to protect the safety and soundness of a financial in-  
21 stitution or to protect the financial system from sys-  
22 temic risk.”.

23 (b) RULEMAKING REQUIRED.—Not later than 2  
24 years after the date of enactment of this Act, the Commis-  
25 sion shall promulgate rules that are designed to increase  
26 the transparency of information available to brokers, deal-

1 ers, and investors, with respect to the loan or borrowing  
2 of securities.

3 **SEC. 985. TECHNICAL CORRECTIONS TO FEDERAL SECURI-**  
4 **TIES LAWS.**

5 (a) SECURITIES ACT OF 1933.—The Securities Act  
6 of 1933 (15 U.S.C. 77a et seq.) is amended—

7 (1) in section 3(a)(4) (15 U.S.C. 77c(a)(4)), by  
8 striking “individual;” and inserting “individual;”;

9 (2) in section 18 (15 U.S.C. 77r)—

10 (A) in subsection (b)(1)(C), by striking “is  
11 a security” and inserting “a security”; and

12 (B) in subsection (c)(2)(B)(i), by striking  
13 “State, or” and inserting “State or”;

14 (3) in section 19(d)(6)(A) (15 U.S.C.  
15 77s(d)(6)(A)), by striking “in paragraph (1) of (3)”  
16 and inserting “in paragraph (1) or (3)”; and

17 (4) in section 27A(c)(1)(B)(ii) (15 U.S.C. 77z–  
18 2(c)(1)(B)(ii)), by striking “business entity;” and in-  
19 serting “business entity.”

20 (b) SECURITIES EXCHANGE ACT OF 1934.—The Se-  
21 curities Exchange Act of 1934 (15 U.S.C. 78a et seq.)  
22 is amended—

23 (1) in section 2 (15 U.S.C. 78b), by striking  
24 “affected” and inserting “effected”;

25 (2) in section 3 (15 U.S.C. 78c)—

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1 (A) in subsection (a)(55)(A), by striking  
2 “section 3(a)(12) of the Securities Exchange  
3 Act of 1934” and inserting “section 3(a)(12) of  
4 this title”; and

5 (B) in subsection (g), by striking “com-  
6 pany, account person, or entity” and inserting  
7 “company, account, person, or entity”;

8 (3) in section 10A(i)(1)(B) (15 U.S.C. 78j-  
9 1(i)(1)(B))—

10 (A) in the subparagraph heading, by strik-  
11 ing “MINIMUS” and inserting “MINIMIS”; and

12 (B) in clause (i), by striking “nonaudit”  
13 and inserting “non-audit”;

14 (4) in section 13(b)(1) (15 U.S.C. 78m(b)(1)),  
15 by striking “earning statement” and inserting  
16 “earnings statement”;

17 (5) in section 15 (15 U.S.C. 78o)—

18 (A) in subsection (b)(1)—

19 (i) in subparagraph (B), by striking  
20 “The order granting” and all that follows  
21 through “from such membership.”; and

22 (ii) in the undesignated matter imme-  
23 diately following subparagraph (B), by in-  
24 serting after the first sentence the fol-  
25 lowing: “The order granting registration

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1 shall not be effective until such broker or  
2 dealer has become a member of a reg-  
3 istered securities association, or until such  
4 broker or dealer has become a member of  
5 a national securities exchange, if such  
6 broker or dealer effects transactions solely  
7 on that exchange, unless the Commission  
8 has exempted such broker or dealer, by  
9 rule or order, from such membership.”;

10 (6) in section 15C(a)(2) (15 U.S.C. 78o-  
11 5(a)(2))—

12 (A) by redesignating clauses (i) and (ii) as  
13 subparagraphs (A) and (B), respectively, and  
14 adjusting the subparagraph margins accord-  
15 ingly;

16 (B) in subparagraph (B), as so redesi-  
17 gnated, by striking “The order granting” and all  
18 that follows through “from such membership.”;  
19 and

20 (C) in the matter following subparagraph  
21 (B), as so redesignated, by inserting after the  
22 first sentence the following: “The order grant-  
23 ing registration shall not be effective until such  
24 government securities broker or government se-  
25 curities dealer has become a member of a na-

1            tional securities exchange registered under sec-  
2            tion 6 of this title, or a securities association  
3            registered under section 15A of this title, unless  
4            the Commission has exempted such government  
5            securities broker or government securities deal-  
6            er, by rule or order, from such membership.”;

7            (7) in section 17(b)(1)(B) (15 U.S.C.  
8            78q(b)(1)(B)), by striking “15A(k) gives” and in-  
9            sserting “15A(k), give”; and

10           (8) in section 21C(c)(2) (15 U.S.C. 78u-  
11           3(c)(2)), by striking “paragraph (1) subsection” and  
12           inserting “Paragraph (1)”.

13           (c) TRUST INDENTURE ACT OF 1939.—The Trust  
14           Indenture Act of 1939 (15 U.S.C. 77aaa et seq.) is  
15           amended—

16           (1) in section 304(b) (15 U.S.C. 77ddd(b)), by  
17           striking “section 2 of such Act” and inserting “sec-  
18           tion 2(a) of such Act”; and

19           (2) in section 317(a)(1) (15 U.S.C.  
20           77qqq(a)(1)), by striking “, in the” and inserting  
21           “in the”.

22           (d) INVESTMENT COMPANY ACT OF 1940.—The In-  
23           vestment Company Act of 1940 (15 U.S.C. 80a–1 et seq.)  
24           is amended—

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1           (1) in section 2(a)(19) (15 U.S.C. 80a–  
2           2(a)(19)), in the matter following subparagraph  
3           (B)(vii)—

4                 (A) by striking “clause (vi)” each place  
5                 that term appears and inserting “clause (vii)”;  
6                 and

7                 (B) in each of subparagraphs (A)(vi) and  
8                 (B)(vi), by adding “and” at the end of sub-  
9                 clause (III);

10           (2) in section 9(b)(4)(B) (15 U.S.C. 80a–  
11           9(b)(4)(B)), by adding “or” after the semicolon at  
12           the end;

13           (3) in section 12(d)(1)(J) (15 U.S.C. 80a–  
14           12(d)(1)(J)), by striking “any provision of this sub-  
15           section” and inserting “any provision of this para-  
16           graph”;

17           (4) in section 17(f) (15 U.S.C. 80a–17(f))—

18                 (A) in paragraph (4), by striking “No such  
19                 member” and inserting “No member of a na-  
20                 tional securities exchange”; and

21                 (B) in paragraph (6), by striking “com-  
22                 pany may serve” and inserting “company, may  
23                 serve”; and

24           (5) in section 61(a)(3)(B)(iii) (15 U.S.C. 80a–  
25           60(a)(3)(B)(iii))—



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1 (A) by striking “paragraph (1) of section  
2 205” and inserting “section 205(a)(1)”; and

3 (B) by striking “clause (A) or (B) of that  
4 section” and inserting “paragraph (1) or (2) of  
5 section 205(b)”.

6 (e) INVESTMENT ADVISERS ACT OF 1940.—The In-  
7 vestment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.)  
8 is amended—

9 (1) in section 203 (15 U.S.C. 80b–3)—

10 (A) in subsection (c)(1)(A), by striking  
11 “principal business office and” and inserting  
12 “principal office, principal place of business,  
13 and”; and

14 (B) in subsection (k)(4)(B), in the matter  
15 following clause (ii), by striking “principal place  
16 of business” and inserting “principal office or  
17 place of business”;

18 (2) in section 206(3) (15 U.S.C. 80b–6(3)), by  
19 adding “or” after the semicolon at the end;

20 (3) in section 213(a) (15 U.S.C. 80b–13(a)), by  
21 striking “principal place of business” and inserting  
22 “principal office or place of business”; and

23 (4) in section 222 (15 U.S.C. 80b–18a), by  
24 striking “principal place of business” each place that

1 term appears and inserting “principal office and  
2 place of business”.

3 **SEC. 986. CONFORMING AMENDMENTS RELATING TO RE-**  
4 **PEAL OF THE PUBLIC UTILITY HOLDING**  
5 **COMPANY ACT OF 1935.**

6 (a) SECURITIES EXCHANGE ACT OF 1934.—The Se-  
7 curities Exchange Act of 1934 (15 U.S.C. 78 et seq.) is  
8 amended—

9 (1) in section 3(a)(47) (15 U.S.C. 78c(a)(47)),  
10 by striking “the Public Utility Holding Company  
11 Act of 1935 (15 U.S.C. 79a et seq.)”;

12 (2) in section 12(k) (15 U.S.C. 78l(k)), by  
13 amending paragraph (7) to read as follows:

14 “(7) DEFINITION.—For purposes of this sub-  
15 section, the term ‘emergency’ means—

16 “(A) a major market disturbance charac-  
17 terized by or constituting—

18 “(i) sudden and excessive fluctuations  
19 of securities prices generally, or a substan-  
20 tial threat thereof, that threaten fair and  
21 orderly markets; or

22 “(ii) a substantial disruption of the  
23 safe or efficient operation of the national  
24 system for clearance and settlement of

1 transactions in securities, or a substantial  
2 threat thereof; or

3 “(B) a major disturbance that substan-  
4 tially disrupts, or threatens to substantially dis-  
5 rupt—

6 “(i) the functioning of securities mar-  
7 kets, investment companies, or any other  
8 significant portion or segment of the secu-  
9 rities markets; or

10 “(ii) the transmission or processing of  
11 securities transactions.”; and

12 (3) in section 21(h)(2) (15 U.S.C. 78u(h)(2)),  
13 by striking “section 18(c) of the Public Utility Hold-  
14 ing Company Act of 1935,”.

15 (b) TRUST INDENTURE ACT OF 1939.—The Trust  
16 Indenture Act of 1939 (15 U.S.C. 77aaa et seq.) is  
17 amended—

18 (1) in section 303 (15 U.S.C. 77ccc), by strik-  
19 ing paragraph (17) and inserting the following:

20 “(17) The terms ‘Securities Act of 1933’ and  
21 ‘Securities Exchange Act of 1934’ shall be deemed  
22 to refer, respectively, to such Acts, as amended,  
23 whether amended prior to or after the enactment of  
24 this title.”;

1           (2) in section 308 (15 U.S.C. 77hhh), by strik-  
2           ing “Securities Act of 1933, the Securities Exchange  
3           Act of 1934, or the Public Utility Holding Company  
4           Act of 1935” each place that term appears and in-  
5           serting “Securities Act of 1933 or the Securities Ex-  
6           change Act of 1934”;

7           (3) in section 310 (15 U.S.C. 77jjj), by striking  
8           subsection (c);

9           (4) in section 311 (15 U.S.C. 77kkk), by strik-  
10          ing subsection (c);

11          (5) in section 323(b) (15 U.S.C. 77www(b)), by  
12          striking “Securities Act of 1933, or the Securities  
13          Exchange Act of 1934, or the Public Utility Holding  
14          Company Act of 1935” and inserting “Securities Act  
15          of 1933 or the Securities Exchange Act of 1934”;  
16          and

17          (6) in section 326 (15 U.S.C. 77zzz), by strik-  
18          ing “Securities Act of 1933, or the Securities Ex-  
19          change Act of 1934, or the Public Utility Holding  
20          Company Act of 1935,” and inserting “Securities  
21          Act of 1933 or the Securities Exchange Act of  
22          1934”.

23          (c) INVESTMENT COMPANY ACT OF 1940.—The In-  
24          vestment Company Act of 1940 (15 U.S.C. 80a–1 et seq.)  
25          is amended—

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1 (1) in section 2(a)(44) (15 U.S.C. 80a–  
2 2(a)(44)), by striking “‘Public Utility Holding Com-  
3 pany Act of 1935’,”;

4 (2) in section 3(c) (15 U.S.C. 80a–3(c)), by  
5 striking paragraph (8) and inserting the following:

6 “(8) [Repealed]”;

7 (3) in section 38(b) (15 U.S.C. 80a–37(b)), by  
8 striking “the Public Utility Holding Company Act of  
9 1935,”; and

10 (4) in section 50 (15 U.S.C. 80a–49), by strik-  
11 ing “the Public Utility Holding Company Act of  
12 1935,”.

13 (d) INVESTMENT ADVISERS ACT OF 1940.—Section  
14 202(a)(21) of the Investment Advisers Act of 1940 (15  
15 U.S.C. 80b–2(a)(21)) is amended by striking “‘Public  
16 Utility Holding Company Act of 1935’,”.

17 **SEC. 987. AMENDMENT TO DEFINITION OF MATERIAL LOSS**  
18 **AND NONMATERIAL LOSSES TO THE DEPOSIT**  
19 **INSURANCE FUND FOR PURPOSES OF IN-**  
20 **SPECTOR GENERAL REVIEWS.**

21 (a) IN GENERAL.—Section 38(k) of the Federal De-  
22 posit Insurance Act (U.S.C. 1831o(k)) is amended—

23 (1) in paragraph (2), by striking subparagraph  
24 (B) and inserting the following:

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1           “(B) MATERIAL LOSS DEFINED.—The  
2 term ‘material loss’ means any estimated loss in  
3 excess of—

4           “(i) \$200,000,000, if the loss occurs  
5 during the period beginning on January 1,  
6 2010, and ending on December 31, 2011;

7           “(ii) \$150,000,000, if the loss occurs  
8 during the period beginning on January 1,  
9 2012, and ending on December 31, 2013;  
10 and

11           “(iii) \$50,000,000, if the loss occurs  
12 on or after January 1, 2014, provided that  
13 if the inspector general of a Federal bank-  
14 ing agency certifies to the Committee on  
15 Banking, Housing, and Urban Affairs of  
16 the Senate and the Committee on Finan-  
17 cial Services of the House of Representa-  
18 tives that the number of projected failures  
19 of depository institutions that would re-  
20 quire material loss reviews for the fol-  
21 lowing 12 months will be greater than 30  
22 and would hinder the effectiveness of its  
23 oversight functions, then the definition of  
24 ‘material loss’ shall be \$75,000,000 for a

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1 duration of 1 year from the date of the  
2 certification.”;

3 (2) in paragraph (4)(A) by striking “the re-  
4 port” and inserting “any report on losses required  
5 under this subsection,”;

6 (3) by striking paragraph (6);

7 (4) by redesignating paragraph (5) as para-  
8 graph (6); and

9 (5) by inserting after paragraph (4) the fol-  
10 lowing:

11 “(5) LOSSES THAT ARE NOT MATERIAL.—

12 “(A) SEMIANNUAL REPORT.—For the 6-  
13 month period ending on March 31, 2010, and  
14 each 6-month period thereafter, the Inspector  
15 General of each Federal banking agency shall—

16 “(i) identify losses that the Inspector  
17 General estimates have been incurred by  
18 the Deposit Insurance Fund during that 6-  
19 month period, with respect to the insured  
20 depository institutions supervised by the  
21 Federal banking agency;

22 “(ii) for each loss incurred by the De-  
23 posit Insurance Fund that is not a mate-  
24 rial loss, determine—

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1           “(I) the grounds identified by the  
2           Federal banking agency or State bank  
3           supervisor for appointing the Corpora-  
4           tion as receiver under section  
5           11(c)(5); and

6           “(II) whether any unusual cir-  
7           cumstances exist that might warrant  
8           an in-depth review of the loss; and

9           “(iii) prepare and submit a written re-  
10          port to the appropriate Federal banking  
11          agency and to Congress on the results of  
12          any determination by the Inspector Gen-  
13          eral, including—

14           “(I) an identification of any loss  
15           that warrants an in-depth review, to-  
16           gether with the reasons why such re-  
17           view is warranted, or, if the Inspector  
18           General determines that no review is  
19           warranted, an explanation of such de-  
20           termination; and

21           “(II) for each loss identified  
22           under subclause (I) that warrants an  
23           in-depth review, the date by which  
24           such review, and a report on such re-  
25           view prepared in a manner consistent



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1 with reports under paragraph (1)(A),  
2 will be completed and submitted to  
3 the Federal banking agency and Con-  
4 gress.

5 “(B) DEADLINE FOR SEMIANNUAL RE-  
6 PORT.—The Inspector General of each Federal  
7 banking agency shall—

8 “(i) submit each report required  
9 under paragraph (A) expeditiously, and not  
10 later than 90 days after the end of the 6-  
11 month period covered by the report; and

12 “(ii) provide a copy of the report re-  
13 quired under paragraph (A) to any Mem-  
14 ber of Congress, upon request.”.

15 (b) TECHNICAL AND CONFORMING AMENDMENT.—  
16 The heading for subsection (k) of section 38 of the Fed-  
17 eral Deposit Insurance Act (U.S.C. 1831o(k)) is amended  
18 to read as follows:

19 “(k) REVIEWS REQUIRED WHEN DEPOSIT INSUR-  
20 ANCE FUND INCURS LOSSES.—”.

1 **SEC. 988. AMENDMENT TO DEFINITION OF MATERIAL LOSS**  
2 **AND NONMATERIAL LOSSES TO THE NA-**  
3 **TIONAL CREDIT UNION SHARE INSURANCE**  
4 **FUND FOR PURPOSES OF INSPECTOR GEN-**  
5 **ERAL REVIEWS.**

6 (a) IN GENERAL.—Section 216(j) of the Federal  
7 Credit Union Act (12 U.S.C. 1790d(j)) is amended to read  
8 as follows:

9 “(j) REVIEWS REQUIRED WHEN SHARE INSURANCE  
10 FUND EXPERIENCES LOSSES.—

11 “(1) IN GENERAL.—If the Fund incurs a mate-  
12 rial loss with respect to an insured credit union, the  
13 Inspector General of the Board shall—

14 “(A) submit to the Board a written report  
15 reviewing the supervision of the credit union by  
16 the Administration (including the implementa-  
17 tion of this section by the Administration),  
18 which shall include—

19 “(i) a description of the reasons why  
20 the problems of the credit union resulted  
21 in a material loss to the Fund; and

22 “(ii) recommendations for preventing  
23 any such loss in the future; and

24 “(B) submit a copy of the report under  
25 subparagraph (A) to—

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1 “(i) the Comptroller General of the  
2 United States;

3 “(ii) the Corporation;

4 “(iii) in the case of a report relating  
5 to a State credit union, the appropriate  
6 State supervisor; and

7 “(iv) to any Member of Congress,  
8 upon request.

9 “(2) MATERIAL LOSS DEFINED.—For purposes  
10 of determining whether the Fund has incurred a ma-  
11 terial loss with respect to an insured credit union, a  
12 loss is material if it exceeds the sum of—

13 “(A) \$25,000,000; and

14 “(B) an amount equal to 10 percent of the  
15 total assets of the credit union on the date on  
16 which the Board initiated assistance under sec-  
17 tion 208 or was appointed liquidating agent.

18 “(3) PUBLIC DISCLOSURE REQUIRED.—

19 “(A) IN GENERAL.—The Board shall dis-  
20 close a report under this subsection, upon re-  
21 quest under section 552 of title 5, United  
22 States Code, without excising—

23 “(i) any portion under section  
24 552(b)(5) of title 5, United States Code; or

1           “(ii) any information about the in-  
2           sured credit union (other than trade se-  
3           crets) under section 552(b)(8) of title 5,  
4           United States Code.

5           “(B) RULE OF CONSTRUCTION.—Subpara-  
6           graph (A) may not be construed as requiring  
7           the agency to disclose the name of any cus-  
8           tomer of the insured credit union (other than  
9           an institution-affiliated party), or information  
10          from which the identity of such customer could  
11          reasonably be ascertained.

12          “(4) LOSSES THAT ARE NOT MATERIAL.—

13           “(A) SEMIANNUAL REPORT.—For the 6-  
14          month period ending on March 31, 2010, and  
15          each 6-month period thereafter, the Inspector  
16          General of the Board shall—

17           “(i) identify any losses that the In-  
18          spector General estimates were incurred by  
19          the Fund during such 6-month period,  
20          with respect to insured credit unions;

21           “(ii) for each loss to the Fund that is  
22          not a material loss, determine—

23           “(I) the grounds identified by the  
24          Board or the State official having ju-  
25          risdiction over a State credit union for

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1                   appointing the Board as the liqui-  
2                   dating agent for any Federal or State  
3                   credit union; and

4                   “(II) whether any unusual cir-  
5                   cumstances exist that might warrant  
6                   an in-depth review of the loss; and

7                   “(iii) prepare and submit a written re-  
8                   port to the Board and to Congress on the  
9                   results of the determinations of the Inspec-  
10                  tor General that includes—

11                  “(I) an identification of any loss  
12                  that warrants an in-depth review, and  
13                  the reasons such review is warranted,  
14                  or if the Inspector General determines  
15                  that no review is warranted, an expla-  
16                  nation of such determination; and

17                  “(II) for each loss identified in  
18                  subclause (I) that warrants an in-  
19                  depth review, the date by which such  
20                  review, and a report on the review  
21                  prepared in a manner consistent with  
22                  reports under paragraph (1)(A), will  
23                  be completed.

1           “(B) DEADLINE FOR SEMIANNUAL RE-  
2           PORT.—The Inspector General of the Board  
3           shall—

4                   “(i) submit each report required  
5                   under subparagraph (A) expeditiously, and  
6                   not later than 90 days after the end of the  
7                   6-month period covered by the report; and

8                   “(ii) provide a copy of the report re-  
9                   quired under subparagraph (A) to any  
10                  Member of Congress, upon request.

11           “(5) GAO REVIEW.—The Comptroller General  
12           of the United States shall, under such conditions as  
13           the Comptroller General determines to be appro-  
14           priate—

15                   “(A) review each report made under para-  
16                   graph (1), including the extent to which the In-  
17                   specter General of the Board complied with the  
18                   requirements under section 8L of the Inspector  
19                   General Act of 1978 (5 U.S.C. App.) with re-  
20                   spect to each such report; and

21                   “(B) recommend improvements to the su-  
22                   pervision of insured credit unions (including im-  
23                   provements relating to the implementation of  
24                   this section).”.

1 **SEC. 989. GOVERNMENT ACCOUNTABILITY OFFICE STUDY**  
2 **ON PROPRIETARY TRADING.**

3 (a) DEFINITIONS.—In this section—

4 (1) the term “covered entity” means—

5 (A) an insured depository institution, an  
6 affiliate of an insured depository institution, a  
7 bank holding company, a financial holding com-  
8 pany, or a subsidiary of a bank holding com-  
9 pany or a financial holding company, as those  
10 terms are defined in the Bank Holding Com-  
11 pany Act of 1956 (12 U.S.C. 1841 et seq.); and

12 (B) any other entity, as the Comptroller  
13 General of the United States may determine;  
14 and

15 (2) the term “proprietary trading” means the  
16 act of a covered entity investing as a principal in se-  
17 curities, commodities, derivatives, hedge funds, pri-  
18 vate equity firms, or such other financial products or  
19 entities as the Comptroller General may determine.

20 (b) STUDY.—

21 (1) IN GENERAL.—The Comptroller General of  
22 the United States shall conduct a study regarding  
23 the risks and conflicts associated with proprietary  
24 trading by and within covered entities, including an  
25 evaluation of—

1           (A) whether proprietary trading presents a  
2 material systemic risk to the stability of the  
3 United States financial system, and if so, the  
4 costs and benefits of options for mitigating such  
5 systemic risk;

6           (B) whether proprietary trading presents  
7 material risks to the safety and soundness of  
8 the covered entities that engage in such activi-  
9 ties, and if so, the costs and benefits of options  
10 for mitigating such risks;

11           (C) whether proprietary trading presents  
12 material conflicts of interest between covered  
13 entities that engage in proprietary trading and  
14 the clients of the institutions who use the firm  
15 to execute trades or who rely on the firm to  
16 manage assets, and if so, the costs and benefits  
17 of options for mitigating such conflicts of inter-  
18 est;

19           (D) whether adequate disclosure regarding  
20 the risks and conflicts of proprietary trading is  
21 provided to the depositors, trading and asset  
22 management clients, and investors of covered  
23 entities that engage in proprietary trading, and  
24 if not, the costs and benefits of options for the  
25 improvement of such disclosure; and



1           (E) whether the banking, securities, and  
2 commodities regulators of institutions that en-  
3 gage in proprietary trading have in place ade-  
4 quate systems and controls to monitor and con-  
5 tain any risks and conflicts of interest related  
6 to proprietary trading, and if not, the costs and  
7 benefits of options for the improvement of such  
8 systems and controls.

9           (2) CONSIDERATIONS.—In carrying out the  
10 study required under paragraph (1), the Comptroller  
11 General shall consider—

12           (A) current practice relating to proprietary  
13 trading;

14           (B) the advisability of a complete ban on  
15 proprietary trading;

16           (C) limitations on the scope of activities  
17 that covered entities may engage in with respect  
18 to proprietary trading;

19           (D) the advisability of additional capital  
20 requirements for covered entities that engage in  
21 proprietary trading;

22           (E) enhanced restrictions on transactions  
23 between affiliates related to proprietary trading;

24           (F) enhanced accounting disclosures relat-  
25 ing to proprietary trading;

1                   (G) enhanced public disclosure relating to  
2                   proprietary trading; and

3                   (H) any other options the Comptroller  
4                   General deems appropriate.

5           (c) REPORT TO CONGRESS.—Not later than 15  
6 months after the date of enactment of this Act, the Comp-  
7 troller General shall submit a report to Congress on the  
8 results of the study conducted under subsection (b).

9           (d) ACCESS BY COMPTROLLER GENERAL.—For pur-  
10 poses of conducting the study required under subsection  
11 (b), the Comptroller General shall have access, upon re-  
12 quest, to any information, data, schedules, books, ac-  
13 counts, financial records, reports, files, electronic commu-  
14 nications, or other papers, things, or property belonging  
15 to or in use by a covered entity that engages in proprietary  
16 trading, and to the officers, directors, employees, inde-  
17 pendent public accountants, financial advisors, staff, and  
18 agents and representatives of a covered entity (as related  
19 to the activities of the agent or representative on behalf  
20 of the covered entity), at such reasonable times as the  
21 Comptroller General may request. The Comptroller Gen-  
22 eral may make and retain copies of books, records, ac-  
23 counts, and other records, as the Comptroller General  
24 deems appropriate.

25           (e) CONFIDENTIALITY OF REPORTS.—

1           (1) IN GENERAL.—Except as provided in para-  
2 graph (2), the Comptroller General may not disclose  
3 information regarding—

4           (A) any proprietary trading activity of a  
5 covered entity, unless such information is dis-  
6 closed at a level of generality that does not re-  
7 veal the investment or trading position or strat-  
8 egy of the covered entity for any specific secu-  
9 rity, commodity, derivative, or other investment  
10 or financial product; or

11           (B) any individual interviewed by the  
12 Comptroller General for purposes of the study  
13 under subsection (b), unless such information is  
14 disclosed at a level of generality that does not  
15 reveal—

16           (i) the name of or identifying details  
17 relating to such individual; or

18           (ii) in the case of an individual who is  
19 an employee of a third party that provides  
20 professional services to a covered entity be-  
21 lieved to be engaged in proprietary trading,  
22 the name of or any identifying details re-  
23 lating to such third party.

1           (2) EXCEPTIONS.—The Comptroller General  
2           may disclose the information described in paragraph  
3           (1)—

4                   (A) to a department, agency, or official of  
5           the Federal Government, for official use, upon  
6           request;

7                   (B) to a committee of Congress, upon re-  
8           quest; and

9                   (C) to a court, upon an order of such  
10          court.

11 **SEC. 989A. SENIOR INVESTOR PROTECTIONS.**

12          (a) DEFINITIONS.—As used in this section—

13               (1) the term “eligible entity” means—

14                   (A) a securities commission (or any agency  
15           or office performing like functions) of a State  
16           that the Office determines has adopted rules on  
17           the appropriate use of designations in the offer  
18           or sale of securities or the provision of invest-  
19           ment advice that meet or exceed the minimum  
20           requirements of the NASAA Model Rule on the  
21           Use of Senior-Specific Certifications and Pro-  
22           fessional Designations (or any successor there-  
23           to);

1 (B) the insurance commission (or any  
2 agency or office performing like functions) of  
3 any State that the Office determines has—

4 (i) adopted rules on the appropriate  
5 use of designations in the sale of insurance  
6 products that, to the extent practicable,  
7 conform to the minimum requirements of  
8 the National Association of Insurance  
9 Commissioners Model Regulation on the  
10 Use of Senior-Specific Certifications and  
11 Professional Designations in the Sale of  
12 Life Insurance and Annuities (or any suc-  
13 cessor thereto); and

14 (ii) adopted rules with respect to fidu-  
15 ciary or suitability requirements in the sale  
16 of annuities that meet or exceed the min-  
17 imum requirements established by the  
18 Suitability in Annuity Transactions Model  
19 Regulation of the National Association of  
20 Insurance Commissioners (or any successor  
21 thereto); or

22 (C) a consumer protection agency of any  
23 State, if—

24 (i) the securities commission (or any  
25 agency or office performing like functions)

1 of the State is eligible under subparagraph  
2 (A); or

3 (ii) the insurance commission (or any  
4 agency or office performing like functions)  
5 of the State is eligible under subparagraph  
6 (B);

7 (2) the term “financial product” means a secu-  
8 rity, an insurance product (including an insurance  
9 product that pays a return, whether fixed or vari-  
10 able), a bank product, and a loan product;

11 (3) the term “misleading designation”—

12 (A) means a certification, professional des-  
13 igation, or other purported credential that in-  
14 dicates or implies that a salesperson or adviser  
15 has special certification or training in advising  
16 or servicing seniors; and

17 (B) does not include a certification, profes-  
18 sional designation, license, or other credential  
19 that—

20 (i) was issued by or obtained from an  
21 academic institution having regional ac-  
22 creditation;

23 (ii) meets the standards for certifi-  
24 cations and professional designations out-  
25 lined by the NASAA Model Rule on the

1           Use of Senior-Specific Certifications and  
2           Professional Designations (or any suc-  
3           cessor thereto) or by the Model Regula-  
4           tions on the Use of Senior-Specific Certifi-  
5           cations and Professional Designations in  
6           the Sale of Life Insurance and Annuities,  
7           adopted by the National Association of In-  
8           surance Commissioners (or any successor  
9           thereto); or

10                   (iii) was issued by or obtained from a  
11           State;

12           (4) the term “misleading or fraudulent mar-  
13           keting” means the use of a misleading designation  
14           by a person that sells to or advises a senior in con-  
15           nection with the sale of a financial product;

16           (5) the term “NASAA” means the North Amer-  
17           ican Securities Administrators Association;

18           (6) the term “Office” means the Office of Fi-  
19           nancial Literacy of the Bureau;

20           (7) the term “senior” means any individual who  
21           has attained the age of 62 years or older; and

22           (8) the term “State” has the same meaning as  
23           in section 3 of the Securities Exchange Act of 1934  
24           (15 U.S.C. 78c(a)).

1 (b) GRANTS TO STATES FOR ENHANCED PROTEC-  
2 TION OF SENIORS FROM BEING MISLED BY FALSE DES-  
3 IGNATIONS.—The Office shall establish a program under  
4 which the Office may make grants to States or eligible  
5 entities—

6 (1) to hire staff to identify, investigate, and  
7 prosecute (through civil, administrative, or criminal  
8 enforcement actions) cases involving misleading or  
9 fraudulent marketing;

10 (2) to fund technology, equipment, and training  
11 for regulators, prosecutors, and law enforcement of-  
12 ficers, in order to identify salespersons and advisers  
13 who target seniors through the use of misleading  
14 designations;

15 (3) to fund technology, equipment, and training  
16 for prosecutors to increase the successful prosecution  
17 of salespersons and advisers who target seniors with  
18 the use of misleading designations;

19 (4) to provide educational materials and train-  
20 ing to regulators on the appropriateness of the use  
21 of designations by salespersons and advisers in con-  
22 nection with the sale and marketing of financial  
23 products;



1           (5) to provide educational materials and train-  
2           ing to seniors to increase awareness and under-  
3           standing of misleading or fraudulent marketing;

4           (6) to develop comprehensive plans to combat  
5           misleading or fraudulent marketing of financial  
6           products to seniors; and

7           (7) to enhance provisions of State law to pro-  
8           vide protection for seniors against misleading or  
9           fraudulent marketing.

10          (c) APPLICATIONS.—A State or eligible entity desir-  
11          ing a grant under this section shall submit an application  
12          to the Office, in such form and in such a manner as the  
13          Office may determine, that includes—

14                (1) a proposal for activities to protect seniors  
15                from misleading or fraudulent marketing that are  
16                proposed to be funded using a grant under this sec-  
17                tion, including—

18                    (A) an identification of the scope of the  
19                    problem of misleading or fraudulent marketing  
20                    in the State;

21                    (B) a description of how the proposed ac-  
22                    tivities would—

23                        (i) protect seniors from misleading or  
24                        fraudulent marketing in the sale of finan-  
25                        cial products, including by proactively iden-

1                   tifying victims of misleading and fraudu-  
2                   lent marketing who are seniors;

3                   (ii) assist in the investigation and  
4                   prosecution of those using misleading or  
5                   fraudulent marketing; and

6                   (iii) discourage and reduce cases of  
7                   misleading or fraudulent marketing; and

8                   (C) a description of how the proposed ac-  
9                   tivities would be coordinated with other State  
10                  efforts; and

11                 (2) any other information, as the Office deter-  
12                 mines is appropriate.

13                 (d) PERFORMANCE OBJECTIVES AND REPORTING  
14                 REQUIREMENTS.—The Office may establish such perform-  
15                 ance objectives and reporting requirements for States and  
16                 eligible entities receiving a grant under this section as the  
17                 Office determines are necessary to carry out and assess  
18                 the effectiveness of the program under this section.

19                 (e) MAXIMUM AMOUNT.—The amount of a grant  
20                 under this section may not exceed—

21                   (1) \$500,000 for each of 3 consecutive fiscal  
22                   years, if the recipient is a State, or an eligible entity  
23                   of a State, that has adopted rules—

24                   (A) on the appropriate use of designations  
25                   in the offer or sale of securities or investment

1           advice that meet or exceed the minimum re-  
2           quirements of the NASAA Model Rule on the  
3           Use of Senior-Specific Certifications and Pro-  
4           fessional Designations (or any successor there-  
5           to);

6                   (B) on the appropriate use of designations  
7           in the sale of insurance products that, to the  
8           extent practicable, conform to the minimum re-  
9           quirements of the National Association of In-  
10          surance Commissioners Model Regulation on  
11          the Use of Senior-Specific Certifications and  
12          Professional Designations in the Sale of Life  
13          Insurance and Annuities (or any successor  
14          thereto); and

15                   (C) with respect to fiduciary or suitability  
16          requirements in the sale of annuities that meet  
17          or exceed the minimum requirements estab-  
18          lished by the Suitability in Annuity Trans-  
19          actions Model Regulation of the National Asso-  
20          ciation of Insurance Commissioners (or any  
21          successor thereto); and

22                   (2) \$100,000 for each of 3 consecutive fiscal  
23          years, if the recipient is a State, or an eligible entity  
24          of a State, that has adopted—

1 (A) rules on the appropriate use of des-  
2 ignations in the offer or sale of securities or in-  
3 vestment advice that meet or exceed the min-  
4 imum requirements of the NASAA Model Rule  
5 on the Use of Senior-Specific Certifications and  
6 Professional Designations (or any successor  
7 thereto); or

8 (B) rules—

9 (i) on the appropriate use of designa-  
10 tions in the sale of insurance products  
11 that, to the extent practicable, conform to  
12 the minimum requirements of the National  
13 Association of Insurance Commissioners  
14 Model Regulation on the Use of Senior-  
15 Specific Certifications and Professional  
16 Designations in the Sale of Life Insurance  
17 and Annuities (or any successor thereto);  
18 and

19 (ii) with respect to fiduciary or suit-  
20 ability requirements in the sale of annu-  
21 ities that meet or exceed the minimum re-  
22 quirements established by the Suitability in  
23 Annuity Transactions Model Regulation of  
24 the National Association of Insurance  
25 Commissioners (or any successor thereto).

1 (f) SUBGRANTS.—A State or eligible entity that re-  
2 ceives a grant under this section may make a subgrant,  
3 as the State or eligible entity determines is necessary to  
4 carry out the activities funded using a grant under this  
5 section.

6 (g) REAPPLICATION.—A State or eligible entity that  
7 receives a grant under this section may reapply for a grant  
8 under this section, notwithstanding the limitations on  
9 grant amounts under subsection (e).

10 (h) AUTHORIZATION OF APPROPRIATIONS.—There  
11 are authorized to be appropriated to carry out this section,  
12 \$8,000,000 for each of fiscal years 2011 through 2015.

13 **SEC. 989B. DESIGNATED FEDERAL ENTITY INSPECTORS**  
14 **GENERAL INDEPENDENCE.**

15 Section 8G of the Inspector General Act of 1978 (5  
16 U.S.C. App.) is amended—

17 (1) in subsection (a)(4)—

18 (A) in the matter preceding subparagraph  
19 (A), by inserting “the board or commission of  
20 the designated Federal entity, or in the event  
21 the designated Federal entity does not have a  
22 board or commission,” after “means”;

23 (B) in subparagraph (A), by striking  
24 “and” after the semicolon; and

1 (C) by adding after subparagraph (B) the  
2 following:

3 “(C) with respect to the Federal Labor Re-  
4 lations Authority, such term means the mem-  
5 bers of the Authority (described under section  
6 7104 of title 5, United States Code);

7 “(D) with respect to the National Archives  
8 and Records Administration, such term means  
9 the Archivist of the United States;

10 “(E) with respect to the National Credit  
11 Union Administration, such term means the  
12 National Credit Union Administration Board  
13 (described under section 102 of the Federal  
14 Credit Union Act (12 U.S.C. 1752a);

15 “(F) with respect to the National Endow-  
16 ment of the Arts, such term means the Na-  
17 tional Council on the Arts;

18 “(G) with respect to the National Endow-  
19 ment for the Humanities, such term means the  
20 National Council on the Humanities; and

21 “(H) with respect to the Peace Corps, such  
22 term means the Director of the Peace Corps;”;  
23 and

1           (2) in subsection (h), by inserting “if the des-  
2           ignated Federal entity is not a board or commission,  
3           include” after “designated Federal entities and”.

4 **SEC. 989C. STRENGTHENING INSPECTOR GENERAL AC-**  
5 **COUNTABILITY.**

6           Section 5(a) of the Inspector General Act of 1978  
7 (5 U.S.C. App.) is amended—

8           (1) in paragraph (12), by striking “and” after  
9           the semicolon;

10           (2) in paragraph (13), by striking the period  
11           and inserting a semicolon; and

12           (3) by adding at the end the following:

13           “(14)(A) an appendix containing the results of  
14           any peer review conducted by another Office of In-  
15           spector General during the reporting period; or

16           “(B) if no peer review was conducted within  
17           that reporting period, a statement identifying the  
18           date of the last peer review conducted by another  
19           Office of Inspector General;

20           “(15) a list of any outstanding recommenda-  
21           tions from any peer review conducted by another Of-  
22           fice of Inspector General that have not been fully  
23           implemented, including a statement describing the  
24           status of the implementation and why implementa-  
25           tion is not complete; and

1           “(16) a list of any peer reviews conducted by  
2           the Inspector General of another Office of the In-  
3           specter General during the reporting period, includ-  
4           ing a list of any outstanding recommendations made  
5           from any previous peer review (including any peer  
6           review conducted before the reporting period) that  
7           remain outstanding or have not been fully imple-  
8           mented.”.

9   **SEC. 989D. REMOVAL OF INSPECTORS GENERAL OF DES-**  
10                           **IGNATED FEDERAL ENTITIES.**

11           Section 8G(e) of the Inspector General Act of 1978  
12 (5 U.S.C. App.) is amended—

13           (1) by redesignating the sentences following  
14           “(e)” as paragraph (2); and

15           (2) by striking “(e)” and inserting the fol-  
16           lowing:

17           “(e)(1) In the case of a designated Federal entity for  
18           which a board or commission is the head of the designated  
19           Federal entity, a removal under this subsection may only  
20           be made upon the written concurrence of a  $\frac{2}{3}$  majority  
21           of the board or commission.”.

22   **SEC. 989E. ADDITIONAL OVERSIGHT OF FINANCIAL REGU-**  
23                           **LATORY SYSTEM.**

24           (a) COUNCIL OF INSPECTORS GENERAL ON FINAN-  
25           CIAL OVERSIGHT.—



1           (1) ESTABLISHMENT AND MEMBERSHIP.—

2           There is established a Council of Inspectors General  
3           on Financial Oversight (in this section referred to as  
4           the “Council of Inspectors General”) chaired by the  
5           Inspector General of the Department of the Treas-  
6           ury and composed of the inspectors general of the  
7           following:

8                   (A) The Board of Governors of the Federal  
9                   Reserve System.

10                   (B) The Commodity Futures Trading  
11                   Commission.

12                   (C) The Department of Housing and  
13                   Urban Development.

14                   (D) The Department of the Treasury.

15                   (E) The Federal Deposit Insurance Cor-  
16                   poration.

17                   (F) The Federal Housing Finance Agency.

18                   (G) The National Credit Union Adminis-  
19                   tration.

20                   (H) The Securities and Exchange Commis-  
21                   sion.

22                   (I) The Troubled Asset Relief Program  
23                   (until the termination of the authority of the  
24                   Special Inspector General for such program  
25                   under section 121(k) of the Emergency Eco-

1            nomic Stabilization Act of 2008 (12 U.S.C.  
2            5231(k)).

3            (2) DUTIES.—

4            (A) MEETINGS.—The Council of Inspec-  
5            tors General shall meet not less than once each  
6            quarter, or more frequently if the chair con-  
7            siders it appropriate, to facilitate the sharing of  
8            information among inspectors general and to  
9            discuss the ongoing work of each inspector gen-  
10           eral who is a member of the Council of Inspec-  
11           tors General, with a focus on concerns that may  
12           apply to the broader financial sector and ways  
13           to improve financial oversight.

14           (B) ANNUAL REPORT.—Each year the  
15           Council of Inspectors General shall submit to  
16           the Council and to Congress a report includ-  
17           ing—

18           (i) for each inspector general who is a  
19           member of the Council of Inspectors Gen-  
20           eral, a section within the exclusive editorial  
21           control of such inspector general that high-  
22           lights the concerns and recommendations  
23           of such inspector general in such inspector  
24           general’s ongoing and completed work,

1 with a focus on issues that may apply to  
2 the broader financial sector; and

3 (ii) a summary of the general observa-  
4 tions of the Council of Inspectors General  
5 based on the views expressed by each in-  
6 spector general as required by clause (i),  
7 with a focus on measures that should be  
8 taken to improve financial oversight.

9 (3) WORKING GROUPS TO EVALUATE COUN-  
10 CIL.—

11 (A) CONVENING A WORKING GROUP.—The  
12 Council of Inspectors General may, by majority  
13 vote, convene a Council of Inspectors General  
14 Working Group to evaluate the effectiveness  
15 and internal operations of the Council.

16 (B) PERSONNEL AND RESOURCES.—The  
17 inspectors general who are members of the  
18 Council of Inspectors General may detail staff  
19 and resources to a Council of Inspectors Gen-  
20 eral Working Group established under this  
21 paragraph to enable it to carry out its duties.

22 (C) REPORTS.—A Council of Inspectors  
23 General Working Group established under this  
24 paragraph shall submit regular reports to the

1 Council and to Congress on its evaluations pur-  
2 suant to this paragraph.

3 (b) RESPONSE TO REPORT BY COUNCIL.—The Coun-  
4 cil shall respond to the concerns raised in the report of  
5 the Council of Inspectors General under subsection  
6 (a)(2)(B) for such year.

7 **SEC. 989F. GAO STUDY OF PERSON TO PERSON LENDING.**

8 (a) STUDY.—

9 (1) IN GENERAL.—The Comptroller General of  
10 the United States shall conduct a study of person to  
11 person lending to determine the optimal Federal reg-  
12 ulatory structure.

13 (2) CONSULTATION.—In conducting the study  
14 required under paragraph (1), the Comptroller Gen-  
15 eral shall consult with Federal banking agencies, the  
16 Commission, consumer groups, outside experts, and  
17 the person to person lending industry.

18 (3) CONTENT OF STUDY.—The study required  
19 under paragraph (1) shall include an examination  
20 of—

21 (A) the regulatory structure as it exists on  
22 the date of enactment of this Act, as deter-  
23 mined by the Commission, with particular at-  
24 tention to—

1 (i) the application of the Securities  
2 Act of 1933 to person to person lending  
3 platforms;

4 (ii) the posting of consumer loan in-  
5 formation on the EDGAR database of the  
6 Commission; and

7 (iii) the treatment of privately held  
8 person to person lending platforms as pub-  
9 lic companies;

10 (B) the State and other Federal regulators  
11 responsible for the oversight and regulation of  
12 person to person lending markets;

13 (C) any Federal, State, or local govern-  
14 ment or private studies of person to person  
15 lending completed or in progress on the date of  
16 enactment of this Act;

17 (D) consumer privacy and data protec-  
18 tions, minimum credit standards, anti-money  
19 laundering and risk management in the regu-  
20 latory structure as it exists on the date of en-  
21 actment of this Act, and whether additional or  
22 alternative safeguards are needed; and

23 (E) the uses of person to person lending.

24 (b) REPORT.—

1           (1) IN GENERAL.—Not later than 1 year after  
2           the date of enactment of this Act, the Comptroller  
3           General shall submit a report on the study required  
4           under subsection (a) to the Committee on Banking,  
5           Housing, and Urban Affairs of the Senate and the  
6           Committee on Financial Services of the House of  
7           Representatives.

8           (2) CONTENT OF REPORT.—The report re-  
9           quired under paragraph (1) shall include alternative  
10          regulatory options, including—

11                   (A) the involvement of other Federal agen-  
12                   cies; and

13                   (B) alternative approaches by the Commis-  
14                   sion and recommendations on whether the alter-  
15                   native approaches are effective.

16 **SEC. 989G. EXEMPTION FOR NONACCELERATED FILERS.**

17           (a) EXEMPTION.—Section 404 of the Sarbanes-Oxley  
18           Act of 2002 is amended by adding at the end the fol-  
19           lowing:

20           “(c) EXEMPTION FOR SMALLER ISSUERS.—Sub-  
21           section (b) shall not apply with respect to any audit report  
22           prepared for an issuer that is neither a ‘large accelerated  
23           filer’ nor an ‘accelerated filer’ as those terms are defined  
24           in Rule 12b–2 of the Commission (17 C.F.R. 240.12b–  
25           2).”.

1           (b) **STUDY.**—The Securities and Exchange Commis-  
2 sion shall conduct a study to determine how the Commis-  
3 sion could reduce the burden of complying with section  
4 404(b) of the Sarbanes-Oxley Act of 2002 for companies  
5 whose market capitalization is between \$75,000,000 and  
6 \$250,000,000 for the relevant reporting period while  
7 maintaining investor protections for such companies. The  
8 study shall also consider whether any such methods of re-  
9 ducing the compliance burden or a complete exemption for  
10 such companies from compliance with such section would  
11 encourage companies to list on exchanges in the United  
12 States in their initial public offerings. Not later than 9  
13 months after the date of the enactment of this subtitle,  
14 the Commission shall transmit a report of such study to  
15 Congress.

16 **SEC. 989H. CORRECTIVE RESPONSES BY HEADS OF CER-**  
17 **TAIN ESTABLISHMENTS TO DEFICIENCIES**  
18 **IDENTIFIED BY INSPECTORS GENERAL.**

19           The Chairman of the Board of Governors of the Fed-  
20 eral Reserve System, the Chairman of the Commodity Fu-  
21 tures Trading Commission, the Chairman of the National  
22 Credit Union Administration, the Director of the Pension  
23 Benefit Guaranty Corporation, and the Chairman of the  
24 Securities and Exchange Commission shall each—

1           (1) take action to address deficiencies identified  
2           by a report or investigation of the Inspector General  
3           of the establishment concerned; or

4           (2) certify to both Houses of Congress that no  
5           action is necessary or appropriate in connection with  
6           a deficiency described in paragraph (1).

7 **SEC. 989I. GAO STUDY REGARDING EXEMPTION FOR**  
8                                   **SMALLER ISSUERS.**

9           (a) STUDY REGARDING EXEMPTION FOR SMALLER  
10 ISSUERS.—The Comptroller General of the United States  
11 shall carry out a study on the impact of the amendments  
12 made by this Act to section 404(b) of the Sarbanes-Oxley  
13 Act of 2002 (15 U.S.C. 7262(b)), which shall include an  
14 analysis of—

15           (1) whether issuers that are exempt from such  
16           section 404(b) have fewer or more restatements of  
17           published accounting statements than issuers that  
18           are required to comply with such section 404(b);

19           (2) the cost of capital for issuers that are ex-  
20           empt from such section 404(b) compared to the cost  
21           of capital for issuers that are required to comply  
22           with such section 404(b);

23           (3) whether there is any difference in the con-  
24           fidence of investors in the integrity of financial  
25           statements of issuers that comply with such section



1 404(b) and issuers that are exempt from compliance  
2 with such section 404(b);

3 (4) whether issuers that do not receive the at-  
4 testation for internal controls required under such  
5 section 404(b) should be required to disclose the  
6 lack of such attestation to investors; and

7 (5) the costs and benefits to issuers that are ex-  
8 empt from such section 404(b) that voluntarily have  
9 obtained the attestation of an independent auditor.

10 (b) REPORT.—Not later than 3 years after the date  
11 of enactment of this Act, the Comptroller General shall  
12 submit to the Committee on Banking, Housing, and  
13 Urban Affairs of the Senate and the Committee on Finan-  
14 cial Services of the House of Representatives a report on  
15 the results of the study required under subsection (a).

16 **SEC. 989J. FURTHER PROMOTING THE ADOPTION OF THE**  
17 **NAIC MODEL REGULATIONS THAT ENHANCE**  
18 **PROTECTION OF SENIORS AND OTHER CON-**  
19 **SUMERS.**

20 (a) IN GENERAL.—The Commission shall treat as ex-  
21 empt securities described under section 3(a)(8) of the Se-  
22 curities Act of 1933 (15 U.S.C. 77c(a)(8)) any insurance  
23 or endowment policy or annuity contract or optional annu-  
24 ity contract—

1           (1) the value of which does not vary according  
2           to the performance of a separate account;

3           (2) that—

4                 (A) satisfies standard nonforfeiture laws or  
5                 similar requirements of the applicable State at  
6                 the time of issue; or

7                 (B) in the absence of applicable standard  
8                 nonforfeiture laws or requirements, satisfies the  
9                 Model Standard Nonforfeiture Law for Life In-  
10                surance or Model Standard Nonforfeiture Law  
11                for Individual Deferred Annuities, or any suc-  
12                cessor model law, as published by the National  
13                Association of Insurance Commissioners; and

14           (3) that is issued—

15                 (A) on and after June 16, 2013, in a  
16                 State, or issued by an insurance company that  
17                 is domiciled in a State, that—

18                         (i) adopts rules that govern suitability  
19                         requirements in the sale of an insurance or  
20                         endowment policy or annuity contract or  
21                         optional annuity contract, which shall sub-  
22                         stantially meet or exceed the minimum re-  
23                         quirements established by the Suitability in  
24                         Annuity Transactions Model Regulation  
25                         adopted by the National Association of In-

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1 insurance Commissioners in March 2010;  
2 and

3 (ii) adopts rules that substantially  
4 meet or exceed the minimum requirements  
5 of any successor modifications to the model  
6 regulations described in subparagraph (A)  
7 within 5 years of the adoption by the Asso-  
8 ciation of any further successors thereto;  
9 or

10 (B) by an insurance company that adopts  
11 and implements practices on a nationwide basis  
12 for the sale of any insurance or endowment pol-  
13 icy or annuity contract or optional annuity con-  
14 tract that meet or exceed the minimum require-  
15 ments established by the National Association  
16 of Insurance Commissioners Suitability in An-  
17 nuity Transactions Model Regulation (Model  
18 275), and any successor thereto, and is there-  
19 fore subject to examination by the State of  
20 domicile of the insurance company, or by any  
21 other State where the insurance company con-  
22 ducts sales of such products, for the purpose of  
23 monitoring compliance under this section.

24 (b) RULE OF CONSTRUCTION.—Nothing in this sec-  
25 tion shall be construed to affect whether any insurance

1 or endowment policy or annuity contract or optional annu-  
2 ity contract that is not described in this section is or is  
3 not an exempt security under section 3(a)(8) of the Secu-  
4 rities Act of 1933 (15 U.S.C. 77c(a)(8)).

5 **Subtitle J—Securities and Ex-**  
6 **change Commission Match**  
7 **Funding**

8 **SEC. 991. SECURITIES AND EXCHANGE COMMISSION**  
9 **MATCH FUNDING.**

10 (a) MATCH FUNDING AUTHORITY.—

11 (1) AMENDMENTS.—Section 31 of the Securi-  
12 ties Exchange Act of 1934 (15 U.S.C. 78ee) is  
13 amended—

14 (A) by striking subsection (a) and insert-  
15 ing the following:

16 “(a) RECOVERY OF COSTS OF ANNUAL APPROPRIA-  
17 TION.—The Commission shall, in accordance with this sec-  
18 tion, collect transaction fees and assessments that are de-  
19 signed to recover the costs to the Government of the an-  
20 nual appropriation to the Commission by Congress.”;

21 (B) in subsection (e)(2), by striking “Sep-  
22 tember 30” and inserting “September 25”;

23 (C) in subsection (g), by striking “April 30  
24 of the fiscal year preceding the fiscal year to  
25 which such rate applies” and inserting “30 days

1           after the date on which an Act making a reg-  
2           ular appropriation to the Commission for such  
3           fiscal year is enacted”;

4                   (D) by striking subsection (j) and inserting  
5           the following:

6           “(j) ADJUSTMENTS TO FEE RATES.—

7                   “(1) ANNUAL ADJUSTMENT.—Subject to sub-  
8           sections (i)(1)(B) and (k), for each fiscal year, the  
9           Commission shall by order adjust each of the rates  
10          applicable under subsections (b) and (c) for such fis-  
11          cal year to a uniform adjusted rate that, when ap-  
12          plied to the baseline estimate of the aggregate dollar  
13          amount of sales for such fiscal year, is reasonably  
14          likely to produce aggregate fee collections under this  
15          section (including assessments collected under sub-  
16          section (d) of this section) that are equal to the reg-  
17          ular appropriation to the Commission by Congress  
18          for such fiscal year.

19                   “(2) MID-YEAR ADJUSTMENT.—Subject to sub-  
20          sections (i)(1)(B) and (k), for each fiscal year, the  
21          Commission shall determine, by March 1 of such fis-  
22          cal year, whether, based on the actual aggregate dol-  
23          lar volume of sales during the first 5 months of such  
24          fiscal year, the baseline estimate of the aggregate  
25          dollar volume of sales used under paragraph (1) for

1 such fiscal year is reasonably likely to be 10 percent  
2 (or more) greater or less than the actual aggregate  
3 dollar volume of sales for such fiscal year. If the  
4 Commission so determines, the Commission shall by  
5 order, no later than March 1, adjust each of the  
6 rates applicable under subsections (b) and (c) for  
7 such fiscal year to a uniform adjusted rate that,  
8 when applied to the revised estimate of the aggre-  
9 gate dollar amount of sales for the remainder of  
10 such fiscal year, is reasonably likely to produce ag-  
11 gregate fee collections under this section (including  
12 fees collected during such five-month period and as-  
13 sessments collected under subsection (d) of this sec-  
14 tion) that are equal to the regular appropriation to  
15 the Commission by Congress for such fiscal year. In  
16 making such revised estimate, the Commission shall,  
17 after consultation with the Congressional Budget Of-  
18 fice and the Office of Management and Budget, use  
19 the same methodology required by subsection (1).

20 “(3) REVIEW.—In exercising its authority  
21 under this subsection, the Commission shall not be  
22 required to comply with the provisions of section 553  
23 of title 5, United States Code. An adjusted rate pre-  
24 scribed under paragraph (1) or (2) and published

1 under subsection (g) shall not be subject to judicial  
2 review.

3 “(4) EFFECTIVE DATE.—

4 “(A) ANNUAL ADJUSTMENT.—Subject to  
5 subsections (i)(1)(B) and (k), an adjusted rate  
6 prescribed under paragraph (1) shall take effect  
7 on the later of—

8 “(i) the first day of the fiscal year to  
9 which such rate applies; or

10 “(ii) 60 days after the date on which  
11 an Act making a regular appropriation to  
12 the Commission for such fiscal year is en-  
13 acted.

14 “(B) MID-YEAR ADJUSTMENT.—An ad-  
15 justed rate prescribed under paragraph (2)  
16 shall take effect on April 1 of the fiscal year to  
17 which such rate applies.”;

18 (E) in subsection (k), by striking “30  
19 days” and inserting “60 days”; and

20 (F) in subsection (l), by striking “DEFINI-  
21 TIONS.—” and all that follows through  
22 “SALES.—The baseline” and inserting “BASE-  
23 LINE ESTIMATE OF THE AGGREGATE DOLLAR  
24 AMOUNT OF SALES.—The baseline”.

1           (2) EFFECTIVE DATE.—The amendments made  
2           by this subsection shall take effect on the later of—

3                   (A) October 1, 2011; or

4                   (B) the date of enactment of an Act mak-  
5           ing a regular appropriation to the Commission  
6           for fiscal year 2012.

7           (b) AMENDMENTS TO REGISTRATION FEE PROVI-  
8           SIONS.—

9           (1) SECTION 6(b) OF THE SECURITIES ACT OF  
10          1933.—Section 6(b) of the Securities Act of 1933  
11          (15 U.S.C. 77f(b)) is amended—

12                   (A) by striking “offsetting” each place that  
13                   term appears and inserting “fee”;

14                   (B) by striking paragraphs (1), (3), (4),  
15                   (6), (8), and (9);

16                   (C) by redesignating paragraph (2) as  
17                   paragraph (1);

18                   (D) by redesignating paragraph (5) as  
19                   paragraph (2);

20                   (E) by redesignating paragraph (7) as  
21                   paragraph (3);

22                   (F) by redesignating paragraph (10) as  
23                   paragraph (5);

24                   (G) by redesignating paragraph (11) as  
25                   paragraph (6);



1 (H) in paragraph (1), as so redesignated,  
2 by striking “paragraph (5) or (6).” and insert-  
3 ing “paragraph (2).”;

4 (I) in paragraph (2), as so redesignated—  
5 (i) by striking “of the fiscal years  
6 2003 through 2011” and inserting “fiscal  
7 year”; and

8 (ii) by striking “paragraph (2)” and  
9 inserting “paragraph (1)”;

10 (J) by inserting after paragraph (3), as so  
11 redesignated, the following:

12 “(4) REVIEW AND EFFECTIVE DATE.—In exer-  
13 cising its authority under this subsection, the Com-  
14 mission shall not be required to comply with the pro-  
15 visions of section 553 of title 5, United States Code.  
16 An adjusted rate prescribed under paragraph (2)  
17 and published under paragraph (5) shall not be sub-  
18 ject to judicial review. An adjusted rate prescribed  
19 under paragraph (2) shall take effect on the first  
20 day of the fiscal year to which such rate applies.”;

21 (K) in paragraph (5), as redesignated, by  
22 striking “April 30” and inserting “August 31”;

23 (L) in paragraph (6), as so redesignated—

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1 (i) by striking “of the fiscal years  
2 2002 through 2011” and inserting “fiscal  
3 year”; and

4 (ii) by inserting at the end of the  
5 table in subparagraph (A) the following:

“2012 .....	\$425,000,000.....
2013 .....	\$455,000,000.....
2014 .....	\$485,000,000.....
2015 .....	\$515,000,000.....
2016 .....	\$550,000,000.....
2017 .....	\$585,000,000.....
2018 .....	\$620,000,000.....
2019 .....	\$660,000,000.....
2020 .....	\$705,000,000.....
2021 and each fiscal year thereafter	.An amount that is equal to the target fee collection amount for the prior fiscal year, adjusted by the rate of inflation.”.

6 (2) SECTION 13(e) OF THE SECURITIES EX-  
7 CHANGE ACT OF 1934.—Section 13(e) of the Securi-  
8 ties Exchange Act of 1934 (15 U.S.C. 78m(e)) is  
9 amended—

10 (A) in paragraph (3), by striking “para-  
11 graphs (5) and (6)” and inserting “paragraph  
12 (4)”;

13 (B) by striking paragraphs (4), (5), and  
14 (6);

15 (C) by inserting after paragraph (3) the  
16 following:

17 “(4) ANNUAL ADJUSTMENT.—For each fiscal  
18 year, the Commission shall by order adjust the rate  
19 required by paragraph (3) for such fiscal year to a

1 rate that is equal to the rate (expressed in dollars  
2 per million) that is applicable under section 6(b) of  
3 the Securities Act of 1933 for such fiscal year.

4 “(5) FEE COLLECTIONS.—Fees collected pursu-  
5 ant to this subsection for fiscal year 2012 and each  
6 fiscal year thereafter shall be deposited and credited  
7 as general revenue of the Treasury and shall not be  
8 available for obligation.

9 “(6) EFFECTIVE DATE; PUBLICATION.—In ex-  
10 ercising its authority under this subsection, the  
11 Commission shall not be required to comply with the  
12 provisions of section 553 of title 5, United States  
13 Code. An adjusted rate prescribed under paragraph  
14 (4) shall be published and take effect in accordance  
15 with section 6(b) of the Securities Act of 1933 (15  
16 U.S.C. 77f(b)).”; and

17 (D) by striking paragraphs (8), (9), and  
18 (10).

19 (3) SECTION 14(g) OF THE SECURITIES EX-  
20 CHANGE ACT OF 1934.—Section 14(g) of the Securi-  
21 ties Exchange Act of 1934 (15 U.S.C. 78n(g)) is  
22 amended—

23 (A) in paragraph (1), by striking “para-  
24 graphs (5) and (6)” each time that term ap-  
25 pears and inserting “paragraph (4)”;

1 (B) in paragraph (3), by striking “para-  
2 graphs (5) and (6)” and inserting “paragraph  
3 (4)”;

4 (C) by striking paragraphs (4), (5), and  
5 (6);

6 (D) by inserting after paragraph (3) the  
7 following:

8 “(4) ANNUAL ADJUSTMENT.—For each fiscal  
9 year, the Commission shall by order adjust the rate  
10 required by paragraphs (1) and (3) for such fiscal  
11 year to a rate that is equal to the rate (expressed  
12 in dollars per million) that is applicable under sec-  
13 tion 6(b) of the Securities Act of 1933 (15 U.S.C.  
14 77f(b)) for such fiscal year.

15 “(5) FEE COLLECTION.—Fees collected pursu-  
16 ant to this subsection for fiscal year 2012 and each  
17 fiscal year thereafter shall be deposited and credited  
18 as general revenue of the Treasury and shall not be  
19 available for obligation.

20 “(6) REVIEW; EFFECTIVE DATE; PUBLICA-  
21 TION.—In exercising its authority under this sub-  
22 section, the Commission shall not be required to  
23 comply with the provisions of section 553 of title 5,  
24 United States Code. An adjusted rate prescribed  
25 under paragraph (4) shall be published and take ef-

1       fect in accordance with section 6(b) of the Securities  
2       Act of 1933 (15 U.S.C. 77f(b)).”;

3               (E) by striking paragraphs (8), (9), and  
4       (10); and

5               (F) by redesignating paragraph (11) as  
6       paragraph (8).

7       (4) **EFFECTIVE DATE.**—The amendments made  
8       by this subsection shall take effect on October 1,  
9       2011, except that for fiscal year 2012, the Commis-  
10      sion shall publish the rate established under section  
11      6(b) of the Securities Act of 1933 (15 U.S.C.  
12      77f(b)), as amended by this Act, on August 31,  
13      2011.

14      (c) **AUTHORIZATION OF APPROPRIATIONS.**—Section  
15      35 of the Securities Exchange Act of 1934 (15 U.S.C.  
16      78kk) is amended to read as follows:

17      **“SEC. 35. AUTHORIZATION OF APPROPRIATIONS.**

18             “In addition to any other funds authorized to be ap-  
19      propriated to the Commission, there are authorized to be  
20      appropriated to carry out the functions, powers, and du-  
21      ties of the Commission—

22             “(1) for fiscal year 2011, \$1,300,000,000;

23             “(2) for fiscal year 2012, \$1,500,000,000;

24             “(3) for fiscal year 2013, \$1,750,000,000;

25             “(4) for fiscal year 2014, \$2,000,000,000; and

1 “(5) for fiscal year 2015, \$2,250,000,000.”.

2 (d) TRANSMITTAL OF BUDGET REQUESTS.—

3 (1) AMENDMENT.—Section 31 of the Securities  
4 Exchange Act of 1934 (15 U.S.C. 78ee) is amended  
5 by adding at the end the following:

6 “(m) TRANSMITTAL OF COMMISSION BUDGET RE-  
7 QUESTS.—

8 “(1) BUDGET REQUIRED.—For fiscal year  
9 2012, and each fiscal year thereafter, the Commis-  
10 sion shall prepare and submit a budget to the Presi-  
11 dent. Whenever the Commission submits a budget  
12 estimate or request to the President or the Office of  
13 Management and Budget, the Commission shall con-  
14 currently transmit copies of the estimate or request  
15 to the Committee on Appropriations of the Senate,  
16 the Committee on Appropriations of the House of  
17 Representatives, the Committee on Banking, Hous-  
18 ing, and Urban Affairs of the Senate, and the Com-  
19 mittee on Financial Services of the House of Rep-  
20 resentatives.

21 “(2) SUBMISSION TO CONGRESS.—The Presi-  
22 dent shall submit each budget submitted under para-  
23 graph (1) to Congress, in unaltered form, together  
24 with the annual budget for the Administration sub-  
25 mitted by the President.

1           “(3) CONTENTS.—The Commission shall in-  
2           clude in each budget submitted under paragraph  
3           (1)—

4                   “(A) an itemization of the amount of funds  
5           necessary to carry out the functions of the  
6           Commission.

7                   “(B) an amount to be designated as con-  
8           tingency funding to be used by the Commission  
9           to address unanticipated needs; and

10                   “(C) a designation of any activities of the  
11           Commission for which multi-year budget au-  
12           thority would be suitable.”.

13           (2) BUDGET OF THE PRESIDENT.—For fiscal  
14           year 2012, and each fiscal year thereafter, the an-  
15           nual budget for the Administration submitted by the  
16           President to Congress shall reflect the amendments  
17           made by this section.

18           (e) SECURITIES AND EXCHANGE COMMISSION RE-  
19           SERVE FUND.—

20                   (1) AMENDMENT.—Section 4 of the Securities  
21           Exchange Act of 1934 (15 U.S.C. 78d), as amended  
22           by this Act, is amended by adding at the end the fol-  
23           lowing:

24                   “(i) SECURITIES AND EXCHANGE COMMISSION RE-  
25           SERVE FUND.—

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1           “(1) RESERVE FUND ESTABLISHED.—There is  
2 established in the Treasury of the United States a  
3 separate fund, to be known as the ‘Securities and  
4 Exchange Commission Reserve Fund’ (referred to in  
5 this subsection as the ‘Reserve Fund’).

6           “(2) RESERVE FUND AMOUNTS.—

7           “(A) IN GENERAL.—Except as provided in  
8 subparagraph (B), any registration fees col-  
9 lected by the Commission under section 6(b) of  
10 the Securities Act of 1933 (15 U.S.C. 77f(b))  
11 or section 24(f) of the Investment Company Act  
12 of 1940 (15 U.S.C. 80a-24(f)) shall be depos-  
13 ited into the Reserve Fund.

14           “(B) LIMITATIONS.—For any 1 fiscal  
15 year—

16           “(i) the amount deposited in the Fund  
17 may not exceed \$50,000,000; and

18           “(ii) the balance in the Fund may not  
19 exceed \$100,000,000.

20           “(C) EXCESS FEES.—Any amounts in ex-  
21 cess of the limitations described in subpara-  
22 graph (B) that the Commission collects from  
23 registration fees under section 6(b) of the Secu-  
24 rities Act of 1933 (15 U.S.C. 77f(b)) or section  
25 24(f) of the Investment Company Act of 1940



1           (15 U.S.C. 80a-24(f)) shall be deposited in the  
2           General Fund of the Treasury of the United  
3           States and shall not be available for obligation  
4           by the Commission.

5           “(3) USE OF AMOUNTS IN RESERVE FUND.—  
6           The Commission may obligate amounts in the Re-  
7           serve Fund, not to exceed a total of \$100,000,000  
8           in any 1 fiscal year, as the Commission determines  
9           is necessary to carry out the functions of the Com-  
10          mission. Any amounts in the reserve fund shall re-  
11          main available until expended. Not later than 10  
12          days after the date on which the Commission obli-  
13          gates amounts under this paragraph, the Commis-  
14          sion shall notify Congress of the date, amount, and  
15          purpose of the obligation.

16          “(4) RULE OF CONSTRUCTION.—Amounts col-  
17          lected and deposited in the Reserve Fund shall not  
18          be construed to be Government funds or appro-  
19          priated monies and shall not be subject to apportion-  
20          ment for the purpose of chapter 15 of title 31,  
21          United States Code, or under any other authority.”.

22          “(2) EFFECTIVE DATE.—The amendment made  
23          by this subsection shall take effect on October 1,  
24          2011.

1 **TITLE X—BUREAU OF CON-**  
2 **SUMER FINANCIAL PROTEC-**  
3 **TION**

4 **SEC. 1001. SHORT TITLE.**

5 This title may be cited as the “Consumer Financial  
6 Protection Act of 2010”.

7 **SEC. 1002. DEFINITIONS.**

8 Except as otherwise provided in this title, for pur-  
9 poses of this title, the following definitions shall apply:

10 (1) **AFFILIATE.**—The term “affiliate” means  
11 any person that controls, is controlled by, or is  
12 under common control with another person.

13 (2) **BUREAU.**—The term “Bureau” means the  
14 Bureau of Consumer Financial Protection.

15 (3) **BUSINESS OF INSURANCE.**—The term  
16 “business of insurance” means the writing of insur-  
17 ance or the reinsuring of risks by an insurer, includ-  
18 ing all acts necessary to such writing or reinsuring  
19 and the activities relating to the writing of insurance  
20 or the reinsuring of risks conducted by persons who  
21 act as, or are, officers, directors, agents, or employ-  
22 ees of insurers or who are other persons authorized  
23 to act on behalf of such persons.

1           (4) CONSUMER.—The term “consumer” means  
2           an individual or an agent, trustee, or representative  
3           acting on behalf of an individual.

4           (5) CONSUMER FINANCIAL PRODUCT OR SERV-  
5           ICE.—The term “consumer financial product or  
6           service” means any financial product or service that  
7           is described in one or more categories under—

8                   (A) paragraph (15) and is offered or pro-  
9                   vided for use by consumers primarily for per-  
10                  sonal, family, or household purposes; or

11                   (B) clause (i), (iii), (ix), or (x) of para-  
12                  graph (15)(A), and is delivered, offered, or pro-  
13                  vided in connection with a consumer financial  
14                  product or service referred to in subparagraph  
15                  (A).

16           (6) COVERED PERSON.—The term “covered  
17           person” means—

18                   (A) any person that engages in offering or  
19                   providing a consumer financial product or serv-  
20                   ice; and

21                   (B) any affiliate of a person described in  
22                  subparagraph (A) if such affiliate acts as a  
23                  service provider to such person.

24           (7) CREDIT.—The term “credit” means the  
25           right granted by a person to a consumer to defer

1 payment of a debt, incur debt and defer its payment,  
2 or purchase property or services and defer payment  
3 for such purchase.

4 (8) DEPOSIT-TAKING ACTIVITY.—The term “de-  
5 posit-taking activity” means—

6 (A) the acceptance of deposits, mainte-  
7 nance of deposit accounts, or the provision of  
8 services related to the acceptance of deposits or  
9 the maintenance of deposit accounts;

10 (B) the acceptance of funds, the provision  
11 of other services related to the acceptance of  
12 funds, or the maintenance of member share ac-  
13 counts by a credit union; or

14 (C) the receipt of funds or the equivalent  
15 thereof, as the Bureau may determine by rule  
16 or order, received or held by a covered person  
17 (or an agent for a covered person) for the pur-  
18 pose of facilitating a payment or transferring  
19 funds or value of funds between a consumer  
20 and a third party.

21 (9) DESIGNATED TRANSFER DATE.—The term  
22 “designated transfer date” means the date estab-  
23 lished under section 1062.

24 (10) DIRECTOR.—The term “Director” means  
25 the Director of the Bureau.

1           (11) ELECTRONIC CONDUIT SERVICES.—The  
2 term “electronic conduit services”—

3           (A) means the provision, by a person, of  
4 electronic data transmission, routing, inter-  
5 mediate or transient storage, or connections to  
6 a telecommunications system or network; and

7           (B) does not include a person that provides  
8 electronic conduit services if, when providing  
9 such services, the person—

10           (i) selects or modifies the content of  
11 the electronic data;

12           (ii) transmits, routes, stores, or pro-  
13 vides connections for electronic data, in-  
14 cluding financial data, in a manner that  
15 such financial data is differentiated from  
16 other types of data of the same form that  
17 such person transmits, routes, or stores, or  
18 with respect to which, provides connec-  
19 tions; or

20           (iii) is a payee, payor, correspondent,  
21 or similar party to a payment transaction  
22 with a consumer.

23           (12) ENUMERATED CONSUMER LAWS.—Except  
24 as otherwise specifically provided in section 1029,

1 subtitle G or subtitle H, the term “enumerated con-  
2 sumer laws” means—

3 (A) the Alternative Mortgage Transaction  
4 Parity Act of 1982 (12 U.S.C. 3801 et seq.);

5 (B) the Consumer Leasing Act of 1976  
6 (15 U.S.C. 1667 et seq.);

7 (C) the Electronic Fund Transfer Act (15  
8 U.S.C. 1693 et seq.), except with respect to sec-  
9 tion 920 of that Act;

10 (D) the Equal Credit Opportunity Act (15  
11 U.S.C. 1691 et seq.);

12 (E) the Fair Credit Billing Act (15 U.S.C.  
13 1666 et seq.);

14 (F) the Fair Credit Reporting Act (15  
15 U.S.C. 1681 et seq.), except with respect to sec-  
16 tions 615(e) and 628 of that Act (15 U.S.C.  
17 1681m(e), 1681w);

18 (G) the Home Owners Protection Act of  
19 1998 (12 U.S.C. 4901 et seq.);

20 (H) the Fair Debt Collection Practices Act  
21 (15 U.S.C. 1692 et seq.);

22 (I) subsections (b) through (f) of section  
23 43 of the Federal Deposit Insurance Act (12  
24 U.S.C. 1831t(c)–(f));

1 (J) sections 502 through 509 of the  
2 Gramm-Leach-Bliley Act (15 U.S.C. 6802–  
3 6809) except for section 505 as it applies to  
4 section 501(b);

5 (K) the Home Mortgage Disclosure Act of  
6 1975 (12 U.S.C. 2801 et seq.);

7 (L) the Home Ownership and Equity Pro-  
8 tection Act of 1994 (15 U.S.C. 1601 note);

9 (M) the Real Estate Settlement Procedures  
10 Act of 1974 (12 U.S.C. 2601 et seq.);

11 (N) the S.A.F.E. Mortgage Licensing Act  
12 of 2008 (12 U.S.C. 5101 et seq.);

13 (O) the Truth in Lending Act (15 U.S.C.  
14 1601 et seq.);

15 (P) the Truth in Savings Act (12 U.S.C.  
16 4301 et seq.);

17 (Q) section 626 of the Omnibus Appropria-  
18 tions Act, 2009 (Public Law 111–8); and

19 (R) the Interstate Land Sales Full Disclo-  
20 sure Act (15 U.S.C. 1701).

21 (13) FAIR LENDING.—The term “fair lending”  
22 means fair, equitable, and nondiscriminatory access  
23 to credit for consumers.

24 (14) FEDERAL CONSUMER FINANCIAL LAW.—  
25 The term “Federal consumer financial law” means

1 the provisions of this title, the enumerated consumer  
2 laws, the laws for which authorities are transferred  
3 under subtitles F and H, and any rule or order pre-  
4 scribed by the Bureau under this title, an enumer-  
5 ated consumer law, or pursuant to the authorities  
6 transferred under subtitles F and H. The term does  
7 not include the Federal Trade Commission Act.

8 (15) FINANCIAL PRODUCT OR SERVICE.—

9 (A) IN GENERAL.—The term “financial  
10 product or service” means—

11 (i) extending credit and servicing  
12 loans, including acquiring, purchasing, sell-  
13 ing, brokering, or other extensions of credit  
14 (other than solely extending commercial  
15 credit to a person who originates consumer  
16 credit transactions);

17 (ii) extending or brokering leases of  
18 personal or real property that are the func-  
19 tional equivalent of purchase finance ar-  
20 rangements, if—

21 (I) the lease is on a non-oper-  
22 ating basis;

23 (II) the initial term of the lease  
24 is at least 90 days; and



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1 (III) in the case of a lease involv-  
2 ing real property, at the inception of  
3 the initial lease, the transaction is in-  
4 tended to result in ownership of the  
5 leased property to be transferred to  
6 the lessee, subject to standards pre-  
7 scribed by the Bureau;

8 (iii) providing real estate settlement  
9 services, except such services excluded  
10 under subparagraph (C), or performing ap-  
11 praisals of real estate or personal property;

12 (iv) engaging in deposit-taking activi-  
13 ties, transmitting or exchanging funds, or  
14 otherwise acting as a custodian of funds or  
15 any financial instrument for use by or on  
16 behalf of a consumer;

17 (v) selling, providing, or issuing stored  
18 value or payment instruments, except that,  
19 in the case of a sale of, or transaction to  
20 reload, stored value, only if the seller exer-  
21 cises substantial control over the terms or  
22 conditions of the stored value provided to  
23 the consumer where, for purposes of this  
24 clause—

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1 (I) a seller shall not be found to  
2 exercise substantial control over the  
3 terms or conditions of the stored value  
4 if the seller is not a party to the con-  
5 tract with the consumer for the stored  
6 value product, and another person is  
7 principally responsible for establishing  
8 the terms or conditions of the stored  
9 value; and

10 (II) advertising the nonfinancial  
11 goods or services of the seller on the  
12 stored value card or device is not in  
13 itself an exercise of substantial control  
14 over the terms or conditions;

15 (vi) providing check cashing, check  
16 collection, or check guaranty services;

17 (vii) providing payments or other fi-  
18 nancial data processing products or serv-  
19 ices to a consumer by any technological  
20 means, including processing or storing fi-  
21 nancial or banking data for any payment  
22 instrument, or through any payments sys-  
23 tems or network used for processing pay-  
24 ments data, including payments made  
25 through an online banking system or mo-



1 State securities Commission, but only to  
2 the extent that such person acts in a regu-  
3 lated capacity) to consumers on individual  
4 financial matters or relating to proprietary  
5 financial products or services (other than  
6 by publishing any bona fide newspaper,  
7 news magazine, or business or financial  
8 publication of general and regular circula-  
9 tion, including publishing market data,  
10 news, or data analytics or investment in-  
11 formation or recommendations that are not  
12 tailored to the individual needs of a par-  
13 ticular consumer), including—

14 (I) providing credit counseling to  
15 any consumer; and

16 (II) providing services to assist a  
17 consumer with debt management or  
18 debt settlement, modifying the terms  
19 of any extension of credit, or avoiding  
20 foreclosure;

21 (ix) collecting, analyzing, maintaining,  
22 or providing consumer report information  
23 or other account information, including in-  
24 formation relating to the credit history of  
25 consumers, used or expected to be used in

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1 connection with any decision regarding the  
2 offering or provision of a consumer finan-  
3 cial product or service, except to the extent  
4 that—

5 (I) a person—

6 (aa) collects, analyzes, or  
7 maintains information that re-  
8 lates solely to the transactions  
9 between a consumer and such  
10 person;

11 (bb) provides the informa-  
12 tion described in item (aa) to an  
13 affiliate of such person; or

14 (cc) provides information  
15 that is used or expected to be  
16 used solely in any decision re-  
17 garding the offering or provision  
18 of a product or service that is not  
19 a consumer financial product or  
20 service, including a decision for  
21 employment, government licens-  
22 ing, or a residential lease or ten-  
23 ancy involving a consumer; and

24 (II) the information described in  
25 subclause (I)(aa) is not used by such

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1 person or affiliate in connection with  
2 any decision regarding the offering or  
3 provision of a consumer financial  
4 product or service to the consumer,  
5 other than credit described in section  
6 1027(a)(2)(A);

7 (x) collecting debt related to any con-  
8 sumer financial product or service; and

9 (xi) such other financial product or  
10 service as may be defined by the Bureau,  
11 by regulation, for purposes of this title, if  
12 the Bureau finds that such financial prod-  
13 uct or service is—

14 (I) entered into or conducted as  
15 a subterfuge or with a purpose to  
16 evade any Federal consumer financial  
17 law; or

18 (II) permissible for a bank or for  
19 a financial holding company to offer  
20 or to provide under any provision of a  
21 Federal law or regulation applicable  
22 to a bank or a financial holding com-  
23 pany, and has, or likely will have, a  
24 material impact on consumers.

25 (B) RULE OF CONSTRUCTION.—

## 1591

1 (i) IN GENERAL.—For purposes of  
2 subparagraph (A)(xi)(II), and subject to  
3 clause (ii) of this subparagraph, the fol-  
4 lowing activities provided to a covered per-  
5 son shall not, for purposes of this title, be  
6 considered incidental or complementary to  
7 a financial activity permissible for a finan-  
8 cial holding company to engage in under  
9 any provision of a Federal law or regula-  
10 tion applicable to a financial holding com-  
11 pany:

12 (I) Providing information prod-  
13 ucts or services to a covered person  
14 for identity authentication.

15 (II) Providing information prod-  
16 ucts or services for fraud or identify  
17 theft detection, prevention, or inves-  
18 tigation.

19 (III) Providing document re-  
20 trieval or delivery services.

21 (IV) Providing public records in-  
22 formation retrieval.

23 (V) Providing information prod-  
24 ucts or services for anti-money laun-  
25 dering activities.

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1 (ii) LIMITATION.—Nothing in clause  
2 (i) may be construed as modifying or lim-  
3 iting the authority of the Bureau to exer-  
4 cise any—

5 (I) examination or enforcement  
6 powers authority under this title with  
7 respect to a covered person or service  
8 provider engaging in an activity de-  
9 scribed in subparagraph (A)(ix); or

10 (II) powers authorized by this  
11 title to prescribe rules, issue orders,  
12 or take other actions under any enu-  
13 merated consumer law or law for  
14 which the authorities are transferred  
15 under subtitle F or H.

16 (C) EXCLUSIONS.—The term “financial  
17 product or service” does not include—

18 (i) the business of insurance; or

19 (ii) electronic conduit services.

20 (16) FOREIGN EXCHANGE.—The term “foreign  
21 exchange” means the exchange, for compensation, of  
22 currency of the United States or of a foreign govern-  
23 ment for currency of another government.

24 (17) INSURED CREDIT UNION.—The term “in-  
25 sured credit union” has the same meaning as in sec-



1           tion 101 of the Federal Credit Union Act (12 U.S.C.  
2           1752).

3           (18) PAYMENT INSTRUMENT.—The term “pay-  
4           ment instrument” means a check, draft, warrant,  
5           money order, traveler’s check, electronic instrument,  
6           or other instrument, payment of funds, or monetary  
7           value (other than currency).

8           (19) PERSON.—The term “person” means an  
9           individual, partnership, company, corporation, asso-  
10          ciation (incorporated or unincorporated), trust, es-  
11          tate, cooperative organization, or other entity.

12          (20) PERSON REGULATED BY THE COMMODITY  
13          FUTURES TRADING COMMISSION.—The term “person  
14          regulated by the Commodity Futures Trading Com-  
15          mission” means any person that is registered, or re-  
16          quired by statute or regulation to be registered, with  
17          the Commodity Futures Trading Commission, but  
18          only to the extent that the activities of such person  
19          are subject to the jurisdiction of the Commodity Fu-  
20          tures Trading Commission under the Commodity  
21          Exchange Act.

22          (21) PERSON REGULATED BY THE COMMIS-  
23          SION.—The term “person regulated by the Commis-  
24          sion” means a person who is—

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1 (A) a broker or dealer that is required to  
2 be registered under the Securities Exchange Act  
3 of 1934;

4 (B) an investment adviser that is reg-  
5 istered under the Investment Advisers Act of  
6 1940;

7 (C) an investment company that is re-  
8 quired to be registered under the Investment  
9 Company Act of 1940, and any company that  
10 has elected to be regulated as a business devel-  
11 opment company under that Act;

12 (D) a national securities exchange that is  
13 required to be registered under the Securities  
14 Exchange Act of 1934;

15 (E) a transfer agent that is required to be  
16 registered under the Securities Exchange Act of  
17 1934;

18 (F) a clearing corporation that is required  
19 to be registered under the Securities Exchange  
20 Act of 1934;

21 (G) any self-regulatory organization that is  
22 required to be registered with the Commission;

23 (H) any nationally recognized statistical  
24 rating organization that is required to be reg-  
25 istered with the Commission;

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1 (I) any securities information processor  
2 that is required to be registered with the Com-  
3 mission;

4 (J) any municipal securities dealer that is  
5 required to be registered with the Commission;

6 (K) any other person that is required to be  
7 registered with the Commission under the Secu-  
8 rities Exchange Act of 1934; and

9 (L) any employee, agent, or contractor act-  
10 ing on behalf of, registered with, or providing  
11 services to, any person described in any of sub-  
12 paragraphs (A) through (K), but only to the ex-  
13 tent that any person described in any of sub-  
14 paragraphs (A) through (K), or the employee,  
15 agent, or contractor of such person, acts in a  
16 regulated capacity.

17 (22) PERSON REGULATED BY A STATE INSUR-  
18 ANCE REGULATOR.—The term “person regulated by  
19 a State insurance regulator” means any person that  
20 is engaged in the business of insurance and subject  
21 to regulation by any State insurance regulator, but  
22 only to the extent that such person acts in such ca-  
23 pacity.

24 (23) PERSON THAT PERFORMS INCOME TAX  
25 PREPARATION ACTIVITIES FOR CONSUMERS.—The

## 1596

1 term “person that performs income tax preparation  
2 activities for consumers” means—

3 (A) any tax return preparer (as defined in  
4 section 7701(a)(36) of the Internal Revenue  
5 Code of 1986), regardless of whether com-  
6 pensated, but only to the extent that the person  
7 acts in such capacity;

8 (B) any person regulated by the Secretary  
9 under section 330 of title 31, United States  
10 Code, but only to the extent that the person  
11 acts in such capacity; and

12 (C) any authorized IRS e-file Providers (as  
13 defined for purposes of section 7216 of the In-  
14 ternal Revenue Code of 1986), but only to the  
15 extent that the person acts in such capacity.

16 (24) PRUDENTIAL REGULATOR.—The term  
17 “prudential regulator” means—

18 (A) in the case of an insured depository in-  
19 stitution or depository institution holding com-  
20 pany (as defined in section 3 of the Federal De-  
21 posit Insurance Act), or subsidiary of such in-  
22 stitution or company, the appropriate Federal  
23 banking agency, as that term is defined in sec-  
24 tion 3 of the Federal Deposit Insurance Act;  
25 and

1 (B) in the case of an insured credit union,  
2 the National Credit Union Administration.

3 (25) RELATED PERSON.—The term “related  
4 person”—

5 (A) shall apply only with respect to a cov-  
6 ered person that is not a bank holding company  
7 (as that term is defined in section 2 of the  
8 Bank Holding Company Act of 1956), credit  
9 union, or depository institution;

10 (B) shall be deemed to mean a covered  
11 person for all purposes of any provision of Fed-  
12 eral consumer financial law; and

13 (C) means—

14 (i) any director, officer, or employee  
15 charged with managerial responsibility for,  
16 or controlling shareholder of, or agent for,  
17 such covered person;

18 (ii) any shareholder, consultant, joint  
19 venture partner, or other person, as deter-  
20 mined by the Bureau (by rule or on a case-  
21 by-case basis) who materially participates  
22 in the conduct of the affairs of such cov-  
23 ered person; and

24 (iii) any independent contractor (in-  
25 cluding any attorney, appraiser, or ac-

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1                   countant) who knowingly or recklessly par-  
2                   ticipates in any—

3                               (I) violation of any provision of  
4                               law or regulation; or

5                               (II) breach of a fiduciary duty.

6                   (26) SERVICE PROVIDER.—

7                               (A) IN GENERAL.—The term “service pro-  
8                   vider” means any person that provides a mate-  
9                   rial service to a covered person in connection  
10                  with the offering or provision by such covered  
11                  person of a consumer financial product or serv-  
12                  ice, including a person that—

13                              (i) participates in designing, oper-  
14                              ating, or maintaining the consumer finan-  
15                              cial product or service; or

16                              (ii) processes transactions relating to  
17                              the consumer financial product or service  
18                              (other than unknowingly or incidentally  
19                              transmitting or processing financial data in  
20                              a manner that such data is undifferen-  
21                              tiated from other types of data of the same  
22                              form as the person transmits or processes).

23                              (B) EXCEPTIONS.—The term “service pro-  
24                              vider” does not include a person solely by virtue

1 of such person offering or providing to a cov-  
2 ered person—

3 (i) a support service of a type pro-  
4 vided to businesses generally or a similar  
5 ministerial service; or

6 (ii) time or space for an advertisement  
7 for a consumer financial product or service  
8 through print, newspaper, or electronic  
9 media.

10 (C) RULE OF CONSTRUCTION.—A person  
11 that is a service provider shall be deemed to be  
12 a covered person to the extent that such person  
13 engages in the offering or provision of its own  
14 consumer financial product or service.

15 (27) STATE.—The term “State” means any  
16 State, territory, or possession of the United States,  
17 the District of Columbia, the Commonwealth of  
18 Puerto Rico, the Commonwealth of the Northern  
19 Mariana Islands, Guam, American Samoa, or the  
20 United States Virgin Islands or any federally recog-  
21 nized Indian tribe, as defined by the Secretary of the  
22 Interior under section 104(a) of the Federally Rec-  
23 ognized Indian Tribe List Act of 1994 (25 U.S.C.  
24 479a–1(a)).

25 (28) STORED VALUE.—

## 1600

1           (A) IN GENERAL.—The term “stored  
2 value” means funds or monetary value rep-  
3 resented in any electronic format, whether or  
4 not specially encrypted, and stored or capable  
5 of storage on electronic media in such a way as  
6 to be retrievable and transferred electronically,  
7 and includes a prepaid debit card or product, or  
8 any other similar product, regardless of whether  
9 the amount of the funds or monetary value may  
10 be increased or reloaded.

11           (B) EXCLUSION.—Notwithstanding sub-  
12 paragraph (A), the term “stored value” does  
13 not include a special purpose card or certificate,  
14 which shall be defined for purposes of this para-  
15 graph as funds or monetary value represented  
16 in any electronic format, whether or not spe-  
17 cially encrypted, that is—

18                   (i) issued by a merchant, retailer, or  
19 other seller of nonfinancial goods or serv-  
20 ices;

21                   (ii) redeemable only for transactions  
22 with the merchant, retailer, or seller of  
23 nonfinancial goods or services or with an  
24 affiliate of such person, which affiliate



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1           itself is a merchant, retailer, or seller of  
2           nonfinancial goods or services;

3           (iii) issued in a specified amount that,  
4           except in the case of a card or product  
5           used solely for telephone services, may not  
6           be increased or reloaded;

7           (iv) purchased on a prepaid basis in  
8           exchange for payment; and

9           (v) honored upon presentation to such  
10          merchant, retailer, or seller of nonfinancial  
11          goods or services or an affiliate of such  
12          person, which affiliate itself is a merchant,  
13          retailer, or seller of nonfinancial goods or  
14          services, only for any nonfinancial goods or  
15          services.

16          (29) TRANSMITTING OR EXCHANGING FUNDS.—

17          The term “transmitting or exchanging funds” means  
18          receiving currency, monetary value, or payment in-  
19          struments from a consumer for the purpose of ex-  
20          changing or transmitting the same by any means,  
21          including transmission by wire, facsimile, electronic  
22          transfer, courier, the Internet, or through bill pay-  
23          ment services or through other businesses that facili-  
24          tate third-party transfers within the United States  
25          or to or from the United States.

1       **Subtitle A—Bureau of Consumer**  
2                   **Financial Protection**

3       **SEC. 1011. ESTABLISHMENT OF THE BUREAU OF CON-**  
4                   **SUMER FINANCIAL PROTECTION.**

5           (a) BUREAU ESTABLISHED.—There is established in  
6 the Federal Reserve System, an independent bureau to be  
7 known as the “Bureau of Consumer Financial Protec-  
8 tion”, which shall regulate the offering and provision of  
9 consumer financial products or services under the Federal  
10 consumer financial laws. The Bureau shall be considered  
11 an Executive agency, as defined in section 105 of title 5,  
12 United States Code. Except as otherwise provided ex-  
13 pressly by law, all Federal laws dealing with public or Fed-  
14 eral contracts, property, works, officers, employees, budg-  
15 ets, or funds, including the provisions of chapters 5 and  
16 7 of title 5, shall apply to the exercise of the powers of  
17 the Bureau.

18           (b) DIRECTOR AND DEPUTY DIRECTOR.—

19               (1) IN GENERAL.—There is established the po-  
20 sition of the Director, who shall serve as the head  
21 of the Bureau.

22               (2) APPOINTMENT.—Subject to paragraph (3),  
23 the Director shall be appointed by the President, by  
24 and with the advice and consent of the Senate.

## 1603

1           (3) QUALIFICATION.—The President shall  
2           nominate the Director from among individuals who  
3           are citizens of the United States.

4           (4) COMPENSATION.—The Director shall be  
5           compensated at the rate prescribed for level II of the  
6           Executive Schedule under section 5313 of title 5,  
7           United States Code.

8           (5) DEPUTY DIRECTOR.—There is established  
9           the position of Deputy Director, who shall—

10                   (A) be appointed by the Director; and

11                   (B) serve as acting Director in the absence  
12           or unavailability of the Director.

13           (c) TERM.—

14           (1) IN GENERAL.—The Director shall serve for  
15           a term of 5 years.

16           (2) EXPIRATION OF TERM.—An individual may  
17           serve as Director after the expiration of the term for  
18           which appointed, until a successor has been ap-  
19           pointed and qualified.

20           (3) REMOVAL FOR CAUSE.—The President may  
21           remove the Director for inefficiency, neglect of duty,  
22           or malfeasance in office.

23           (d) SERVICE RESTRICTION.—No Director or Deputy  
24           Director may hold any office, position, or employment in  
25           any Federal reserve bank, Federal home loan bank, cov-

1 ered person, or service provider during the period of serv-  
2 ice of such person as Director or Deputy Director.

3 (e) OFFICES.—The principal office of the Bureau  
4 shall be in the District of Columbia. The Director may  
5 establish regional offices of the Bureau, including in cities  
6 in which the Federal reserve banks, or branches of such  
7 banks, are located, in order to carry out the responsibil-  
8 ities assigned to the Bureau under the Federal consumer  
9 financial laws.

10 **SEC. 1012. EXECUTIVE AND ADMINISTRATIVE POWERS.**

11 (a) POWERS OF THE BUREAU.—The Bureau is au-  
12 thorized to establish the general policies of the Bureau  
13 with respect to all executive and administrative functions,  
14 including—

15 (1) the establishment of rules for conducting  
16 the general business of the Bureau, in a manner not  
17 inconsistent with this title;

18 (2) to bind the Bureau and enter into con-  
19 tracts;

20 (3) directing the establishment and mainte-  
21 nance of divisions or other offices within the Bureau,  
22 in order to carry out the responsibilities under the  
23 Federal consumer financial laws, and to satisfy the  
24 requirements of other applicable law;

## 1605

1           (4) to coordinate and oversee the operation of  
2           all administrative, enforcement, and research activi-  
3           ties of the Bureau;

4           (5) to adopt and use a seal;

5           (6) to determine the character of and the neces-  
6           sity for the obligations and expenditures of the Bu-  
7           reau;

8           (7) the appointment and supervision of per-  
9           sonnel employed by the Bureau;

10          (8) the distribution of business among per-  
11          sonnel appointed and supervised by the Director and  
12          among administrative units of the Bureau;

13          (9) the use and expenditure of funds;

14          (10) implementing the Federal consumer finan-  
15          cial laws through rules, orders, guidance, interpreta-  
16          tions, statements of policy, examinations, and en-  
17          forcement actions; and

18          (11) performing such other functions as may be  
19          authorized or required by law.

20          (b) DELEGATION OF AUTHORITY.—The Director of  
21          the Bureau may delegate to any duly authorized employee,  
22          representative, or agent any power vested in the Bureau  
23          by law.

24          (c) AUTONOMY OF THE BUREAU.—

## 1606

1           (1) COORDINATION WITH THE BOARD OF GOV-  
2           ERNORS.—Notwithstanding any other provision of  
3           law applicable to the supervision or examination of  
4           persons with respect to Federal consumer financial  
5           laws, the Board of Governors may delegate to the  
6           Bureau the authorities to examine persons subject to  
7           the jurisdiction of the Board of Governors for com-  
8           pliance with the Federal consumer financial laws.

9           (2) AUTONOMY.—Notwithstanding the authori-  
10          ties granted to the Board of Governors under the  
11          Federal Reserve Act, the Board of Governors may  
12          not—

13                 (A) intervene in any matter or proceeding  
14                 before the Director, including examinations or  
15                 enforcement actions, unless otherwise specifi-  
16                 cally provided by law;

17                 (B) appoint, direct, or remove any officer  
18                 or employee of the Bureau; or

19                 (C) merge or consolidate the Bureau, or  
20                 any of the functions or responsibilities of the  
21                 Bureau, with any division or office of the Board  
22                 of Governors or the Federal reserve banks.

23          (3) RULES AND ORDERS.—No rule or order of  
24          the Bureau shall be subject to approval or review by  
25          the Board of Governors. The Board of Governors

1       may not delay or prevent the issuance of any rule  
2       or order of the Bureau.

3           (4) RECOMMENDATIONS AND TESTIMONY.—No  
4       officer or agency of the United States shall have any  
5       authority to require the Director or any other officer  
6       of the Bureau to submit legislative recommenda-  
7       tions, or testimony or comments on legislation, to  
8       any officer or agency of the United States for ap-  
9       proval, comments, or review prior to the submission  
10      of such recommendations, testimony, or comments to  
11      the Congress, if such recommendations, testimony,  
12      or comments to the Congress include a statement in-  
13      dicating that the views expressed therein are those  
14      of the Director or such officer, and do not nec-  
15      essarily reflect the views of the Board of Governors  
16      or the President.

17           (5) CLARIFICATION OF AUTONOMY OF THE BU-  
18      REAU IN LEGAL PROCEEDINGS.—The Bureau shall  
19      not be liable under any provision of law for any ac-  
20      tion or inaction of the Board of Governors, and the  
21      Board of Governors shall not be liable under any  
22      provision of law for any action or inaction of the Bu-  
23      reau.

24   **SEC. 1013. ADMINISTRATION.**

25      (a) PERSONNEL.—

## 1608

## 1 (1) APPOINTMENT.—

2 (A) IN GENERAL.—The Director may fix  
3 the number of, and appoint and direct, all em-  
4 ployees of the Bureau, in accordance with the  
5 applicable provisions of title 5, United States  
6 Code.

7 (B) EMPLOYEES OF THE BUREAU.—The  
8 Director is authorized to employ attorneys,  
9 compliance examiners, compliance supervision  
10 analysts, economists, statisticians, and other  
11 employees as may be deemed necessary to con-  
12 duct the business of the Bureau. Unless other-  
13 wise provided expressly by law, any individual  
14 appointed under this section shall be an em-  
15 ployee as defined in section 2105 of title 5,  
16 United States Code, and subject to the provi-  
17 sions of such title and other laws generally ap-  
18 plicable to the employees of an Executive agen-  
19 cy.

## 20 (C) WAIVER AUTHORITY.—

21 (i) IN GENERAL.—In making any ap-  
22 pointment under subparagraph (A), the  
23 Director may waive the requirements of  
24 chapter 33 of title 5, United States Code,  
25 and the regulations implementing such



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1 chapter, to the extent necessary to appoint  
2 employees on terms and conditions that  
3 are consistent with those set forth in sec-  
4 tion 11(1) of the Federal Reserve Act (12  
5 U.S.C. 248(1)), while providing for—

6 (I) fair, credible, and transparent  
7 methods of establishing qualification  
8 requirements for, recruitment for, and  
9 appointments to positions;

10 (II) fair and open competition  
11 and equitable treatment in the consid-  
12 eration and selection of individuals to  
13 positions;

14 (III) fair, credible, and trans-  
15 parent methods of assigning, reas-  
16 signing, detailing, transferring, and  
17 promoting employees.

18 (ii) VETERANS PREFERENCES.—In  
19 implementing this subparagraph, the Di-  
20 rector shall comply with the provisions of  
21 section 2302(b)(11), regarding veterans'  
22 preference requirements, in a manner con-  
23 sistent with that in which such provisions  
24 are applied under chapter 33 of title 5,  
25 United States Code. The authority under

## 1610

1           this subparagraph to waive the require-  
2           ments of that chapter 33 shall expire 5  
3           years after the date of enactment of this  
4           Act.

5           (2) COMPENSATION.—Notwithstanding any oth-  
6           erwise applicable provision of title 5, United States  
7           Code, concerning compensation, including the provi-  
8           sions of chapter 51 and chapter 53, the following  
9           provisions shall apply with respect to employees of  
10          the Bureau:

11           (A) The rates of basic pay for all employ-  
12           ees of the Bureau may be set and adjusted by  
13           the Director.

14           (B) The Director shall at all times provide  
15           compensation (including benefits) to each class  
16           of employees that, at a minimum, are com-  
17           parable to the compensation and benefits then  
18           being provided by the Board of Governors for  
19           the corresponding class of employees.

20           (C) All such employees shall be com-  
21           pensated (including benefits) on terms and con-  
22           ditions that are consistent with the terms and  
23           conditions set forth in section 11(l) of the Fed-  
24           eral Reserve Act (12 U.S.C. 248(l)).

## 1611

1           (3) BUREAU PARTICIPATION IN FEDERAL RE-  
2           SERVE SYSTEM RETIREMENT PLAN AND FEDERAL  
3           RESERVE SYSTEM THRIFT PLAN.—

4           (A) EMPLOYEE ELECTION.—Employees  
5           appointed to the Bureau may elect to partici-  
6           pate in either—

7                   (i) both the Federal Reserve System  
8                   Retirement Plan and the Federal Reserve  
9                   System Thrift Plan, under the same terms  
10                  on which such participation is offered to  
11                  employees of the Board of Governors who  
12                  participate in such plans and under the  
13                  terms and conditions specified under sec-  
14                  tion 1064(i)(1)(C); or

15                  (ii) the Civil Service Retirement Sys-  
16                  tem under chapter 83 of title 5, United  
17                  States Code, or the Federal Employees Re-  
18                  tirement System under chapter 84 of title  
19                  5, United States Code, if previously cov-  
20                  ered under one of those Federal employee  
21                  retirement systems.

22           (B) ELECTION PERIOD.—Bureau employ-  
23           ees shall make an election under this paragraph  
24           not later than 1 year after the date of appoint-  
25           ment by, or transfer under subtitle F to, the

## 1612

1 Bureau. Participation in, and benefit accruals  
2 under, any other retirement plan established or  
3 maintained by the Federal Government shall  
4 end not later than the date on which participa-  
5 tion in, and benefit accruals under, the Federal  
6 Reserve System Retirement Plan and Federal  
7 Reserve System Thrift Plan begin.

8 (C) EMPLOYER CONTRIBUTION.—The Bu-  
9 reau shall pay an employer contribution to the  
10 Federal Reserve System Retirement Plan, in  
11 the amount established as an employer con-  
12 tribution under the Federal Employees Retire-  
13 ment System, as established under chapter 84  
14 of title 5, United States Code, for each Bureau  
15 employee who elects to participate in the Fed-  
16 eral Reserve System Retirement Plan. The Bu-  
17 reau shall pay an employer contribution to the  
18 Federal Reserve System Thrift Plan for each  
19 Bureau employee who elects to participate in  
20 such plan, as required under the terms of such  
21 plan.

22 (D) CONTROLLED GROUP STATUS.—The  
23 Bureau is the same employer as the Federal  
24 Reserve System (as comprised of the Board of  
25 Governors and each of the 12 Federal reserve

## 1613

1 banks prior to the date of enactment of this  
2 Act) for purposes of subsections (b), (c), (m),  
3 and (o) of section 414 of the Internal Revenue  
4 Code of 1986, (26 U.S.C. 414).

5 (4) LABOR-MANAGEMENT RELATIONS.—Chap-  
6 ter 71 of title 5, United States Code, shall apply to  
7 the Bureau and the employees of the Bureau.

8 (5) AGENCY OMBUDSMAN.—

9 (A) ESTABLISHMENT REQUIRED.—Not  
10 later than 180 days after the designated trans-  
11 fer date, the Bureau shall appoint an ombuds-  
12 man.

13 (B) DUTIES OF OMBUDSMAN.—The om-  
14 budsman appointed in accordance with subpara-  
15 graph (A) shall—

16 (i) act as a liaison between the Bu-  
17 reau and any affected person with respect  
18 to any problem that such party may have  
19 in dealing with the Bureau, resulting from  
20 the regulatory activities of the Bureau; and

21 (ii) assure that safeguards exist to en-  
22 courage complainants to come forward and  
23 preserve confidentiality.

24 (b) SPECIFIC FUNCTIONAL UNITS.—

## 1614

1           (1) RESEARCH.—The Director shall establish a  
2           unit whose functions shall include researching, ana-  
3           lyzing, and reporting on—

4                   (A) developments in markets for consumer  
5                   financial products or services, including market  
6                   areas of alternative consumer financial products  
7                   or services with high growth rates and areas of  
8                   risk to consumers;

9                   (B) access to fair and affordable credit for  
10                  traditionally underserved communities;

11                  (C) consumer awareness, understanding,  
12                  and use of disclosures and communications re-  
13                  garding consumer financial products or services;

14                  (D) consumer awareness and under-  
15                  standing of costs, risks, and benefits of con-  
16                  sumer financial products or services;

17                  (E) consumer behavior with respect to con-  
18                  sumer financial products or services, including  
19                  performance on mortgage loans; and

20                  (F) experiences of traditionally under-  
21                  served consumers, including un-banked and  
22                  under-banked consumers.

23           (2) COMMUNITY AFFAIRS.—The Director shall  
24           establish a unit whose functions shall include pro-  
25           viding information, guidance, and technical assist-

1           ance regarding the offering and provision of con-  
2           sumer financial products or services to traditionally  
3           underserved consumers and communities.

4           (3) COLLECTING AND TRACKING COM-  
5           PLAINTS.—

6                   (A) IN GENERAL.—The Director shall es-  
7                   tablish a unit whose functions shall include es-  
8                   tablishing a single, toll-free telephone number, a  
9                   website, and a database or utilizing an existing  
10                  database to facilitate the centralized collection  
11                  of, monitoring of, and response to consumer  
12                  complaints regarding consumer financial prod-  
13                  ucts or services. The Director shall coordinate  
14                  with the Federal Trade Commission or other  
15                  Federal agencies to route complaints to such  
16                  agencies, where appropriate.

17                  (B) ROUTING CALLS TO STATES.—To the  
18                  extent practicable, State agencies may receive  
19                  appropriate complaints from the systems estab-  
20                  lished under subparagraph (A), if—

21                          (i) the State agency system has the  
22                          functional capacity to receive calls or elec-  
23                          tronic reports routed by the Bureau sys-  
24                          tems;

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1 (ii) the State agency has satisfied any  
2 conditions of participation in the system  
3 that the Bureau may establish, including  
4 treatment of personally identifiable infor-  
5 mation and sharing of information on com-  
6 plaint resolution or related compliance pro-  
7 cedures and resources; and

8 (iii) participation by the State agency  
9 includes measures necessary to provide for  
10 protection of personally identifiable infor-  
11 mation that conform to the standards for  
12 protection of the confidentiality of person-  
13 ally identifiable information and for data  
14 integrity and security that apply to the  
15 Federal agencies described in subpara-  
16 graph (D).

17 (C) REPORTS TO THE CONGRESS.—The  
18 Director shall present an annual report to Con-  
19 gress not later than March 31 of each year on  
20 the complaints received by the Bureau in the  
21 prior year regarding consumer financial prod-  
22 ucts and services. Such report shall include in-  
23 formation and analysis about complaint num-  
24 bers, complaint types, and, where applicable, in-  
25 formation about resolution of complaints.



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1           (D) DATA SHARING REQUIRED.—To facili-  
2           tate preparation of the reports required under  
3           subparagraph (C), supervision and enforcement  
4           activities, and monitoring of the market for  
5           consumer financial products and services, the  
6           Bureau shall share consumer complaint infor-  
7           mation with prudential regulators, the Federal  
8           Trade Commission, other Federal agencies, and  
9           State agencies, subject to the standards appli-  
10          cable to Federal agencies for protection of the  
11          confidentiality of personally identifiable infor-  
12          mation and for data security and integrity. The  
13          prudential regulators, the Federal Trade Com-  
14          mission, and other Federal agencies shall share  
15          data relating to consumer complaints regarding  
16          consumer financial products and services with  
17          the Bureau, subject to the standards applicable  
18          to Federal agencies for protection of confiden-  
19          tiality of personally identifiable information and  
20          for data security and integrity.

21          (c) OFFICE OF FAIR LENDING AND EQUAL OPPOR-  
22          TUNITY.—

23               (1) ESTABLISHMENT.—The Director shall es-  
24               tablish within the Bureau the Office of Fair Lending  
25               and Equal Opportunity.

## 1618

1           (2) FUNCTIONS.—The Office of Fair Lending  
2           and Equal Opportunity shall have such powers and  
3           duties as the Director may delegate to the Office, in-  
4           cluding—

5                   (A) providing oversight and enforcement of  
6                   Federal laws intended to ensure the fair, equi-  
7                   table, and nondiscriminatory access to credit for  
8                   both individuals and communities that are en-  
9                   forced by the Bureau, including the Equal  
10                  Credit Opportunity Act and the Home Mort-  
11                  gage Disclosure Act;

12                  (B) coordinating fair lending efforts of the  
13                  Bureau with other Federal agencies and State  
14                  regulators, as appropriate, to promote con-  
15                  sistent, efficient, and effective enforcement of  
16                  Federal fair lending laws;

17                  (C) working with private industry, fair  
18                  lending, civil rights, consumer and community  
19                  advocates on the promotion of fair lending com-  
20                  pliance and education; and

21                  (D) providing annual reports to Congress  
22                  on the efforts of the Bureau to fulfill its fair  
23                  lending mandate.

24           (3) ADMINISTRATION OF OFFICE.—There is es-  
25           tablished the position of Assistant Director of the

1 Bureau for Fair Lending and Equal Opportunity,  
2 who—

3 (A) shall be appointed by the Director; and

4 (B) shall carry out such duties as the Di-  
5 rector may delegate to such Assistant Director.

6 (d) OFFICE OF FINANCIAL EDUCATION.—

7 (1) ESTABLISHMENT.—The Director shall es-  
8 tablish an Office of Financial Education, which shall  
9 be responsible for developing and implementing ini-  
10 tiatives intended to educate and empower consumers  
11 to make better informed financial decisions.

12 (2) OTHER DUTIES.—The Office of Financial  
13 Education shall develop and implement a strategy to  
14 improve the financial literacy of consumers that in-  
15 cludes measurable goals and objectives, in consulta-  
16 tion with the Financial Literacy and Education  
17 Commission, consistent with the National Strategy  
18 for Financial Literacy, through activities including  
19 providing opportunities for consumers to access—

20 (A) financial counseling, including commu-  
21 nity-based financial counseling, where prac-  
22 ticable;

23 (B) information to assist with the evalua-  
24 tion of credit products and the understanding  
25 of credit histories and scores;

## 1620

1 (C) savings, borrowing, and other services  
2 found at mainstream financial institutions;

3 (D) activities intended to—

4 (i) prepare the consumer for edu-  
5 cational expenses and the submission of fi-  
6 nancial aid applications, and other major  
7 purchases;

8 (ii) reduce debt; and

9 (iii) improve the financial situation of  
10 the consumer;

11 (E) assistance in developing long-term sav-  
12 ings strategies; and

13 (F) wealth building and financial services  
14 during the preparation process to claim earned  
15 income tax credits and Federal benefits.

16 (3) COORDINATION.—The Office of Financial  
17 Education shall coordinate with other units within  
18 the Bureau in carrying out its functions, including—

19 (A) working with the Community Affairs  
20 Office to implement the strategy to improve fi-  
21 nancial literacy of consumers; and

22 (B) working with the research unit estab-  
23 lished by the Director to conduct research re-  
24 lated to consumer financial education and coun-  
25 seling.

## 1621

1           (4) REPORT.—Not later than 24 months after  
2 the designated transfer date, and annually there-  
3 after, the Director shall submit a report on its finan-  
4 cial literacy activities and strategy to improve finan-  
5 cial literacy of consumers to—

6           (A) the Committee on Banking, Housing,  
7 and Urban Affairs of the Senate; and

8           (B) the Committee on Financial Services  
9 of the House of Representatives.

10           (5) MEMBERSHIP IN FINANCIAL LITERACY AND  
11 EDUCATION COMMISSION.—Section 513(c)(1) of the  
12 Financial Literacy and Education Improvement Act  
13 (20 U.S.C. 9702(c)(1)) is amended—

14           (A) in subparagraph (B), by striking  
15 “and” at the end;

16           (B) by redesignating subparagraph (C) as  
17 subparagraph (D); and

18           (C) by inserting after subparagraph (B)  
19 the following new subparagraph:

20           “(C) the Director of the Bureau of Con-  
21 sumer Financial Protection; and”.

22           (6) CONFORMING AMENDMENT.—Section  
23 513(d) of the Financial Literacy and Education Im-  
24 provement Act (20 U.S.C. 9702(d)) is amended by  
25 adding at the end the following: “The Director of

1 the Bureau of Consumer Financial Protection shall  
2 serve as the Vice Chairman.”.

3 (7) STUDY AND REPORT ON FINANCIAL LIT-  
4 ERACY PROGRAM.—

5 (A) IN GENERAL.—The Comptroller Gen-  
6 eral of the United States shall conduct a study  
7 to identify—

8 (i) the feasibility of certification of  
9 persons providing the programs or per-  
10 forming the activities described in para-  
11 graph (2), including recognizing out-  
12 standing programs, and developing guide-  
13 lines and resources for community-based  
14 practitioners, including—

15 (I) a potential certification proc-  
16 ess and standards for certification;

17 (II) appropriate certifying enti-  
18 ties;

19 (III) resources required for fund-  
20 ing such a process; and

21 (IV) a cost-benefit analysis of  
22 such certification;

23 (ii) technological resources intended to  
24 collect, analyze, evaluate, or promote finan-  
25 cial literacy and counseling programs;

## 1623

1 (iii) effective methods, tools, and  
2 strategies intended to educate and em-  
3 power consumers about personal finance  
4 management; and

5 (iv) recommendations intended to en-  
6 courage the development of programs that  
7 effectively improve financial education out-  
8 comes and empower consumers to make  
9 better informed financial decisions based  
10 on findings.

11 (B) REPORT.—Not later than 1 year after  
12 the date of enactment of this Act, the Comp-  
13 troller General of the United States shall sub-  
14 mit a report on the results of the study con-  
15 ducted under this paragraph to the Committee  
16 on Banking, Housing, and Urban Affairs of the  
17 Senate and the Committee on Financial Serv-  
18 ices of the House of Representatives.

19 (e) OFFICE OF SERVICE MEMBER AFFAIRS.—

20 (1) IN GENERAL.—The Director shall establish  
21 an Office of Service Member Affairs, which shall be  
22 responsible for developing and implementing initia-  
23 tives for service members and their families intended  
24 to—

1           (A) educate and empower service members  
2           and their families to make better informed deci-  
3           sions regarding consumer financial products  
4           and services;

5           (B) coordinate with the unit of the Bureau  
6           established under subsection (b)(3), in order to  
7           monitor complaints by service members and  
8           their families and responses to those complaints  
9           by the Bureau or other appropriate Federal or  
10          State agency; and

11          (C) coordinate efforts among Federal and  
12          State agencies, as appropriate, regarding con-  
13          sumer protection measures relating to consumer  
14          financial products and services offered to, or  
15          used by, service members and their families.

16          (2) COORDINATION.—

17          (A) REGIONAL SERVICES.—The Director is  
18          authorized to assign employees of the Bureau  
19          as may be deemed necessary to conduct the  
20          business of the Office of Service Member Af-  
21          fairs, including by establishing and maintaining  
22          the functions of the Office in regional offices of  
23          the Bureau located near military bases, military  
24          treatment facilities, or other similar military fa-  
25          cilities.



1           (B) AGREEMENTS.—The Director is au-  
2           thorized to enter into memoranda of under-  
3           standing and similar agreements with the De-  
4           partment of Defense, including any branch or  
5           agency as authorized by the department, in  
6           order to carry out the business of the Office of  
7           Service Member Affairs.

8           (3) DEFINITION.—As used in this subsection,  
9           the term “service member” means any member of  
10          the United States Armed Forces and any member of  
11          the National Guard or Reserves.

12          (f) TIMING.—The Office of Fair Lending and Equal  
13          Opportunity, the Office of Financial Education, and the  
14          Office of Service Member Affairs shall each be established  
15          not later than 1 year after the designated transfer date.

16          (g) OFFICE OF FINANCIAL PROTECTION FOR OLDER  
17          AMERICANS.—

18               (1) ESTABLISHMENT.—Before the end of the  
19               180-day period beginning on the designated transfer  
20               date, the Director shall establish the Office of Fi-  
21               nancial Protection for Older Americans, the func-  
22               tions of which shall include activities designed to fa-  
23               cilitate the financial literacy of individuals who have  
24               attained the age of 62 years or more (in this sub-  
25               section, referred to as “seniors”) on protection from

1       unfair, deceptive, and abusive practices and on cur-  
2       rent and future financial choices, including through  
3       the dissemination of materials to seniors on such  
4       topics.

5               (2) ASSISTANT DIRECTOR.—The Office of Fi-  
6       nancial Protection for Older Americans (in this sub-  
7       section referred to as the “Office”) shall be headed  
8       by an assistant director.

9               (3) DUTIES.—The Office shall—

10              (A) develop goals for programs that pro-  
11       vide seniors financial literacy and counseling,  
12       including programs that—

13              (i) help seniors recognize warning  
14       signs of unfair, deceptive, or abusive prac-  
15       tices, protect themselves from such prac-  
16       tices;

17              (ii) provide one-on-one financial coun-  
18       seling on issues including long-term sav-  
19       ings and later-life economic security; and

20              (iii) provide personal consumer credit  
21       advocacy to respond to consumer problems  
22       caused by unfair, deceptive, or abusive  
23       practices;

24              (B) monitor certifications or designations  
25       of financial advisors who advise seniors and

1 alert the Commission and State regulators of  
2 certifications or designations that are identified  
3 as unfair, deceptive, or abusive;

4 (C) not later than 18 months after the  
5 date of the establishment of the Office, submit  
6 to Congress and the Commission any legislative  
7 and regulatory recommendations on the best  
8 practices for—

9 (i) disseminating information regard-  
10 ing the legitimacy of certifications of finan-  
11 cial advisers who advise seniors;

12 (ii) methods in which a senior can  
13 identify the financial advisor most appro-  
14 priate for the senior's needs; and

15 (iii) methods in which a senior can  
16 verify a financial advisor's credentials;

17 (D) conduct research to identify best prac-  
18 tices and effective methods, tools, technology  
19 and strategies to educate and counsel seniors  
20 about personal finance management with a  
21 focus on—

22 (i) protecting themselves from unfair,  
23 deceptive, and abusive practices;

24 (ii) long-term savings; and

1 (iii) planning for retirement and long-  
2 term care;

3 (E) coordinate consumer protection efforts  
4 of seniors with other Federal agencies and  
5 State regulators, as appropriate, to promote  
6 consistent, effective, and efficient enforcement;  
7 and

8 (F) work with community organizations,  
9 non-profit organizations, and other entities that  
10 are involved with educating or assisting seniors  
11 (including the National Education and Re-  
12 source Center on Women and Retirement Plan-  
13 ning).

14 **SEC. 1014. CONSUMER ADVISORY BOARD.**

15 (a) ESTABLISHMENT REQUIRED.—The Director shall  
16 establish a Consumer Advisory Board to advise and con-  
17 sult with the Bureau in the exercise of its functions under  
18 the Federal consumer financial laws, and to provide infor-  
19 mation on emerging practices in the consumer financial  
20 products or services industry, including regional trends,  
21 concerns, and other relevant information.

22 (b) MEMBERSHIP.—In appointing the members of  
23 the Consumer Advisory Board, the Director shall seek to  
24 assemble experts in consumer protection, financial serv-  
25 ices, community development, fair lending and civil rights,

1 and consumer financial products or services and represent-  
2 atives of depository institutions that primarily serve un-  
3 derserved communities, and representatives of commu-  
4 nities that have been significantly impacted by higher-  
5 priced mortgage loans, and seek representation of the in-  
6 terests of covered persons and consumers, without regard  
7 to party affiliation. Not fewer than 6 members shall be  
8 appointed upon the recommendation of the regional Fed-  
9 eral Reserve Bank Presidents, on a rotating basis.

10 (c) MEETINGS.—The Consumer Advisory Board shall  
11 meet from time to time at the call of the Director, but,  
12 at a minimum, shall meet at least twice in each year.

13 (d) COMPENSATION AND TRAVEL EXPENSES.—Mem-  
14 bers of the Consumer Advisory Board who are not full-  
15 time employees of the United States shall—

16 (1) be entitled to receive compensation at a rate  
17 fixed by the Director while attending meetings of the  
18 Consumer Advisory Board, including travel time;  
19 and

20 (2) be allowed travel expenses, including trans-  
21 portation and subsistence, while away from their  
22 homes or regular places of business.

23 **SEC. 1015. COORDINATION.**

24 The Bureau shall coordinate with the Commission,  
25 the Commodity Futures Trading Commission, the Federal

1 Trade Commission, and other Federal agencies and State  
2 regulators, as appropriate, to promote consistent regu-  
3 latory treatment of consumer financial and investment  
4 products and services.

5 **SEC. 1016. APPEARANCES BEFORE AND REPORTS TO CON-**  
6 **GRESS.**

7 (a) APPEARANCES BEFORE CONGRESS.—The Direc-  
8 tor of the Bureau shall appear before the Committee on  
9 Banking, Housing, and Urban Affairs of the Senate and  
10 the Committee on Financial Services and the Committee  
11 on Energy and Commerce of the House of Representatives  
12 at semi-annual hearings regarding the reports required  
13 under subsection (b).

14 (b) REPORTS REQUIRED.—The Bureau shall, concu-  
15 rent with each semi-annual hearing referred to in sub-  
16 section (a), prepare and submit to the President and to  
17 the Committee on Banking, Housing, and Urban Affairs  
18 of the Senate and the Committee on Financial Services  
19 and the Committee on Energy and Commerce of the  
20 House of Representatives, a report, beginning with the  
21 session following the designated transfer date. The Bureau  
22 may also submit such report to the Committee on Com-  
23 merce, Science, and Transportation of the Senate.

24 (c) CONTENTS.—The reports required by subsection  
25 (b) shall include—

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1           (1) a discussion of the significant problems  
2           faced by consumers in shopping for or obtaining  
3           consumer financial products or services;

4           (2) a justification of the budget request of the  
5           previous year;

6           (3) a list of the significant rules and orders  
7           adopted by the Bureau, as well as other significant  
8           initiatives conducted by the Bureau, during the pre-  
9           ceding year and the plan of the Bureau for rules, or-  
10          ders, or other initiatives to be undertaken during the  
11          upcoming period;

12          (4) an analysis of complaints about consumer  
13          financial products or services that the Bureau has  
14          received and collected in its central database on  
15          complaints during the preceding year;

16          (5) a list, with a brief statement of the issues,  
17          of the public supervisory and enforcement actions to  
18          which the Bureau was a party during the preceding  
19          year;

20          (6) the actions taken regarding rules, orders,  
21          and supervisory actions with respect to covered per-  
22          sons which are not credit unions or depository insti-  
23          tutions;

1           (7) an assessment of significant actions by  
2 State attorneys general or State regulators relating  
3 to Federal consumer financial law;

4           (8) an analysis of the efforts of the Bureau to  
5 fulfill the fair lending mission of the Bureau; and

6           (9) an analysis of the efforts of the Bureau to  
7 increase workforce and contracting diversity con-  
8 sistent with the procedures established by the Office  
9 of Minority and Women Inclusion.

10 **SEC. 1017. FUNDING; PENALTIES AND FINES.**

11       (a) TRANSFER OF FUNDS FROM BOARD OF GOV-  
12 ERNORS.—

13           (1) IN GENERAL.—Each year (or quarter of  
14 such year), beginning on the designated transfer  
15 date, and each quarter thereafter, the Board of Gov-  
16 ernors shall transfer to the Bureau from the com-  
17 bined earnings of the Federal Reserve System, the  
18 amount determined by the Director to be reasonably  
19 necessary to carry out the authorities of the Bureau  
20 under Federal consumer financial law, taking into  
21 account such other sums made available to the Bu-  
22 reau from the preceding year (or quarter of such  
23 year).

24           (2) FUNDING CAP.—



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1           (A) IN GENERAL.—Notwithstanding para-  
2 graph (1), and in accordance with this para-  
3 graph, the amount that shall be transferred to  
4 the Bureau in each fiscal year shall not exceed  
5 a fixed percentage of the total operating ex-  
6 penses of the Federal Reserve System, as re-  
7 ported in the Annual Report, 2009, of the  
8 Board of Governors, equal to—

9                   (i) 10 percent of such expenses in fis-  
10 cal year 2011;

11                   (ii) 11 percent of such expenses in fis-  
12 cal year 2012; and

13                   (iii) 12 percent of such expenses in  
14 fiscal year 2013, and in each year there-  
15 after.

16           (B) ADJUSTMENT OF AMOUNT.—The dol-  
17 lar amount referred to in subparagraph (A)(iii)  
18 shall be adjusted annually, using the percent in-  
19 crease, if any, in the employment cost index for  
20 total compensation for State and local govern-  
21 ment workers published by the Federal Govern-  
22 ment, or the successor index thereto, for the  
23 12-month period ending on September 30 of the  
24 year preceding the transfer.

1           (C)     REVIEWABILITY.—Notwithstanding  
2           any other provision in this title, the funds de-  
3           rived from the Federal Reserve System pursu-  
4           ant to this subsection shall not be subject to re-  
5           view by the Committees on Appropriations of  
6           the House of Representatives and the Senate.

7           (3)   TRANSITION PERIOD.—Beginning on the  
8           date of enactment of this Act and until the des-  
9           ignated transfer date, the Board of Governors shall  
10          transfer to the Bureau the amount estimated by the  
11          Secretary needed to carry out the authorities grant-  
12          ed to the Bureau under Federal consumer financial  
13          law, from the date of enactment of this Act until the  
14          designated transfer date.

15          (4)   BUDGET AND FINANCIAL MANAGEMENT.—

16                (A)   FINANCIAL OPERATING PLANS AND  
17                FORECASTS.—The Director shall provide to the  
18                Director of the Office of Management and  
19                Budget copies of the financial operating plans  
20                and forecasts of the Director, as prepared by  
21                the Director in the ordinary course of the oper-  
22                ations of the Bureau, and copies of the quar-  
23                terly reports of the financial condition and re-  
24                sults of operations of the Bureau, as prepared

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1 by the Director in the ordinary course of the  
2 operations of the Bureau.

3 (B) FINANCIAL STATEMENTS.—The Bu-  
4 reau shall prepare annually a statement of—

5 (i) assets and liabilities and surplus or  
6 deficit;

7 (ii) income and expenses; and

8 (iii) sources and application of funds.

9 (C) FINANCIAL MANAGEMENT SYSTEMS.—  
10 The Bureau shall implement and maintain fi-  
11 nancial management systems that comply sub-  
12 stantially with Federal financial management  
13 systems requirements and applicable Federal  
14 accounting standards.

15 (D) ASSERTION OF INTERNAL CON-  
16 TROLS.—The Director shall provide to the  
17 Comptroller General of the United States an as-  
18 sertion as to the effectiveness of the internal  
19 controls that apply to financial reporting by the  
20 Bureau, using the standards established in sec-  
21 tion 3512(e) of title 31, United States Code.

22 (E) RULE OF CONSTRUCTION.—This sub-  
23 section may not be construed as implying any  
24 obligation on the part of the Director to consult  
25 with or obtain the consent or approval of the

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1 Director of the Office of Management and  
2 Budget with respect to any report, plan, fore-  
3 cast, or other information referred to in sub-  
4 paragraph (A) or any jurisdiction or oversight  
5 over the affairs or operations of the Bureau.

6 (F) FINANCIAL STATEMENTS.—The finan-  
7 cial statements of the Bureau shall not be con-  
8 solidated with the financial statements of either  
9 the Board of Governors or the Federal Reserve  
10 System.

11 (5) AUDIT OF THE BUREAU.—

12 (A) IN GENERAL.—The Comptroller Gen-  
13 eral shall annually audit the financial trans-  
14 actions of the Bureau in accordance with the  
15 United States generally accepted government  
16 auditing standards, as may be prescribed by the  
17 Comptroller General of the United States. The  
18 audit shall be conducted at the place or places  
19 where accounts of the Bureau are normally  
20 kept. The representatives of the Government  
21 Accountability Office shall have access to the  
22 personnel and to all books, accounts, docu-  
23 ments, papers, records (including electronic  
24 records), reports, files, and all other papers,  
25 automated data, things, or property belonging

1 to or under the control of or used or employed  
2 by the Bureau pertaining to its financial trans-  
3 actions and necessary to facilitate the audit,  
4 and such representatives shall be afforded full  
5 facilities for verifying transactions with the bal-  
6 ances or securities held by depositories, fiscal  
7 agents, and custodians. All such books, ac-  
8 counts, documents, records, reports, files, pa-  
9 pers, and property of the Bureau shall remain  
10 in possession and custody of the Bureau. The  
11 Comptroller General may obtain and duplicate  
12 any such books, accounts, documents, records,  
13 working papers, automated data and files, or  
14 other information relevant to such audit with-  
15 out cost to the Comptroller General, and the  
16 right of access of the Comptroller General to  
17 such information shall be enforceable pursuant  
18 to section 716(c) of title 31, United States  
19 Code.

20 (B) REPORT.—The Comptroller General  
21 shall submit to the Congress a report of each  
22 annual audit conducted under this subsection.  
23 The report to the Congress shall set forth the  
24 scope of the audit and shall include the state-  
25 ment of assets and liabilities and surplus or

1 deficit, the statement of income and expenses,  
2 the statement of sources and application of  
3 funds, and such comments and information as  
4 may be deemed necessary to inform Congress of  
5 the financial operations and condition of the  
6 Bureau, together with such recommendations  
7 with respect thereto as the Comptroller General  
8 may deem advisable. A copy of each report shall  
9 be furnished to the President and to the Bu-  
10 reau at the time submitted to the Congress.

11 (C) ASSISTANCE AND COSTS.—For the  
12 purpose of conducting an audit under this sub-  
13 section, the Comptroller General may, in the  
14 discretion of the Comptroller General, employ  
15 by contract, without regard to section 3709 of  
16 the Revised Statutes of the United States (41  
17 U.S.C. 5), professional services of firms and or-  
18 ganizations of certified public accountants for  
19 temporary periods or for special purposes. Upon  
20 the request of the Comptroller General, the Di-  
21 rector of the Bureau shall transfer to the Gov-  
22 ernment Accountability Office from funds avail-  
23 able, the amount requested by the Comptroller  
24 General to cover the full costs of any audit and  
25 report conducted by the Comptroller General.

1           The Comptroller General shall credit funds  
2           transferred to the account established for sala-  
3           ries and expenses of the Government Account-  
4           ability Office, and such amount shall be avail-  
5           able upon receipt and without fiscal year limita-  
6           tion to cover the full costs of the audit and re-  
7           port.

8           (b) CONSUMER FINANCIAL PROTECTION FUND.—

9           (1) SEPARATE FUND IN FEDERAL RESERVE ES-  
10          TABLISHED.—There is established in the Federal  
11          Reserve a separate fund, to be known as the “Bu-  
12          reau of Consumer Financial Protection Fund” (re-  
13          ferred to in this section as the “Bureau Fund”).  
14          The Bureau Fund shall be maintained and estab-  
15          lished at a Federal reserve bank, in accordance with  
16          such requirements as the Board of Governors may  
17          impose.

18          (2) FUND RECEIPTS.—All amounts transferred  
19          to the Bureau under subsection (a) shall be depos-  
20          ited into the Bureau Fund.

21          (3) INVESTMENT AUTHORITY.—

22          (A) AMOUNTS IN BUREAU FUND MAY BE  
23          INVESTED.—The Bureau may request the  
24          Board of Governors to direct the investment of  
25          the portion of the Bureau Fund that is not, in

1           the judgment of the Bureau, required to meet  
2           the current needs of the Bureau.

3           (B) ELIGIBLE INVESTMENTS.—Invest-  
4           ments authorized by this paragraph shall be  
5           made in obligations of the United States or ob-  
6           ligations that are guaranteed as to principal  
7           and interest by the United States, with matu-  
8           rities suitable to the needs of the Bureau Fund,  
9           as determined by the Bureau.

10          (C) INTEREST AND PROCEEDS CRED-  
11          ITED.—The interest on, and the proceeds from  
12          the sale or redemption of, any obligations held  
13          in the Bureau Fund shall be credited to the  
14          Bureau Fund.

15          (c) USE OF FUNDS.—

16          (1) IN GENERAL.—Funds obtained by, trans-  
17          ferred to, or credited to the Bureau Fund shall be  
18          immediately available to the Bureau and under the  
19          control of the Director, and shall remain available  
20          until expended, to pay the expenses of the Bureau  
21          in carrying out its duties and responsibilities. The  
22          compensation of the Director and other employees of  
23          the Bureau and all other expenses thereof may be  
24          paid from, obtained by, transferred to, or credited to  
25          the Bureau Fund under this section.



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1           (2) FUNDS THAT ARE NOT GOVERNMENT  
2 FUNDS.—Funds obtained by or transferred to the  
3 Bureau Fund shall not be construed to be Govern-  
4 ment funds or appropriated monies.

5           (3) AMOUNTS NOT SUBJECT TO APPORTION-  
6 MENT.—Notwithstanding any other provision of law,  
7 amounts in the Bureau Fund and in the Civil Pen-  
8 alty Fund established under subsection (d) shall not  
9 be subject to apportionment for purposes of chapter  
10 15 of title 31, United States Code, or under any  
11 other authority.

12 (d) PENALTIES AND FINES.—

13           (1) ESTABLISHMENT OF VICTIMS RELIEF  
14 FUND.—There is established in the Federal Reserve  
15 a separate fund, to be known as the “Consumer Fi-  
16 nancial Civil Penalty Fund” (referred to in this sec-  
17 tion as the “Civil Penalty Fund”). The Civil Penalty  
18 Fund shall be maintained and established at a Fed-  
19 eral reserve bank, in accordance with such require-  
20 ments as the Board of Governors may impose. If the  
21 Bureau obtains a civil penalty against any person in  
22 any judicial or administrative action under Federal  
23 consumer financial laws, the Bureau shall deposit  
24 into the Civil Penalty Fund, the amount of the pen-  
25 alty collected.

1           (2) PAYMENT TO VICTIMS.—Amounts in the  
2           Civil Penalty Fund shall be available to the Bureau,  
3           without fiscal year limitation, for payments to the  
4           victims of activities for which civil penalties have  
5           been imposed under the Federal consumer financial  
6           laws. To the extent that such victims cannot be lo-  
7           cated or such payments are otherwise not prac-  
8           ticable, the Bureau may use such funds for the pur-  
9           pose of consumer education and financial literacy  
10          programs.

11          (e) AUTHORIZATION OF APPROPRIATIONS; ANNUAL  
12          REPORT.—

13           (1) DETERMINATION REGARDING NEED FOR  
14           APPROPRIATED FUNDS.—

15           (A) IN GENERAL.—The Director is author-  
16           ized to determine that sums available to the  
17           Bureau under this section will not be sufficient  
18           to carry out the authorities of the Bureau  
19           under Federal consumer financial law for the  
20           upcoming year.

21           (B) REPORT REQUIRED.—When making a  
22           determination under subparagraph (A), the Di-  
23           rector shall prepare a report regarding the  
24           funding of the Bureau, including the assets and  
25           liabilities of the Bureau, and the extent to

1           which the funding needs of the Bureau are an-  
2           ticipated to exceed the level of the amount set  
3           forth in subsection (a)(2). The Director shall  
4           submit the report to the President and to the  
5           Committee on Appropriations of the Senate and  
6           the Committee on Appropriations of the House  
7           of Representatives.

8           (2) AUTHORIZATION OF APPROPRIATIONS.—If  
9           the Director makes the determination and submits  
10          the report pursuant to paragraph (1), there are  
11          hereby authorized to be appropriated to the Bureau,  
12          for the purposes of carrying out the authorities  
13          granted in Federal consumer financial law,  
14          \$200,000,000 for each of fiscal years 2010, 2011,  
15          2012, 2013, and 2014.

16          (3) APPORTIONMENT.—Notwithstanding any  
17          other provision of law, the amounts in paragraph (2)  
18          shall be subject to apportionment under section  
19          1517 of title 31, United States Code, and restric-  
20          tions that generally apply to the use of appropriated  
21          funds in title 31, United States Code, and other  
22          laws.

23          (4) ANNUAL REPORT.—The Director shall pre-  
24          pare and submit a report, on an annual basis, to the  
25          Committee on Appropriations of the Senate and the

1 Committee on Appropriations of the House of Rep-  
2 resentatives regarding the financial operating plans  
3 and forecasts of the Director, the financial condition  
4 and results of operations of the Bureau, and the  
5 sources and application of funds of the Bureau, in-  
6 cluding any funds appropriated in accordance with  
7 this subsection.

8 **SEC. 1018. EFFECTIVE DATE.**

9 This subtitle shall become effective on the date of en-  
10 actment of this Act.

11 **Subtitle B—General Powers of the**  
12 **Bureau**

13 **SEC. 1021. PURPOSE, OBJECTIVES, AND FUNCTIONS.**

14 (a) **PURPOSE.**—The Bureau shall seek to implement  
15 and, where applicable, enforce Federal consumer financial  
16 law consistently for the purpose of ensuring that all con-  
17 sumers have access to markets for consumer financial  
18 products and services and that markets for consumer fi-  
19 nancial products and services are fair, transparent, and  
20 competitive.

21 (b) **OBJECTIVES.**—The Bureau is authorized to exer-  
22 cise its authorities under Federal consumer financial law  
23 for the purposes of ensuring that, with respect to con-  
24 sumer financial products and services—

1           (1) consumers are provided with timely and un-  
2           derstandable information to make responsible deci-  
3           sions about financial transactions;

4           (2) consumers are protected from unfair, decep-  
5           tive, or abusive acts and practices and from dis-  
6           crimination;

7           (3) outdated, unnecessary, or unduly burden-  
8           some regulations are regularly identified and ad-  
9           dressed in order to reduce unwarranted regulatory  
10          burdens;

11          (4) Federal consumer financial law is enforced  
12          consistently, without regard to the status of a person  
13          as a depository institution, in order to promote fair  
14          competition; and

15          (5) markets for consumer financial products  
16          and services operate transparently and efficiently to  
17          facilitate access and innovation.

18          (c) FUNCTIONS.—The primary functions of the Bu-  
19          reau are—

20                 (1) conducting financial education programs;

21                 (2) collecting, investigating, and responding to  
22          consumer complaints;

23                 (3) collecting, researching, monitoring, and  
24          publishing information relevant to the functioning of  
25          markets for consumer financial products and serv-

1       ices to identify risks to consumers and the proper  
2       functioning of such markets;

3           (4) subject to sections 1024 through 1026, su-  
4       pervising covered persons for compliance with Fed-  
5       eral consumer financial law, and taking appropriate  
6       enforcement action to address violations of Federal  
7       consumer financial law;

8           (5) issuing rules, orders, and guidance imple-  
9       menting Federal consumer financial law; and

10          (6) performing such support activities as may  
11       be necessary or useful to facilitate the other func-  
12       tions of the Bureau.

13   **SEC. 1022. RULEMAKING AUTHORITY.**

14       (a) IN GENERAL.—The Bureau is authorized to exer-  
15       cise its authorities under Federal consumer financial law  
16       to administer, enforce, and otherwise implement the provi-  
17       sions of Federal consumer financial law.

18       (b) RULEMAKING, ORDERS, AND GUIDANCE.—

19           (1) GENERAL AUTHORITY.—The Director may  
20       prescribe rules and issue orders and guidance, as  
21       may be necessary or appropriate to enable the Bu-  
22       reau to administer and carry out the purposes and  
23       objectives of the Federal consumer financial laws,  
24       and to prevent evasions thereof.

1           (2) STANDARDS FOR RULEMAKING.—In pre-  
2       scribing a rule under the Federal consumer financial  
3       laws—

4           (A) the Bureau shall consider—

5               (i) the potential benefits and costs to  
6               consumers and covered persons, including  
7               the potential reduction of access by con-  
8               sumers to consumer financial products or  
9               services resulting from such rule; and

10              (ii) the impact of proposed rules on  
11              covered persons, as described in section  
12              1026, and the impact on consumers in  
13              rural areas;

14           (B) the Bureau shall consult with the ap-  
15       propriate prudential regulators or other Federal  
16       agencies prior to proposing a rule and during  
17       the comment process regarding consistency with  
18       prudential, market, or systemic objectives ad-  
19       ministered by such agencies; and

20           (C) if, during the consultation process de-  
21       scribed in subparagraph (B), a prudential regu-  
22       lator provides the Bureau with a written objec-  
23       tion to the proposed rule of the Bureau or a  
24       portion thereof, the Bureau shall include in the  
25       adopting release a description of the objection

1 and the basis for the Bureau decision, if any,  
2 regarding such objection, except that nothing in  
3 this clause shall be construed as altering or lim-  
4 iting the procedures under section 1023 that  
5 may apply to any rule prescribed by the Bu-  
6 reau.

7 (3) EXEMPTIONS.—

8 (A) IN GENERAL.—The Bureau, by rule,  
9 may conditionally or unconditionally exempt  
10 any class of covered persons, service providers,  
11 or consumer financial products or services, from  
12 any provision of this title, or from any rule  
13 issued under this title, as the Bureau deter-  
14 mines necessary or appropriate to carry out the  
15 purposes and objectives of this title, taking into  
16 consideration the factors in subparagraph (B).

17 (B) FACTORS.—In issuing an exemption,  
18 as permitted under subparagraph (A), the Bu-  
19 reau shall, as appropriate, take into consider-  
20 ation—

21 (i) the total assets of the class of cov-  
22 ered persons;

23 (ii) the volume of transactions involv-  
24 ing consumer financial products or services



1 in which the class of covered persons en-  
2 gages; and

3 (iii) existing provisions of law which  
4 are applicable to the consumer financial  
5 product or service and the extent to which  
6 such provisions provide consumers with  
7 adequate protections.

8 (4) EXCLUSIVE RULEMAKING AUTHORITY.—

9 (A) IN GENERAL.—Notwithstanding any  
10 other provisions of Federal law and except as  
11 provided in section 1061(b)(5), to the extent  
12 that a provision of Federal consumer financial  
13 law authorizes the Bureau and another Federal  
14 agency to issue regulations under that provision  
15 of law for purposes of assuring compliance with  
16 Federal consumer financial law and any regula-  
17 tions thereunder, the Bureau shall have the ex-  
18 clusive authority to prescribe rules subject to  
19 those provisions of law.

20 (B) DEFERENCE.—Notwithstanding any  
21 power granted to any Federal agency or to the  
22 Council under this title, and subject to section  
23 1061(b)(5)(E), the deference that a court af-  
24 fords to the Bureau with respect to a deter-  
25 mination by the Bureau regarding the meaning

1 or interpretation of any provision of a Federal  
2 consumer financial law shall be applied as if the  
3 Bureau were the only agency authorized to  
4 apply, enforce, interpret, or administer the pro-  
5 visions of such Federal consumer financial law.

6 (c) MONITORING.—

7 (1) IN GENERAL.—In order to support its rule-  
8 making and other functions, the Bureau shall mon-  
9 itor for risks to consumers in the offering or provi-  
10 sion of consumer financial products or services, in-  
11 cluding developments in markets for such products  
12 or services.

13 (2) CONSIDERATIONS.—In allocating its re-  
14 sources to perform the monitoring required by this  
15 section, the Bureau may consider, among other fac-  
16 tors—

17 (A) likely risks and costs to consumers as-  
18 sociated with buying or using a type of con-  
19 sumer financial product or service;

20 (B) understanding by consumers of the  
21 risks of a type of consumer financial product or  
22 service;

23 (C) the legal protections applicable to the  
24 offering or provision of a consumer financial  
25 product or service, including the extent to which

1 the law is likely to adequately protect con-  
2 sumers;

3 (D) rates of growth in the offering or pro-  
4 vision of a consumer financial product or serv-  
5 ice;

6 (E) the extent, if any, to which the risks  
7 of a consumer financial product or service may  
8 disproportionately affect traditionally under-  
9 served consumers; or

10 (F) the types, number, and other pertinent  
11 characteristics of covered persons that offer or  
12 provide the consumer financial product or serv-  
13 ice.

14 (3) SIGNIFICANT FINDINGS.—

15 (A) IN GENERAL.—The Bureau shall pub-  
16 lish not fewer than 1 report of significant find-  
17 ings of its monitoring required by this sub-  
18 section in each calendar year, beginning with  
19 the first calendar year that begins at least 1  
20 year after the designated transfer date.

21 (B) CONFIDENTIAL INFORMATION.—The  
22 Bureau may make public such information ob-  
23 tained by the Bureau under this section as is  
24 in the public interest, through aggregated re-  
25 ports or other appropriate formats designed to

1 protect confidential information in accordance  
2 with paragraphs (4), (6), (8), and (9).

3 (4) COLLECTION OF INFORMATION.—

4 (A) IN GENERAL.—In conducting any  
5 monitoring or assessment required by this sec-  
6 tion, the Bureau shall have the authority to  
7 gather information from time to time regarding  
8 the organization, business conduct, markets,  
9 and activities of covered persons and service  
10 providers.

11 (B) METHODOLOGY.—In order to gather  
12 information described in subparagraph (A), the  
13 Bureau may—

14 (i) gather and compile information  
15 from a variety of sources, including exam-  
16 ination reports concerning covered persons  
17 or service providers, consumer complaints,  
18 voluntary surveys and voluntary interviews  
19 of consumers, surveys and interviews with  
20 covered persons and service providers, and  
21 review of available databases; and

22 (ii) require covered persons and serv-  
23 ice providers participating in consumer fi-  
24 nancial services markets to file with the  
25 Bureau, under oath or otherwise, in such

1 form and within such reasonable period of  
2 time as the Bureau may prescribe by rule  
3 or order, annual or special reports, or an-  
4 swers in writing to specific questions, fur-  
5 nishing information described in paragraph  
6 (4), as necessary for the Bureau to fulfill  
7 the monitoring, assessment, and reporting  
8 responsibilities imposed by Congress.

9 (C) LIMITATION.—The Bureau may not  
10 use its authorities under this paragraph to ob-  
11 tain records from covered persons and service  
12 providers participating in consumer financial  
13 services markets for purposes of gathering or  
14 analyzing the personally identifiable financial  
15 information of consumers.

16 (5) LIMITED INFORMATION GATHERING.—In  
17 order to assess whether a nondepository is a covered  
18 person, as defined in section 1002, the Bureau may  
19 require such nondepository to file with the Bureau,  
20 under oath or otherwise, in such form and within  
21 such reasonable period of time as the Bureau may  
22 prescribe by rule or order, annual or special reports,  
23 or answers in writing to specific questions.

24 (6) CONFIDENTIALITY RULES.—

1 (A) RULEMAKING.—The Bureau shall pre-  
2 scribe rules regarding the confidential treat-  
3 ment of information obtained from persons in  
4 connection with the exercise of its authorities  
5 under Federal consumer financial law.

6 (B) ACCESS BY THE BUREAU TO REPORTS  
7 OF OTHER REGULATORS.—

8 (i) EXAMINATION AND FINANCIAL  
9 CONDITION REPORTS.—Upon providing  
10 reasonable assurances of confidentiality,  
11 the Bureau shall have access to any report  
12 of examination or financial condition made  
13 by a prudential regulator or other Federal  
14 agency having jurisdiction over a covered  
15 person or service provider, and to all revi-  
16 sions made to any such report.

17 (ii) PROVISION OF OTHER REPORTS  
18 TO THE BUREAU.—In addition to the re-  
19 ports described in clause (i), a prudential  
20 regulator or other Federal agency having  
21 jurisdiction over a covered person or serv-  
22 ice provider may, in its discretion, furnish  
23 to the Bureau any other report or other  
24 confidential supervisory information con-  
25 cerning any insured depository institution,

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1 credit union, or other entity examined by  
2 such agency under authority of any provi-  
3 sion of Federal law.

4 (C) ACCESS BY OTHER REGULATORS TO  
5 REPORTS OF THE BUREAU.—

6 (i) EXAMINATION REPORTS.—Upon  
7 providing reasonable assurances of con-  
8 fidentiality, a prudential regulator, a State  
9 regulator, or any other Federal agency  
10 having jurisdiction over a covered person  
11 or service provider shall have access to any  
12 report of examination made by the Bureau  
13 with respect to such person, and to all re-  
14 visions made to any such report.

15 (ii) PROVISION OF OTHER REPORTS  
16 TO OTHER REGULATORS.—In addition to  
17 the reports described in clause (i), the Bu-  
18 reau may, in its discretion, furnish to a  
19 prudential regulator or other agency hav-  
20 ing jurisdiction over a covered person or  
21 service provider any other report or other  
22 confidential supervisory information con-  
23 cerning such person examined by the Bu-  
24 reau under the authority of any other pro-  
25 vision of Federal law.

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1 (7) REGISTRATION.—

2 (A) IN GENERAL.—The Bureau may pre-  
3 scribe rules regarding registration requirements  
4 applicable to a covered person, other than an  
5 insured depository institution, insured credit  
6 union, or related person.

7 (B) REGISTRATION INFORMATION.—Sub-  
8 ject to rules prescribed by the Bureau, the Bu-  
9 reau may publicly disclose registration informa-  
10 tion to facilitate the ability of consumers to  
11 identify covered persons that are registered with  
12 the Bureau.

13 (C) CONSULTATION WITH STATE AGEN-  
14 CIES.—In developing and implementing reg-  
15 istration requirements under this paragraph,  
16 the Bureau shall consult with State agencies re-  
17 garding requirements or systems (including co-  
18 ordinated or combined systems for registration),  
19 where appropriate.

20 (8) PRIVACY CONSIDERATIONS.—In collecting  
21 information from any person, publicly releasing in-  
22 formation held by the Bureau, or requiring covered  
23 persons to publicly report information, the Bureau  
24 shall take steps to ensure that proprietary, personal,  
25 or confidential consumer information that is pro-



1 tected from public disclosure under section 552(b) or  
2 552a of title 5, United States Code, or any other  
3 provision of law, is not made public under this title.

4 (9) CONSUMER PRIVACY.—

5 (A) IN GENERAL.—The Bureau may not  
6 obtain from a covered person or service provider  
7 any personally identifiable financial information  
8 about a consumer from the financial records of  
9 the covered person or service provider, except—

10 (i) if the financial records are reason-  
11 ably described in a request by the Bureau  
12 and the consumer provides written permis-  
13 sion for the disclosure of such information  
14 by the covered person or service provider  
15 to the Bureau; or

16 (ii) as may be specifically permitted or  
17 required under other applicable provisions  
18 of law and in accordance with the Right to  
19 Financial Privacy Act of 1978 (12 U.S.C.  
20 3401 et seq.).

21 (B) TREATMENT OF COVERED PERSON OR  
22 SERVICE PROVIDER.—With respect to the appli-  
23 cation of any provision of the Right to Finan-  
24 cial Privacy Act of 1978, to a disclosure by a  
25 covered person or service provider subject to

1           this subsection, the covered person or service  
2           provider shall be treated as if it were a “finan-  
3           cial institution”, as defined in section 1101 of  
4           that Act (12 U.S.C. 3401).

5           (d) ASSESSMENT OF SIGNIFICANT RULES.—

6           (1) IN GENERAL.—The Bureau shall conduct  
7           an assessment of each significant rule or order  
8           adopted by the Bureau under Federal consumer fi-  
9           nancial law. The assessment shall address, among  
10          other relevant factors, the effectiveness of the rule or  
11          order in meeting the purposes and objectives of this  
12          title and the specific goals stated by the Bureau.  
13          The assessment shall reflect available evidence and  
14          any data that the Bureau reasonably may collect.

15          (2) REPORTS.—The Bureau shall publish a re-  
16          port of its assessment under this subsection not  
17          later than 5 years after the effective date of the sub-  
18          ject rule or order.

19          (3) PUBLIC COMMENT REQUIRED.—Before pub-  
20          lishing a report of its assessment, the Bureau shall  
21          invite public comment on recommendations for modi-  
22          fying, expanding, or eliminating the newly adopted  
23          significant rule or order.

1 **SEC. 1023. REVIEW OF BUREAU REGULATIONS.**

2 (a) REVIEW OF BUREAU REGULATIONS.—On the pe-  
3 tition of a member agency of the Council, the Council may  
4 set aside a final regulation prescribed by the Bureau, or  
5 any provision thereof, if the Council decides, in accordance  
6 with subsection (c), that the regulation or provision would  
7 put the safety and soundness of the United States banking  
8 system or the stability of the financial system of the  
9 United States at risk.

10 (b) PETITION.—

11 (1) PROCEDURE.—An agency represented by a  
12 member of the Council may petition the Council, in  
13 writing, and in accordance with rules prescribed pur-  
14 suant to subsection (f), to stay the effectiveness of,  
15 or set aside, a regulation if the member agency filing  
16 the petition—

17 (A) has in good faith attempted to work  
18 with the Bureau to resolve concerns regarding  
19 the effect of the rule on the safety and sound-  
20 ness of the United States banking system or  
21 the stability of the financial system of the  
22 United States; and

23 (B) files the petition with the Council not  
24 later than 10 days after the date on which the  
25 regulation has been published in the Federal  
26 Register.

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1           (2) PUBLICATION.—Any petition filed with the  
2           Council under this section shall be published in the  
3           Federal Register and transmitted contemporaneously  
4           with filing to the Committee on Banking, Housing,  
5           and Urban Affairs of the Senate and the Committee  
6           on Financial Services of the House of Representa-  
7           tives.

8           (c) STAYS AND SET ASIDES.—

9           (1) STAY.—

10           (A) IN GENERAL.—Upon the request of  
11           any member agency, the Chairperson of the  
12           Council may stay the effectiveness of a regula-  
13           tion for the purpose of allowing appropriate  
14           consideration of the petition by the Council.

15           (B) EXPIRATION.—A stay issued under  
16           this paragraph shall expire on the earlier of—

17           (i) 90 days after the date of filing of  
18           the petition under subsection (b); or

19           (ii) the date on which the Council  
20           makes a decision under paragraph (3).

21           (2) NO ADVERSE INFERENCE.—After the expi-  
22           ration of any stay imposed under this section, no in-  
23           ference shall be drawn regarding the validity or en-  
24           forceability of a regulation which was the subject of  
25           the petition.

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## 1 (3) VOTE.—

2 (A) IN GENERAL.—The decision to issue a  
3 stay of, or set aside, any regulation under this  
4 section shall be made only with the affirmative  
5 vote in accordance with subparagraph (B) of  $\frac{2}{3}$   
6 of the members of the Council then serving.

7 (B) AUTHORIZATION TO VOTE.—A member  
8 of the Council may vote to stay the effectiveness  
9 of, or set aside, a final regulation prescribed by  
10 the Bureau only if the agency or department  
11 represented by that member has—

12 (i) considered any relevant informa-  
13 tion provided by the agency submitting the  
14 petition and by the Bureau; and

15 (ii) made an official determination, at  
16 a public meeting where applicable, that the  
17 regulation which is the subject of the peti-  
18 tion would put the safety and soundness of  
19 the United States banking system or the  
20 stability of the financial system of the  
21 United States at risk.

## 22 (4) DECISIONS TO SET ASIDE.—

23 (A) EFFECT OF DECISION.—A decision by  
24 the Council to set aside a regulation prescribed  
25 by the Bureau, or provision thereof, shall

1           render such regulation, or provision thereof, un-  
2           enforceable.

3           (B) **TIMELY ACTION REQUIRED.**—The  
4           Council may not issue a decision to set aside a  
5           regulation, or provision thereof, which is the  
6           subject of a petition under this section after the  
7           expiration of the later of—

8                   (i) 45 days following the date of filing  
9                   of the petition, unless a stay is issued  
10                  under paragraph (1); or

11                  (ii) the expiration of a stay issued by  
12                  the Council under this section.

13           (C) **SEPARATE AUTHORITY.**—The issuance  
14           of a stay under this section does not affect the  
15           authority of the Council to set aside a regula-  
16           tion.

17           (5) **DISMISSAL DUE TO INACTION.**—A petition  
18           under this section shall be deemed dismissed if the  
19           Council has not issued a decision to set aside a regu-  
20           lation, or provision thereof, within the period for  
21           timely action under paragraph (4)(B).

22           (6) **PUBLICATION OF DECISION.**—Any decision  
23           under this subsection to issue a stay of, or set aside,  
24           a regulation or provision thereof shall be published  
25           by the Council in the Federal Register as soon as

1           practicable after the decision is made, with an expla-  
2           nation of the reasons for the decision.

3           (7) RULEMAKING PROCEDURES INAPPLI-  
4           CABLE.—The notice and comment procedures under  
5           section 553 of title 5, United States Code, shall not  
6           apply to any decision under this section of the Coun-  
7           cil to issue a stay of, or set aside, a regulation.

8           (8) JUDICIAL REVIEW OF DECISIONS BY THE  
9           COUNCIL.—A decision by the Council to set aside a  
10          regulation prescribed by the Bureau, or provision  
11          thereof, shall be subject to review under chapter 7  
12          of title 5, United States Code.

13          (d) APPLICATION OF OTHER LAW.—Nothing in this  
14          section shall be construed as altering, limiting, or restrict-  
15          ing the application of any other provision of law, except  
16          as otherwise specifically provided in this section, including  
17          chapter 5 and chapter 7 of title 5, United States Code,  
18          to a regulation which is the subject of a petition filed  
19          under this section.

20          (e) SAVINGS CLAUSE.—Nothing in this section shall  
21          be construed as limiting or restricting the Bureau from  
22          engaging in a rulemaking in accordance with applicable  
23          law.

24          (f) IMPLEMENTING RULES.—The Council shall pre-  
25          scribe procedural rules to implement this section.

1 **SEC. 1024. SUPERVISION OF NONDEPOSITORY COVERED**  
2 **PERSONS.**

3 (a) SCOPE OF COVERAGE.—

4 (1) APPLICABILITY.—Notwithstanding any  
5 other provision of this title, and except as provided  
6 in paragraph (3), this section shall apply to any cov-  
7 ered person who—

8 (A) offers or provides origination, broker-  
9 age, or servicing of loans secured by real estate  
10 for use by consumers primarily for personal,  
11 family, or household purposes, or loan modifica-  
12 tion or foreclosure relief services in connection  
13 with such loans;

14 (B) is a larger participant of a market for  
15 other consumer financial products or services,  
16 as defined by rule in accordance with paragraph  
17 (2);

18 (C) the Bureau has reasonable cause to de-  
19 termine, by order, after notice to the covered  
20 person and a reasonable opportunity for such  
21 covered person to respond, based on complaints  
22 collected through the system under section  
23 1013(b)(3) or information from other sources,  
24 that such covered person is engaging, or has en-  
25 gaged, in conduct that poses risks to consumers



1 with regard to the offering or provision of con-  
2 sumer financial products or services;

3 (D) offers or provides to a consumer any  
4 private education loan, as defined in section  
5 140 of the Truth in Lending Act (15 U.S.C.  
6 1650), notwithstanding section 1027(a)(2)(A)  
7 and subject to section 1027(a)(2)(C); or

8 (E) offers or provides to a consumer a pay-  
9 day loan.

10 (2) RULEMAKING TO DEFINE COVERED PER-  
11 SONS SUBJECT TO THIS SECTION.—The Bureau  
12 shall consult with the Federal Trade Commission  
13 prior to issuing a rule, in accordance with paragraph  
14 (1)(B), to define covered persons subject to this sec-  
15 tion. The Bureau shall issue its initial rule not later  
16 than 1 year after the designated transfer date.

17 (3) RULES OF CONSTRUCTION.—

18 (A) CERTAIN PERSONS EXCLUDED.—This  
19 section shall not apply to persons described in  
20 section 1025(a) or 1026(a).

21 (B) ACTIVITY LEVELS.—For purposes of  
22 computing activity levels under paragraph (1)  
23 or rules issued thereunder, activities of affili-  
24 ated companies (other than insured depository

1 institutions or insured credit unions) shall be  
2 aggregated.

3 (b) SUPERVISION.—

4 (1) IN GENERAL.—The Bureau shall require re-  
5 ports and conduct examinations on a periodic basis  
6 of persons described in subsection (a)(1) for pur-  
7 poses of—

8 (A) assessing compliance with the require-  
9 ments of Federal consumer financial law;

10 (B) obtaining information about the activi-  
11 ties and compliance systems or procedures of  
12 such person; and

13 (C) detecting and assessing risks to con-  
14 sumers and to markets for consumer financial  
15 products and services.

16 (2) RISK-BASED SUPERVISION PROGRAM.—The  
17 Bureau shall exercise its authority under paragraph  
18 (1) in a manner designed to ensure that such exer-  
19 cise, with respect to persons described in subsection  
20 (a)(1), is based on the assessment by the Bureau of  
21 the risks posed to consumers in the relevant product  
22 markets and geographic markets, and taking into  
23 consideration, as applicable—

24 (A) the asset size of the covered person;

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1 (B) the volume of transactions involving  
2 consumer financial products or services in  
3 which the covered person engages;

4 (C) the risks to consumers created by the  
5 provision of such consumer financial products  
6 or services;

7 (D) the extent to which such institutions  
8 are subject to oversight by State authorities for  
9 consumer protection; and

10 (E) any other factors that the Bureau de-  
11 termines to be relevant to a class of covered  
12 persons.

13 (3) COORDINATION.—To minimize regulatory  
14 burden, the Bureau shall coordinate its supervisory  
15 activities with the supervisory activities conducted by  
16 prudential regulators and the State bank regulatory  
17 authorities, including establishing their respective  
18 schedules for examining persons described in sub-  
19 section (a)(1) and requirements regarding reports to  
20 be submitted by such persons.

21 (4) USE OF EXISTING REPORTS.—The Bureau  
22 shall, to the fullest extent possible, use—

23 (A) reports pertaining to persons described  
24 in subsection (a)(1) that have been provided or

1 required to have been provided to a Federal or  
2 State agency; and

3 (B) information that has been reported  
4 publicly.

5 (5) PRESERVATION OF AUTHORITY.—Nothing  
6 in this title may be construed as limiting the author-  
7 ity of the Director to require reports from persons  
8 described in subsection (a)(1), as permitted under  
9 paragraph (1), regarding information owned or  
10 under the control of such person, regardless of  
11 whether such information is maintained, stored, or  
12 processed by another person.

13 (6) REPORTS OF TAX LAW NONCOMPLIANCE.—  
14 The Bureau shall provide the Commissioner of In-  
15 ternal Revenue with any report of examination or re-  
16 lated information identifying possible tax law non-  
17 compliance.

18 (7) REGISTRATION, RECORDKEEPING AND  
19 OTHER REQUIREMENTS FOR CERTAIN PERSONS.—

20 (A) IN GENERAL.—The Bureau shall pre-  
21 scribe rules to facilitate supervision of persons  
22 described in subsection (a)(1) and assessment  
23 and detection of risks to consumers.

24 (B) RECORDKEEPING.—The Bureau may  
25 require a person described in subsection (a)(1),

1 to generate, provide, or retain records for the  
2 purposes of facilitating supervision of such per-  
3 sons and assessing and detecting risks to con-  
4 sumers.

5 (C) REQUIREMENTS CONCERNING OBLIGA-  
6 TIONS.—The Bureau may prescribe rules re-  
7 garding a person described in subsection (a)(1),  
8 to ensure that such persons are legitimate enti-  
9 ties and are able to perform their obligations to  
10 consumers. Such requirements may include  
11 background checks for principals, officers, di-  
12 rectors, or key personnel and bonding or other  
13 appropriate financial requirements.

14 (D) CONSULTATION WITH STATE AGEN-  
15 CIES.—In developing and implementing require-  
16 ments under this paragraph, the Bureau shall  
17 consult with State agencies regarding require-  
18 ments or systems (including coordinated or  
19 combined systems for registration), where ap-  
20 propriate.

21 (e) ENFORCEMENT AUTHORITY.—

22 (1) THE BUREAU TO HAVE ENFORCEMENT AU-  
23 THORITY.—Except as provided in paragraph (3) and  
24 section 1061, with respect to any person described  
25 in subsection (a)(1), to the extent that Federal law

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1       authorizes the Bureau and another Federal agency  
2       to enforce Federal consumer financial law, the Bu-  
3       reau shall have exclusive authority to enforce that  
4       Federal consumer financial law.

5           (2) REFERRAL.—Any Federal agency author-  
6       ized to enforce a Federal consumer financial law de-  
7       scribed in paragraph (1) may recommend in writing  
8       to the Bureau that the Bureau initiate an enforce-  
9       ment proceeding, as the Bureau is authorized by  
10      that Federal law or by this title.

11           (3) COORDINATION WITH THE FEDERAL TRADE  
12      COMMISSION.—

13           (A) IN GENERAL.—The Bureau and the  
14      Federal Trade Commission shall negotiate an  
15      agreement for coordinating with respect to en-  
16      forcement actions by each agency regarding the  
17      offering or provision of consumer financial  
18      products or services by any covered person that  
19      is described in subsection (a)(1), or service pro-  
20      viders thereto. The agreement shall include pro-  
21      cedures for notice to the other agency, where  
22      feasible, prior to initiating a civil action to en-  
23      force any Federal law regarding the offering or  
24      provision of consumer financial products or  
25      services.

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1 (B) CIVIL ACTIONS.—Whenever a civil ac-  
2 tion has been filed by, or on behalf of, the Bu-  
3 reau or the Federal Trade Commission for any  
4 violation of any provision of Federal law de-  
5 scribed in subparagraph (A), or any regulation  
6 prescribed under such provision of law—

7 (i) the other agency may not, during  
8 the pendency of that action, institute a  
9 civil action under such provision of law  
10 against any defendant named in the com-  
11 plaint in such pending action for any viola-  
12 tion alleged in the complaint; and

13 (ii) the Bureau or the Federal Trade  
14 Commission may intervene as a party in  
15 any such action brought by the other agen-  
16 cy, and, upon intervening—

17 (I) be heard on all matters aris-  
18 ing in such enforcement action; and

19 (II) file petitions for appeal in  
20 such actions.

21 (C) AGREEMENT TERMS.—The terms of  
22 any agreement negotiated under subparagraph  
23 (A) may modify or supersede the provisions of  
24 subparagraph (B).

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1 (D) DEADLINE.—The agencies shall reach  
2 the agreement required under subparagraph (A)  
3 not later than 6 months after the designated  
4 transfer date.

5 (d) EXCLUSIVE RULEMAKING AND EXAMINATION  
6 AUTHORITY.—Notwithstanding any other provision of  
7 Federal law and except as provided in section 1061, to  
8 the extent that Federal law authorizes the Bureau and an-  
9 other Federal agency to issue regulations or guidance,  
10 conduct examinations, or require reports from a person  
11 described in subsection (a)(1) under such law for purposes  
12 of assuring compliance with Federal consumer financial  
13 law and any regulations thereunder, the Bureau shall have  
14 the exclusive authority to prescribe rules, issue guidance,  
15 conduct examinations, require reports, or issue exemptions  
16 with regard to a person described in subsection (a)(1),  
17 subject to those provisions of law.

18 (e) SERVICE PROVIDERS.—A service provider to a  
19 person described in subsection (a)(1) shall be subject to  
20 the authority of the Bureau under this section, to the  
21 same extent as if such service provider were engaged in  
22 a service relationship with a bank, and the Bureau were  
23 an appropriate Federal banking agency under section 7(c)  
24 of the Bank Service Company Act (12 U.S.C. 1867(c)).  
25 In conducting any examination or requiring any report



1 from a service provider subject to this subsection, the Bu-  
2 reau shall coordinate with the appropriate prudential reg-  
3 ulator, as applicable.

4 (f) PRESERVATION OF FARM CREDIT ADMINISTRA-  
5 TION AUTHORITY.—No provision of this title may be con-  
6 strued as modifying, limiting, or otherwise affecting the  
7 authority of the Farm Credit Administration.

8 **SEC. 1025. SUPERVISION OF VERY LARGE BANKS, SAVINGS**  
9 **ASSOCIATIONS, AND CREDIT UNIONS.**

10 (a) SCOPE OF COVERAGE.—This section shall apply  
11 to any covered person that is—

12 (1) an insured depository institution with total  
13 assets of more than \$10,000,000,000 and any affil-  
14 iate thereof; or

15 (2) an insured credit union with total assets of  
16 more than \$10,000,000,000 and any affiliate there-  
17 of.

18 (b) SUPERVISION.—

19 (1) IN GENERAL.—The Bureau shall have ex-  
20 clusive authority to require reports and conduct ex-  
21 aminations on a periodic basis of persons described  
22 in subsection (a) for purposes of—

23 (A) assessing compliance with the require-  
24 ments of Federal consumer financial laws;

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1 (B) obtaining information about the activi-  
2 ties subject to such laws and the associated  
3 compliance systems or procedures of such per-  
4 sons; and

5 (C) detecting and assessing associated  
6 risks to consumers and to markets for con-  
7 sumer financial products and services.

8 (2) COORDINATION.—To minimize regulatory  
9 burden, the Bureau shall coordinate its supervisory  
10 activities with the supervisory activities conducted by  
11 prudential regulators and the State bank regulatory  
12 authorities, including consultation regarding their  
13 respective schedules for examining such persons de-  
14 scribed in subsection (a) and requirements regarding  
15 reports to be submitted by such persons.

16 (3) USE OF EXISTING REPORTS.—The Bureau  
17 shall, to the fullest extent possible, use—

18 (A) reports pertaining to a person de-  
19 scribed in subsection (a) that have been pro-  
20 vided or required to have been provided to a  
21 Federal or State agency; and

22 (B) information that has been reported  
23 publicly.

24 (4) PRESERVATION OF AUTHORITY.—Nothing  
25 in this title may be construed as limiting the author-

1           ity of the Director to require reports from a person  
2           described in subsection (a), as permitted under para-  
3           graph (1), regarding information owned or under the  
4           control of such person, regardless of whether such  
5           information is maintained, stored, or processed by  
6           another person.

7           (5) REPORTS OF TAX LAW NONCOMPLIANCE.—  
8           The Bureau shall provide the Commissioner of In-  
9           ternal Revenue with any report of examination or re-  
10          lated information identifying possible tax law non-  
11          compliance.

12          (c) PRIMARY ENFORCEMENT AUTHORITY.—

13           (1) THE BUREAU TO HAVE PRIMARY ENFORCE-  
14          MENT AUTHORITY.—To the extent that the Bureau  
15          and another Federal agency are authorized to en-  
16          force a Federal consumer financial law, the Bureau  
17          shall have primary authority to enforce that Federal  
18          consumer financial law with respect to any person  
19          described in subsection (a).

20           (2) REFERRAL.—Any Federal agency, other  
21          than the Federal Trade Commission, that is author-  
22          ized to enforce a Federal consumer financial law  
23          may recommend, in writing, to the Bureau that the  
24          Bureau initiate an enforcement proceeding with re-  
25          spect to a person described in subsection (a), as the

1 Bureau is authorized to do by that Federal con-  
2 sumer financial law.

3 (3) BACKUP ENFORCEMENT AUTHORITY OF  
4 OTHER FEDERAL AGENCY.—If the Bureau does not,  
5 before the end of the 120-day period beginning on  
6 the date on which the Bureau receives a rec-  
7 ommendation under paragraph (2), initiate an en-  
8 forcement proceeding, the other agency referred to  
9 in paragraph (2) may initiate an enforcement pro-  
10 ceeding, including performing follow up supervisory  
11 and support functions incidental thereto, to assure  
12 compliance with such proceeding.

13 (d) SERVICE PROVIDERS.—A service provider to a  
14 person described in subsection (a) shall be subject to the  
15 authority of the Bureau under this section, to the same  
16 extent as if the Bureau were an appropriate Federal bank-  
17 ing agency under section 7(c) of the Bank Service Com-  
18 pany Act 12 U.S.C. 1867(c). In conducting any examina-  
19 tion or requiring any report from a service provider sub-  
20 ject to this subsection, the Bureau shall coordinate with  
21 the appropriate prudential regulator.

22 (e) SIMULTANEOUS AND COORDINATED SUPER-  
23 VISORY ACTION.—

24 (1) EXAMINATIONS.—A prudential regulator  
25 and the Bureau shall, with respect to each insured

1 depository institution, insured credit union, or other  
2 covered person described in subsection (a) that is su-  
3 pervised by the prudential regulator and the Bureau,  
4 respectively—

5 (A) coordinate the scheduling of examina-  
6 tions of the insured depository institution, in-  
7 sured credit union, or other covered person de-  
8 scribed in subsection (a);

9 (B) conduct simultaneous examinations of  
10 each insured depository institution or insured  
11 credit union, unless such institution requests  
12 examinations to be conducted separately;

13 (C) share each draft report of examination  
14 with the other agency and permit the receiving  
15 agency a reasonable opportunity (which shall  
16 not be less than a period of 30 days after the  
17 date of receipt) to comment on the draft report  
18 before such report is made final; and

19 (D) prior to issuing a final report of exam-  
20 ination or taking supervisory action, take into  
21 consideration concerns, if any, raised in the  
22 comments made by the other agency.

23 (2) COORDINATION WITH STATE BANK SUPER-  
24 VISORS.—The Bureau shall pursue arrangements  
25 and agreements with State bank supervisors to co-

1       ordinate examinations, consistent with paragraph  
2       (1).

3               (3) AVOIDANCE OF CONFLICT IN SUPER-  
4       VISION.—

5               (A) REQUEST.—If the proposed super-  
6       visory determinations of the Bureau and a pru-  
7       dential regulator (in this section referred to col-  
8       lectively as the “agencies”) are conflicting, an  
9       insured depository institution, insured credit  
10      union, or other covered person described in sub-  
11      section (a) may request the agencies to coordi-  
12      nate and present a joint statement of coordi-  
13      nated supervisory action.

14              (B) JOINT STATEMENT.—The agencies  
15      shall provide a joint statement under subpara-  
16      graph (A), not later than 30 days after the date  
17      of receipt of the request of the insured deposi-  
18      tory institution, credit union, or covered person  
19      described in subsection (a).

20              (4) APPEALS TO GOVERNING PANEL.—

21              (A) IN GENERAL.—If the agencies do not  
22      resolve the conflict or issue a joint statement  
23      required by subparagraph (B), or if either of  
24      the agencies takes or attempts to take any su-  
25      pervisory action relating to the request for the

1 joint statement without the consent of the other  
2 agency, an insured depository institution, in-  
3 sured credit union, or other covered person de-  
4 scribed in subsection (a) may institute an ap-  
5 peal to a governing panel, as provided in this  
6 subsection, not later than 30 days after the ex-  
7 piration of the period during which a joint  
8 statement is required to be filed under para-  
9 graph (3)(B).

10 (B) COMPOSITION OF GOVERNING  
11 PANEL.—The governing panel for an appeal  
12 under this paragraph shall be composed of—

13 (i) a representative from the Bureau  
14 and a representative of the prudential reg-  
15 ulator, both of whom—

16 (I) have not participated in the  
17 material supervisory determinations  
18 under appeal; and

19 (II) do not directly or indirectly  
20 report to the person who participated  
21 materially in the supervisory deter-  
22 minations under appeal; and

23 (ii) one individual representative, to  
24 be determined on a rotating basis, from  
25 among the Board of Governors, the Cor-

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1                   poration, the National Credit Union Ad-  
2                   ministration, and the Office of the Comp-  
3                   troller of the Currency, other than any  
4                   agency involved in the subject dispute.

5                   (C) CONDUCT OF APPEAL.—In an appeal  
6                   under this paragraph—

7                   (i) the insured depository institution,  
8                   insured credit union, or other covered per-  
9                   son described in subsection (a)—

10                   (I) shall include in its appeal all  
11                   the facts and legal arguments per-  
12                   taining to the matter; and

13                   (II) may, through counsel, em-  
14                   ployees, or representatives, appear be-  
15                   fore the governing panel in person or  
16                   by telephone; and

17                   (ii) the governing panel—

18                   (I) may request the insured de-  
19                   pository institution, insured credit  
20                   union, or other covered person de-  
21                   scribed in subsection (a), the Bureau,  
22                   or the prudential regulator to produce  
23                   additional information relevant to the  
24                   appeal; and



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1 (II) by a majority vote of its  
2 members, shall provide a final deter-  
3 mination, in writing, not later than 30  
4 days after the date of filing of an  
5 informationally complete appeal, or  
6 such longer period as the panel and  
7 the insured depository institution, in-  
8 sured credit union, or other covered  
9 person described in subsection (a)  
10 may jointly agree.

11 (D) PUBLIC AVAILABILITY OF DETERMINA-  
12 TIONS.—A governing panel shall publish all in-  
13 formation contained in a determination by the  
14 governing panel, with appropriate redactions of  
15 information that would be subject to an exemp-  
16 tion from disclosure under section 552 of title  
17 5, United States Code.

18 (E) PROHIBITION AGAINST RETALIA-  
19 TION.—The Bureau and the prudential regu-  
20 lators shall prescribe rules to provide safe-  
21 guards from retaliation against the insured de-  
22 pository institution, insured credit union, or  
23 other covered person described in subsection (a)  
24 instituting an appeal under this paragraph, as  
25 well as their officers and employees.

1 (F) LIMITATION.—The process provided in  
2 this paragraph shall not apply to a determina-  
3 tion by a prudential regulator to appoint a con-  
4 servator or receiver for an insured depository  
5 institution or a liquidating agent for an insured  
6 credit union, as the case may be, or a decision  
7 to take action pursuant to section 38 of the  
8 Federal Deposit Insurance Act (12 U.S.C.  
9 1831o) or section 212 of the Federal Credit  
10 Union Act (112 U.S.C. 1790a), as applicable.

11 (G) EFFECT ON OTHER AUTHORITY.—  
12 Nothing in this section shall modify or limit the  
13 authority of the Bureau to interpret, or take  
14 enforcement action under, any Federal con-  
15 sumer financial law, or the authority of a pru-  
16 dential regulator to interpret or take enforce-  
17 ment action under any other provision of Fed-  
18 eral law for safety and soundness purposes.

19 **SEC. 1026. OTHER BANKS, SAVINGS ASSOCIATIONS, AND**  
20 **CREDIT UNIONS.**

21 (a) SCOPE OF COVERAGE.—This section shall apply  
22 to any covered person that is—

23 (1) an insured depository institution with total  
24 assets of \$10,000,000,000 or less; or

1           (2) an insured credit union with total assets of  
2           \$10,000,000,000 or less.

3           (b) REPORTS.—The Director may require reports  
4 from a person described in subsection (a), as necessary  
5 to support the role of the Bureau in implementing Federal  
6 consumer financial law, to support its examination activi-  
7 ties under subsection (c), and to assess and detect risks  
8 to consumers and consumer financial markets.

9           (1) USE OF EXISTING REPORTS.—The Bureau  
10 shall, to the fullest extent possible, use—

11           (A) reports pertaining to a person de-  
12 scribed in subsection (a) that have been pro-  
13 vided or required to have been provided to a  
14 Federal or State agency; and

15           (B) information that has been reported  
16 publicly.

17           (2) PRESERVATION OF AUTHORITY.—Nothing  
18 in this subsection may be construed as limiting the  
19 authority of the Director from requiring from a per-  
20 son described in subsection (a), as permitted under  
21 paragraph (1), information owned or under the con-  
22 trol of such person, regardless of whether such infor-  
23 mation is maintained, stored, or processed by an-  
24 other person.

1           (3) REPORTS OF TAX LAW NONCOMPLIANCE.—

2           The Bureau shall provide the Commissioner of In-  
3           ternal Revenue with any report of examination or re-  
4           lated information identifying possible tax law non-  
5           compliance.

6           (c) EXAMINATIONS.—

7           (1) IN GENERAL.—The Bureau may, at its dis-  
8           cretion, include examiners on a sampling basis of the  
9           examinations performed by the prudential regulator  
10          to assess compliance with the requirements of Fed-  
11          eral consumer financial law of persons described in  
12          subsection (a).

13          (2) AGENCY COORDINATION.—The prudential  
14          regulator shall—

15                (A) provide all reports, records, and docu-  
16                mentation related to the examination process  
17                for any institution included in the sample re-  
18                ferred to in paragraph (1) to the Bureau on a  
19                timely and continual basis;

20                (B) involve such Bureau examiner in the  
21                entire examination process for such person; and

22                (C) consider input of the Bureau con-  
23                cerning the scope of an examination, conduct of  
24                the examination, the contents of the examina-

1           tion report, the designation of matters requiring  
2           attention, and examination ratings.

3       (d) ENFORCEMENT.—

4           (1) IN GENERAL.—Except for requiring reports  
5       under subsection (b), the prudential regulator is au-  
6       thorized to enforce the requirements of Federal con-  
7       sumer financial laws and, with respect to a covered  
8       person described in subsection (a), shall have exclu-  
9       sive authority (relative to the Bureau) to enforce  
10      such laws .

11       (2) COORDINATION WITH PRUDENTIAL REGU-  
12      LATOR.—

13           (A) REFERRAL.—When the Bureau has  
14      reason to believe that a person described in sub-  
15      section (a) has engaged in a material violation  
16      of a Federal consumer financial law, the Bu-  
17      reau shall notify the prudential regulator in  
18      writing and recommend appropriate action to  
19      respond.

20           (B) RESPONSE.—Upon receiving a rec-  
21      ommendation under subparagraph (A), the pru-  
22      dential regulator shall provide a written re-  
23      sponse to the Bureau not later than 60 days  
24      thereafter.

1 (e) SERVICE PROVIDERS.—A service provider to a  
2 substantial number of persons described in subsection (a)  
3 shall be subject to the authority of the Bureau under sec-  
4 tion 1025 to the same extent as if the Bureau were an  
5 appropriate Federal bank agency under section 7(c) of the  
6 Bank Service Company Act (12 U.S.C. 1867(c)). When  
7 conducting any examination or requiring any report from  
8 a service provider subject to this subsection, the Bureau  
9 shall coordinate with the appropriate prudential regulator.

10 **SEC. 1027. LIMITATIONS ON AUTHORITIES OF THE BUREAU;**

11 **PRESERVATION OF AUTHORITIES.**

12 (a) EXCLUSION FOR MERCHANTS, RETAILERS, AND  
13 OTHER SELLERS OF NONFINANCIAL GOODS OR SERV-  
14 ICES.—

15 (1) SALE OR BROKERAGE OF NONFINANCIAL  
16 GOOD OR SERVICE.—The Bureau may not exercise  
17 any rulemaking, supervisory, enforcement or other  
18 authority under this title with respect to a person  
19 who is a merchant, retailer, or seller of any non-  
20 financial good or service and is engaged in the sale  
21 or brokerage of such nonfinancial good or service,  
22 except to the extent that such person is engaged in  
23 offering or providing any consumer financial product  
24 or service, or is otherwise subject to any enumerated

1 consumer law or any law for which authorities are  
2 transferred under subtitle F or H.

3 (2) OFFERING OR PROVISION OF CERTAIN CON-  
4 SUMER FINANCIAL PRODUCTS OR SERVICES IN CON-  
5 NECTION WITH THE SALE OR BROKERAGE OF NON-  
6 FINANCIAL GOOD OR SERVICE.—

7 (A) IN GENERAL.—Except as provided in  
8 subparagraph (B), and subject to subparagraph  
9 (C), the Bureau may not exercise any rule-  
10 making, supervisory, enforcement, or other au-  
11 thority under this title with respect to a mer-  
12 chant, retailer, or seller of nonfinancial goods or  
13 services, but only to the extent that such per-  
14 son—

15 (i) extends credit directly to a con-  
16 sumer, in a case in which the good or serv-  
17 ice being provided is not itself a consumer  
18 financial product or service (other than  
19 credit described in this subparagraph), ex-  
20 clusively for the purpose of enabling that  
21 consumer to purchase such nonfinancial  
22 good or service directly from the merchant,  
23 retailer, or seller;

24 (ii) directly, or through an agreement  
25 with another person, collects debt arising

1 from credit extended as described in clause  
2 (i); or

3 (iii) sells or conveys debt described in  
4 clause (i) that is delinquent or otherwise in  
5 default.

6 (B) APPLICABILITY.—Subparagraph (A)  
7 does not apply to any credit transaction or col-  
8 lection of debt, other than as described in sub-  
9 paragraph (C)(i), arising from a transaction de-  
10 scribed in subparagraph (A)—

11 (i) in which the merchant, retailer, or  
12 seller of nonfinancial goods or services as-  
13 signs, sells or otherwise conveys to another  
14 person such debt owed by the consumer  
15 (except for a sale of debt that is delinquent  
16 or otherwise in default, as described in  
17 subparagraph (A)(iii));

18 (ii) in which the credit extended sig-  
19 nificantly exceeds the market value of the  
20 nonfinancial good or service provided, or  
21 the Bureau otherwise finds that the sale of  
22 the nonfinancial good or service is done as  
23 a subterfuge, so as to evade or circumvent  
24 the provisions of this title; or



1 (iii) in which the merchant, retailer,  
2 or seller of nonfinancial goods or services  
3 regularly extends credit and the credit is  
4 subject to a finance charge.

5 (C) LIMITATIONS.—

6 (i) IN GENERAL.—Notwithstanding  
7 subparagraph (B), subparagraph (A) shall  
8 apply with respect to a merchant, retailer,  
9 or seller of nonfinancial goods or services  
10 that is not engaged significantly in offering  
11 or providing consumer financial products  
12 or services.

13 (ii) EXCEPTION.—Subparagraph (A)  
14 and clause (i) of this subparagraph do not  
15 apply to any merchant, retailer, or seller of  
16 nonfinancial goods or services—

17 (I) if such merchant, retailer, or  
18 seller of nonfinancial goods or services  
19 is engaged in a transaction described  
20 in subparagraph (B)(i) or (B)(ii); or

21 (II) to the extent that such mer-  
22 chant, retailer, or seller is subject to  
23 any enumerated consumer law or any  
24 law for which authorities are trans-  
25 ferred under subtitle F or H, but the

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1 Bureau may exercise such authority  
2 only with respect to that law.

3 (D) RULES.—

4 (i) AUTHORITY OF OTHER AGEN-  
5 CIES.—No provision of this title shall be  
6 construed as modifying, limiting, or super-  
7 seding the supervisory or enforcement au-  
8 thority of the Federal Trade Commission  
9 or any other agency (other than the Bu-  
10 reau) with respect to credit extended, or  
11 the collection of debt arising from such ex-  
12 tension, directly by a merchant or retailer  
13 to a consumer exclusively for the purpose  
14 of enabling that consumer to purchase  
15 nonfinancial goods or services directly from  
16 the merchant or retailer.

17 (ii) SMALL BUSINESSES.—A mer-  
18 chant, retailer, or seller of nonfinancial  
19 goods or services that would otherwise be  
20 subject to the authority of the Bureau sole-  
21 ly by virtue of the application of subpara-  
22 graph (B)(iii) shall be deemed not to be  
23 engaged significantly in offering or pro-  
24 viding consumer financial products or serv-

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1           ices under subparagraph (C)(i), if such  
2           person—

3                   (I) only extends credit for the  
4                   sale of nonfinancial goods or services,  
5                   as described in subparagraph (A)(i);

6                   (II) retains such credit on its  
7                   own accounts (except to sell or convey  
8                   such debt that is delinquent or other-  
9                   wise in default); and

10                   (III) meets the relevant industry  
11                   size threshold to be a small business  
12                   concern, based on annual receipts,  
13                   pursuant to section 3 of the Small  
14                   Business Act (15 U.S.C. 632) and the  
15                   implementing rules thereunder.

16                   (iii) INITIAL YEAR.—A merchant, re-  
17                   tailer, or seller of nonfinancial goods or  
18                   services shall be deemed to meet the rel-  
19                   evant industry size threshold described in  
20                   clause (ii)(III) during the first year of op-  
21                   erations of that business concern if, during  
22                   that year, the receipts of that business  
23                   concern reasonably are expected to meet  
24                   that size threshold.

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1                   (iv) OTHER STANDARDS FOR SMALL  
2                   BUSINESS.—With respect to a merchant,  
3                   retailer, or seller of nonfinancial goods or  
4                   services that is a classified on a basis other  
5                   than annual receipts for the purposes of  
6                   section 3 of the Small Business Act (15  
7                   U.S.C. 632) and the implementing rules  
8                   thereunder, such merchant, retailer, or  
9                   seller shall be deemed to meet the relevant  
10                  industry size threshold described in clause  
11                  (ii)(III) if such merchant, retailer, or seller  
12                  meets the relevant industry size threshold  
13                  to be a small business concern based on  
14                  the number of employees, or other such ap-  
15                  plicable measure, established under that  
16                  Act.

17                  (E) EXCEPTION FROM STATE ENFORCE-  
18                  MENT.—To the extent that the Bureau may not  
19                  exercise authority under this subsection with re-  
20                  spect to a merchant, retailer, or seller of non-  
21                  financial goods or services, no action by a State  
22                  attorney general or State regulator with respect  
23                  to a claim made under this title may be brought  
24                  under subsection 1042(a), with respect to an  
25                  activity described in any of clauses (i) through

1 (iii) of subparagraph (A) by such merchant, re-  
2 tailer, or seller of nonfinancial goods or serv-  
3 ices.

4 (b) EXCLUSION FOR REAL ESTATE BROKERAGE AC-  
5 TIVITIES.—

6 (1) REAL ESTATE BROKERAGE ACTIVITIES EX-  
7 CLUDED.—Without limiting subsection (a), and ex-  
8 cept as permitted in paragraph (2), the Bureau may  
9 not exercise any rulemaking, supervisory, enforce-  
10 ment, or other authority under this title with respect  
11 to a person that is licensed or registered as a real  
12 estate broker or real estate agent, in accordance  
13 with State law, to the extent that such person—

14 (A) acts as a real estate agent or broker  
15 for a buyer, seller, lessor, or lessee of real prop-  
16 erty;

17 (B) brings together parties interested in  
18 the sale, purchase, lease, rental, or exchange of  
19 real property;

20 (C) negotiates, on behalf of any party, any  
21 portion of a contract relating to the sale, pur-  
22 chase, lease, rental, or exchange of real prop-  
23 erty (other than in connection with the provi-  
24 sion of financing with respect to any such  
25 transaction); or

1 (D) offers to engage in any activity, or act  
2 in any capacity, described in subparagraph (A),  
3 (B), or (C).

4 (2) DESCRIPTION OF ACTIVITIES.—The Bureau  
5 may exercise rulemaking, supervisory, enforcement,  
6 or other authority under this title with respect to a  
7 person described in paragraph (1) when such person  
8 is—

9 (A) engaged in an activity of offering or  
10 providing any consumer financial product or  
11 service, except that the Bureau may exercise  
12 such authority only with respect to that activ-  
13 ity; or

14 (B) otherwise subject to any enumerated  
15 consumer law or any law for which authorities  
16 are transferred under subtitle F or H, but the  
17 Bureau may exercise such authority only with  
18 respect to that law.

19 (c) EXCLUSION FOR MANUFACTURED HOME RETAIL-  
20 ERS AND MODULAR HOME RETAILERS.—

21 (1) IN GENERAL.—The Director may not exer-  
22 cise any rulemaking, supervisory, enforcement, or  
23 other authority over a person to the extent that—

24 (A) such person is not described in para-  
25 graph (2); and

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1 (B) such person—

2 (i) acts as an agent or broker for a  
3 buyer or seller of a manufactured home or  
4 a modular home;

5 (ii) facilitates the purchase by a con-  
6 sumer of a manufactured home or modular  
7 home, by negotiating the purchase price or  
8 terms of the sales contract (other than  
9 providing financing with respect to such  
10 transaction); or

11 (iii) offers to engage in any activity  
12 described in clause (i) or (ii).

13 (2) DESCRIPTION OF ACTIVITIES.—A person is  
14 described in this paragraph to the extent that such  
15 person is engaged in the offering or provision of any  
16 consumer financial product or service or is otherwise  
17 subject to any enumerated consumer law or any law  
18 for which authorities are transferred under subtitle  
19 F or H.

20 (3) DEFINITIONS.—For purposes of this sub-  
21 section, the following definitions shall apply:

22 (A) MANUFACTURED HOME.—The term  
23 “manufactured home” has the same meaning as  
24 in section 603 of the National Manufactured

1           Housing Construction and Safety Standards  
2           Act of 1974 (42 U.S.C. 5402).

3           (B) MODULAR HOME.—The term “mod-  
4           ular home” means a house built in a factory in  
5           2 or more modules that meet the State or local  
6           building codes where the house will be located,  
7           and where such modules are transported to the  
8           building site, installed on foundations, and com-  
9           pleted.

10          (d) EXCLUSION FOR ACCOUNTANTS AND TAX PRE-  
11          PARERS.—

12           (1) IN GENERAL.—Except as permitted in para-  
13          graph (2), the Bureau may not exercise any rule-  
14          making, supervisory, enforcement, or other authority  
15          over—

16           (A) any person that is a certified public ac-  
17          countant, permitted to practice as a certified  
18          public accounting firm, or certified or licensed  
19          for such purpose by a State, or any individual  
20          who is employed by or holds an ownership inter-  
21          est with respect to a person described in this  
22          subparagraph, when such person is performing  
23          or offering to perform—

24           (i) customary and usual accounting  
25          activities, including the provision of ac-



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1 counting, tax, advisory, or other services  
2 that are subject to the regulatory authority  
3 of a State board of accountancy or a Fed-  
4 eral authority; or

5 (ii) other services that are incidental  
6 to such customary and usual accounting  
7 activities, to the extent that such incidental  
8 services are not offered or provided—

9 (I) by the person separate and  
10 apart from such customary and usual  
11 accounting activities; or

12 (II) to consumers who are not re-  
13 ceiving such customary and usual ac-  
14 counting activities; or

15 (B) any person, other than a person de-  
16 scribed in subparagraph (A) that performs in-  
17 come tax preparation activities for consumers.

18 (2) DESCRIPTION OF ACTIVITIES.—

19 (A) IN GENERAL.—Paragraph (1) shall not  
20 apply to any person described in paragraph  
21 (1)(A) or (1)(B) to the extent that such person  
22 is engaged in any activity which is not a cus-  
23 tomary and usual accounting activity described  
24 in paragraph (1)(A) or incidental thereto but  
25 which is the offering or provision of any con-

1           sumer financial product or service, except to the  
2           extent that a person described in paragraph  
3           (1)(A) is engaged in an activity which is a cus-  
4           tomary and usual accounting activity described  
5           in paragraph (1)(A), or incidental thereto.

6           (B) NOT A CUSTOMARY AND USUAL AC-  
7           COUNTING ACTIVITY.—For purposes of this  
8           subsection, extending or brokering credit is not  
9           a customary and usual accounting activity, or  
10          incidental thereto.

11          (C) RULE OF CONSTRUCTION.—For pur-  
12          poses of subparagraphs (A) and (B), a person  
13          described in paragraph (1)(A) shall not be  
14          deemed to be extending credit, if such person is  
15          only extending credit directly to a consumer, ex-  
16          clusively for the purpose of enabling such con-  
17          sumer to purchase services described in clause  
18          (i) or (ii) of paragraph (1)(A) directly from  
19          such person, and such credit is—

20                  (i) not subject to a finance charge;

21                  and

22                  (ii) not payable by written agreement  
23                  in more than 4 installments.

24          (D) OTHER LIMITATIONS.—Paragraph (1)  
25          does not apply to any person described in para-

1 graph (1)(A) or (1)(B) that is otherwise subject  
2 to any enumerated consumer law or any law for  
3 which authorities are transferred under subtitle  
4 F or H.

5 (e) EXCLUSION FOR PRACTICE OF LAW.—

6 (1) IN GENERAL.—Except as provided under  
7 paragraph (2), the Bureau may not exercise any su-  
8 pervisory or enforcement authority with respect to  
9 an activity engaged in by an attorney as part of the  
10 practice of law under the laws of a State in which  
11 the attorney is licensed to practice law.

12 (2) RULE OF CONSTRUCTION.—Paragraph (1)  
13 shall not be construed so as to limit the exercise by  
14 the Bureau of any supervisory, enforcement, or  
15 other authority regarding the offering or provision of  
16 a consumer financial product or service described in  
17 any subparagraph of section 1002(5)—

18 (A) that is not offered or provided as part  
19 of, or incidental to, the practice of law, occur-  
20 ring exclusively within the scope of the attor-  
21 ney-client relationship; or

22 (B) that is otherwise offered or provided  
23 by the attorney in question with respect to any  
24 consumer who is not receiving legal advice or

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1 services from the attorney in connection with  
2 such financial product or service.

3 (3) EXISTING AUTHORITY.—Paragraph (1)  
4 shall not be construed so as to limit the authority  
5 of the Bureau with respect to any attorney, to the  
6 extent that such attorney is otherwise subject to any  
7 of the enumerated consumer laws or the authorities  
8 transferred under subtitle F or H.

9 (f) EXCLUSION FOR PERSONS REGULATED BY A  
10 STATE INSURANCE REGULATOR.—

11 (1) IN GENERAL.—No provision of this title  
12 shall be construed as altering, amending, or affect-  
13 ing the authority of any State insurance regulator to  
14 adopt rules, initiate enforcement proceedings, or  
15 take any other action with respect to a person regu-  
16 lated by a State insurance regulator. Except as pro-  
17 vided in paragraph (2), the Bureau shall have no au-  
18 thority to exercise any power to enforce this title  
19 with respect to a person regulated by a State insur-  
20 ance regulator.

21 (2) DESCRIPTION OF ACTIVITIES.—Paragraph  
22 (1) does not apply to any person described in such  
23 paragraph to the extent that such person is engaged  
24 in the offering or provision of any consumer finan-  
25 cial product or service or is otherwise subject to any

1 enumerated consumer law or any law for which au-  
2 thorities are transferred under subtitle F or H.

3 (3) STATE INSURANCE AUTHORITY UNDER  
4 GRAMM-LEACH-BLILEY.—Notwithstanding para-  
5 graph (2), the Bureau shall not exercise any authori-  
6 ties that are granted a State insurance authority  
7 under section 505(a)(6) of the Gramm-Leach-Bliley  
8 Act with respect to a person regulated by a State in-  
9 surance authority.

10 (g) EXCLUSION FOR EMPLOYEE BENEFIT AND COM-  
11 PENSATION PLANS AND CERTAIN OTHER ARRANGEMENTS  
12 UNDER THE INTERNAL REVENUE CODE OF 1986.—

13 (1) PRESERVATION OF AUTHORITY OF OTHER  
14 AGENCIES.—No provision of this title shall be con-  
15 strued as altering, amending, or affecting the au-  
16 thority of the Secretary of the Treasury, the Sec-  
17 retary of Labor, or the Commissioner of Internal  
18 Revenue to adopt regulations, initiate enforcement  
19 proceedings, or take any actions with respect to any  
20 specified plan or arrangement.

21 (2) ACTIVITIES NOT CONSTITUTING THE OF-  
22 FERING OR PROVISION OF ANY CONSUMER FINAN-  
23 CIAL PRODUCT OR SERVICE.—For purposes of this  
24 title, a person shall not be treated as having engaged  
25 in the offering or provision of any consumer finan-

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1 cial product or service solely because such person  
2 is—

3 (A) a specified plan or arrangement;

4 (B) engaged in the activity of establishing  
5 or maintaining, for the benefit of employees of  
6 such person (or for members of an employee or-  
7 ganization), any specified plan or arrangement;  
8 or

9 (C) engaged in the activity of establishing  
10 or maintaining a qualified tuition program  
11 under section 529(b)(1) of the Internal Revenue  
12 Code of 1986 offered by a State or other pre-  
13 paid tuition program offered by a State.

14 (3) LIMITATION ON BUREAU AUTHORITY.—

15 (A) IN GENERAL.—Except as provided  
16 under subparagraphs (B) and (C), the Bureau  
17 may not exercise any rulemaking or enforce-  
18 ment authority with respect to products or serv-  
19 ices that relate to any specified plan or arrange-  
20 ment.

21 (B) BUREAU ACTION PURSUANT TO AGEN-  
22 CY REQUEST.—

23 (i) AGENCY REQUEST.—The Secretary  
24 and the Secretary of Labor may jointly  
25 issue a written request to the Bureau re-

1           garding implementation of appropriate  
2           consumer protection standards under this  
3           title with respect to the provision of serv-  
4           ices relating to any specified plan or ar-  
5           rangement.

6           (ii) AGENCY RESPONSE.—In response  
7           to a request by the Bureau, the Secretary  
8           and the Secretary of Labor shall jointly  
9           issue a written response, not later than 90  
10          days after receipt of such request, to grant  
11          or deny the request of the Bureau regard-  
12          ing implementation of appropriate con-  
13          sumer protection standards under this title  
14          with respect to the provision of services re-  
15          lating to any specified plan or arrange-  
16          ment.

17          (iii) SCOPE OF BUREAU ACTION.—  
18          Subject to a request or response pursuant  
19          to clause (i) or clause (ii) by the agencies  
20          made under this subparagraph, the Bureau  
21          may exercise rulemaking authority, and  
22          may act to enforce a rule prescribed pursu-  
23          ant to such request or response, in accord-  
24          ance with the provisions of this title. A re-  
25          quest or response made by the Secretary

1 and the Secretary of Labor under this sub-  
2 paragraph shall describe the basis for, and  
3 scope of, appropriate consumer protection  
4 standards to be implemented under this  
5 title with respect to the provision of serv-  
6 ices relating to any specified plan or ar-  
7 rangement.

8 (C) DESCRIPTION OF PRODUCTS OR SERV-  
9 ICES.—To the extent that a person engaged in  
10 providing products or services relating to any  
11 specified plan or arrangement is subject to any  
12 enumerated consumer law or any law for which  
13 authorities are transferred under subtitle F or  
14 H, subparagraph (A) shall not apply with re-  
15 spect to that law.

16 (4) SPECIFIED PLAN OR ARRANGEMENT.—For  
17 purposes of this subsection, the term “specified plan  
18 or arrangement” means any plan, account, or ar-  
19 rangement described in section 220, 223, 401(a),  
20 403(a), 403(b), 408, 408A, 529, or 530 of the Inter-  
21 nal Revenue Code of 1986, or any employee benefit  
22 or compensation plan or arrangement, including a  
23 plan that is subject to title I of the Employee Retirement  
24 Income Security Act of 1974, or any prepaid  
25 tuition program offered by a State.



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1 (h) PERSONS REGULATED BY A STATE SECURITIES  
2 COMMISSION.—

3 (1) IN GENERAL.—No provision of this title  
4 shall be construed as altering, amending, or affect-  
5 ing the authority of any securities commission (or  
6 any agency or office performing like functions) of  
7 any State to adopt rules, initiate enforcement pro-  
8 ceedings, or take any other action with respect to a  
9 person regulated by any securities commission (or  
10 any agency or office performing like functions) of  
11 any State. Except as permitted in paragraph (2) and  
12 subsection (f), the Bureau shall have no authority to  
13 exercise any power to enforce this title with respect  
14 to a person regulated by any securities commission  
15 (or any agency or office performing like functions)  
16 of any State, but only to the extent that the person  
17 acts in such regulated capacity.

18 (2) DESCRIPTION OF ACTIVITIES.—Paragraph  
19 (1) shall not apply to any person to the extent such  
20 person is engaged in the offering or provision of any  
21 consumer financial product or service, or is other-  
22 wise subject to any enumerated consumer law or any  
23 law for which authorities are transferred under sub-  
24 title F or H.

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1 (i) EXCLUSION FOR PERSONS REGULATED BY THE  
2 COMMISSION.—

3 (1) IN GENERAL.—No provision of this title  
4 may be construed as altering, amending, or affecting  
5 the authority of the Commission to adopt rules, ini-  
6 tiate enforcement proceedings, or take any other ac-  
7 tion with respect to a person regulated by the Com-  
8 mission. The Bureau shall have no authority to exer-  
9 cise any power to enforce this title with respect to  
10 a person regulated by the Commission.

11 (2) CONSULTATION AND COORDINATION.—Not-  
12 withstanding paragraph (1), the Commission shall  
13 consult and coordinate, where feasible, with the Bu-  
14 reau with respect to any rule (including any advance  
15 notice of proposed rulemaking) regarding an invest-  
16 ment product or service that is the same type of  
17 product as, or that competes directly with, a con-  
18 sumer financial product or service that is subject to  
19 the jurisdiction of the Bureau under this title or  
20 under any other law. In carrying out this paragraph,  
21 the agencies shall negotiate an agreement to estab-  
22 lish procedures for such coordination, including pro-  
23 cedures for providing advance notice to the Bureau  
24 when the Commission is initiating a rulemaking.

1 (j) EXCLUSION FOR PERSONS REGULATED BY THE  
2 COMMODITY FUTURES TRADING COMMISSION.—

3 (1) IN GENERAL.—No provision of this title  
4 shall be construed as altering, amending, or affect-  
5 ing the authority of the Commodity Futures Trading  
6 Commission to adopt rules, initiate enforcement pro-  
7 ceedings, or take any other action with respect to a  
8 person regulated by the Commodity Futures Trading  
9 Commission. The Bureau shall have no authority to  
10 exercise any power to enforce this title with respect  
11 to a person regulated by the Commodity Futures  
12 Trading Commission.

13 (2) CONSULTATION AND COORDINATION.—Not-  
14 withstanding paragraph (1), the Commodity Futures  
15 Trading Commission shall consult and coordinate  
16 with the Bureau with respect to any rule (including  
17 any advance notice of proposed rulemaking) regard-  
18 ing a product or service that is the same type of  
19 product as, or that competes directly with, a con-  
20 sumer financial product or service that is subject to  
21 the jurisdiction of the Bureau under this title or  
22 under any other law.

23 (k) EXCLUSION FOR PERSONS REGULATED BY THE  
24 FARM CREDIT ADMINISTRATION.—

1           (1) IN GENERAL.—No provision of this title  
2 shall be construed as altering, amending, or affect-  
3 ing the authority of the Farm Credit Administration  
4 to adopt rules, initiate enforcement proceedings, or  
5 take any other action with respect to a person regu-  
6 lated by the Farm Credit Administration. The Bu-  
7 reau shall have no authority to exercise any power  
8 to enforce this title with respect to a person regu-  
9 lated by the Farm Credit Administration.

10           (2) DEFINITION.—For purposes of this sub-  
11 section, the term “person regulated by the Farm  
12 Credit Administration” means any Farm Credit Sys-  
13 tem institution that is chartered and subject to the  
14 provisions of the Farm Credit Act of 1971 (12  
15 U.S.C. 2001 et seq.).

16           (1) EXCLUSION FOR ACTIVITIES RELATING TO CHAR-  
17 ITABLE CONTRIBUTIONS.—

18           (1) IN GENERAL.—The Director and the Bu-  
19 reau may not exercise any rulemaking, supervisory,  
20 enforcement, or other authority, including authority  
21 to order penalties, over any activities related to the  
22 solicitation or making of voluntary contributions to  
23 a tax-exempt organization as recognized by the In-  
24 ternal Revenue Service, by any agent, volunteer, or  
25 representative of such organizations to the extent

1 the organization, agent, volunteer, or representative  
2 thereof is soliciting or providing advice, information,  
3 education, or instruction to any donor or potential  
4 donor relating to a contribution to the organization.

5 (2) LIMITATION.—The exclusion in paragraph  
6 (1) does not apply to other activities not described  
7 in paragraph (1) that are the offering or provision  
8 of any consumer financial product or service, or are  
9 otherwise subject to any enumerated consumer law  
10 or any law for which authorities are transferred  
11 under subtitle F or H.

12 (m) INSURANCE.—The Bureau may not define as a  
13 financial product or service, by regulation or otherwise,  
14 engaging in the business of insurance.

15 (n) LIMITED AUTHORITY OF THE BUREAU.—Not-  
16 withstanding subsections (a) through (h) and (l), a person  
17 subject to or described in one or more of such provisions—

18 (1) may be a service provider; and

19 (2) may be subject to requests from, or require-  
20 ments imposed by, the Bureau regarding informa-  
21 tion in order to carry out the responsibilities and  
22 functions of the Bureau and in accordance with sec-  
23 tion 1022, 1052, or 1053.

24 (o) NO AUTHORITY TO IMPOSE USURY LIMIT.—No  
25 provision of this title shall be construed as conferring au-

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1 thority on the Bureau to establish a usury limit applicable  
2 to an extension of credit offered or made by a covered per-  
3 son to a consumer, unless explicitly authorized by law.

4 (p) ATTORNEY GENERAL.—No provision of this title,  
5 including section 1024(c)(1), shall affect the authorities  
6 of the Attorney General under otherwise applicable provi-  
7 sions of law.

8 (q) SECRETARY OF THE TREASURY.—No provision of  
9 this title shall affect the authorities of the Secretary, in-  
10 cluding with respect to prescribing rules, initiating en-  
11 forcement proceedings, or taking other actions with re-  
12 spect to a person that performs income tax preparation  
13 activities for consumers.

14 (r) DEPOSIT INSURANCE AND SHARE INSURANCE.—  
15 Nothing in this title shall affect the authority of the Cor-  
16 poration under the Federal Deposit Insurance Act or the  
17 National Credit Union Administration Board under the  
18 Federal Credit Union Act as to matters related to deposit  
19 insurance and share insurance, respectively.

20 (s) FAIR HOUSING ACT.—No provision of this title  
21 shall be construed as affecting any authority arising under  
22 the Fair Housing Act.

1 **SEC. 1028. AUTHORITY TO RESTRICT MANDATORY PRE-DIS-**  
2 **PUTE ARBITRATION.**

3 (a) **STUDY AND REPORT.**—The Bureau shall conduct  
4 a study of, and shall provide a report to Congress con-  
5 cerning, the use of agreements providing for arbitration  
6 of any future dispute between covered persons and con-  
7 sumers in connection with the offering or providing of con-  
8 sumer financial products or services.

9 (b) **FURTHER AUTHORITY.**—The Bureau, by regula-  
10 tion, may prohibit or impose conditions or limitations on  
11 the use of an agreement between a covered person and  
12 a consumer for a consumer financial product or service  
13 providing for arbitration of any future dispute between the  
14 parties, if the Bureau finds that such a prohibition or im-  
15 position of conditions or limitations is in the public inter-  
16 est and for the protection of consumers. The findings in  
17 such rule shall be consistent with the study conducted  
18 under subsection (a).

19 (c) **LIMITATION.**—The authority described in sub-  
20 section (b) may not be construed to prohibit or restrict  
21 a consumer from entering into a voluntary arbitration  
22 agreement with a covered person after a dispute has aris-  
23 en.

24 (d) **EFFECTIVE DATE.**—Notwithstanding any other  
25 provision of law, any regulation prescribed by the Bureau  
26 under subsection (b) shall apply, consistent with the terms

1 of the regulation, to any agreement between a consumer  
2 and a covered person entered into after the end of the  
3 180-day period beginning on the effective date of the regu-  
4 lation, as established by the Bureau.

5 **SEC. 1029. EXCLUSION FOR AUTO DEALERS.**

6 (a) SALE, SERVICING, AND LEASING OF MOTOR VE-  
7 HICLES EXCLUDED.—Except as permitted in subsection  
8 (b), the Bureau may not exercise any rulemaking, super-  
9 visory, enforcement or any other authority, including any  
10 authority to order assessments, over a motor vehicle dealer  
11 that is predominantly engaged in the sale and servicing  
12 of motor vehicles, the leasing and servicing of motor vehi-  
13 cles, or both.

14 (b) CERTAIN FUNCTIONS EXCEPTED.—Subsection  
15 (a) shall not apply to any person, to the extent that such  
16 person—

17 (1) provides consumers with any services re-  
18 lated to residential or commercial mortgages or self-  
19 financing transactions involving real property;

20 (2) operates a line of business—

21 (A) that involves the extension of retail  
22 credit or retail leases involving motor vehicles;  
23 and

24 (B) in which—



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1 (i) the extension of retail credit or re-  
2 tail leases are provided directly to con-  
3 sumers; and

4 (ii) the contract governing such exten-  
5 sion of retail credit or retail leases is not  
6 routinely assigned to an unaffiliated third  
7 party finance or leasing source; or

8 (3) offers or provides a consumer financial  
9 product or service not involving or related to the  
10 sale, financing, leasing, rental, repair, refurbish-  
11 ment, maintenance, or other servicing of motor vehi-  
12 cles, motor vehicle parts, or any related or ancillary  
13 product or service.

14 (c) PRESERVATION OF AUTHORITIES OF OTHER  
15 AGENCIES.—Except as provided in subsections (b) and  
16 (d), nothing in this title, including subtitle F, shall be con-  
17 strued as modifying, limiting, or superseding the operation  
18 of any provision of Federal law, or otherwise affecting the  
19 authority of the Board of Governors, the Federal Trade  
20 Commission, or any other Federal agency, with respect to  
21 a person described in subsection (a).

22 (d) FEDERAL TRADE COMMISSION AUTHORITY.—  
23 Notwithstanding section 18 of the Federal Trade Commis-  
24 sion Act, the Federal Trade Commission is authorized to  
25 prescribe rules under sections 5 and 18(a)(1)(B) of the

1 Federal Trade Commission Act. in accordance with section  
2 553 of title 5, United States Code, with respect to a per-  
3 son described in subsection (a).

4 (e) COORDINATION WITH OFFICE OF SERVICE MEM-  
5 BER AFFAIRS.—The Board of Governors and the Federal  
6 Trade Commission shall coordinate with the Office of  
7 Service Member Affairs, to ensure that—

8 (1) service members and their families are edu-  
9 cated and empowered to make better informed deci-  
10 sions regarding consumer financial products and  
11 services offered by motor vehicle dealers, with a  
12 focus on motor vehicle dealers in the proximity of  
13 military installations; and

14 (2) complaints by service members and their  
15 families concerning such motor vehicle dealers are  
16 effectively monitored and responded to, and where  
17 appropriate, enforcement action is pursued by the  
18 authorized agencies.

19 (f) DEFINITIONS.—For purposes of this section, the  
20 following definitions shall apply:

21 (1) MOTOR VEHICLE.—The term “motor vehi-  
22 cle” means—

23 (A) any self-propelled vehicle designed for  
24 transporting persons or property on a street,  
25 highway, or other road;

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1 (B) recreational boats and marine equip-  
2 ment;

3 (C) motoreycles;

4 (D) motor homes, recreational vehicle trail-  
5 ers, and slide-in campers, as those terms are  
6 defined in sections 571.3 and 575.103 (d) of  
7 title 49, Code of Federal Regulations, or any  
8 successor thereto; and

9 (E) other vehicles that are titled and sold  
10 through dealers.

11 (2) MOTOR VEHICLE DEALER.—The term  
12 “motor vehicle dealer” means any person or resident  
13 in the United States, or any territory of the United  
14 States, who—

15 (A) is licensed by a State, a territory of  
16 the United States, or the District of Columbia  
17 to engage in the sale of motor vehicles; and

18 (B) takes title to, holds an ownership in,  
19 or takes physical custody of motor vehicles.

20 **SEC. 1029A. EFFECTIVE DATE.**

21 This subtitle shall become effective on the designated  
22 transfer date, except that sections 1022, 1024, and  
23 1025(e) shall become effective on the date of enactment  
24 of this Act.

1           **Subtitle C—Specific Bureau**  
2                           **Authorities**

3   **SEC. 1031. PROHIBITING UNFAIR, DECEPTIVE, OR ABUSIVE**  
4                           **ACTS OR PRACTICES.**

5           (a) IN GENERAL.—The Bureau may take any action  
6 authorized under subtitle E to prevent a covered person  
7 or service provider from committing or engaging in an un-  
8 fair, deceptive, or abusive act or practice under Federal  
9 law in connection with any transaction with a consumer  
10 for a consumer financial product or service, or the offering  
11 of a consumer financial product or service.

12          (b) RULEMAKING.—The Bureau may prescribe rules  
13 applicable to a covered person or service provider identi-  
14 fying as unlawful unfair, deceptive, or abusive acts or  
15 practices in connection with any transaction with a con-  
16 sumer for a consumer financial product or service, or the  
17 offering of a consumer financial product or service. Rules  
18 under this section may include requirements for the pur-  
19 pose of preventing such acts or practices.

20          (c) UNFAIRNESS.—

21           (1) IN GENERAL.—The Bureau shall have no  
22 authority under this section to declare an act or  
23 practice in connection with a transaction with a con-  
24 sumer for a consumer financial product or service,  
25 or the offering of a consumer financial product or

1 service, to be unlawful on the grounds that such act  
2 or practice is unfair, unless the Bureau has a rea-  
3 sonable basis to conclude that—

4 (A) the act or practice causes or is likely  
5 to cause substantial injury to consumers which  
6 is not reasonably avoidable by consumers; and

7 (B) such substantial injury is not out-  
8 weighed by countervailing benefits to consumers  
9 or to competition.

10 (2) CONSIDERATION OF PUBLIC POLICIES.—In  
11 determining whether an act or practice is unfair, the  
12 Bureau may consider established public policies as  
13 evidence to be considered with all other evidence.  
14 Such public policy considerations may not serve as  
15 a primary basis for such determination.

16 (d) ABUSIVE.—The Bureau shall have no authority  
17 under this section to declare an act or practice abusive  
18 in connection with the provision of a consumer financial  
19 product or service, unless the act or practice—

20 (1) materially interferes with the ability of a  
21 consumer to understand a term or condition of a  
22 consumer financial product or service; or

23 (2) takes unreasonable advantage of—

1 (A) a lack of understanding on the part of  
2 the consumer of the material risks, costs, or  
3 conditions of the product or service;

4 (B) the inability of the consumer to protect  
5 the interests of the consumer in selecting or  
6 using a consumer financial product or service;  
7 or

8 (C) the reasonable reliance by the con-  
9 sumer on a covered person to act in the inter-  
10 ests of the consumer.

11 (e) CONSULTATION.—In prescribing rules under this  
12 section, the Bureau shall consult with the Federal banking  
13 agencies, or other Federal agencies, as appropriate, con-  
14 cerning the consistency of the proposed rule with pruden-  
15 tial, market, or systemic objectives administered by such  
16 agencies.

17 (f) CONSIDERATION OF SEASONAL INCOME.—The  
18 rules of the Bureau under this section shall provide, with  
19 respect to an extension of credit secured by residential real  
20 estate or a dwelling, if documented income of the bor-  
21 rower, including income from a small business, is a repay-  
22 ment source for an extension of credit secured by residen-  
23 tial real estate or a dwelling, the creditor may consider  
24 the seasonality and irregularity of such income in the un-  
25 derwriting of and scheduling of payments for such credit.

1 **SEC. 1032. DISCLOSURES.**

2 (a) IN GENERAL.—The Bureau may prescribe rules  
3 to ensure that the features of any consumer financial  
4 product or service, both initially and over the term of the  
5 product or service, are fully, accurately, and effectively  
6 disclosed to consumers in a manner that permits con-  
7 sumers to understand the costs, benefits, and risks associ-  
8 ated with the product or service, in light of the facts and  
9 circumstances.

10 (b) MODEL DISCLOSURES.—

11 (1) IN GENERAL.—Any final rule prescribed by  
12 the Bureau under this section requiring disclosures  
13 may include a model form that may be used at the  
14 option of the covered person for provision of the re-  
15 quired disclosures.

16 (2) FORMAT.—A model form issued pursuant to  
17 paragraph (1) shall contain a clear and conspicuous  
18 disclosure that, at a minimum—

19 (A) uses plain language comprehensible to  
20 consumers;

21 (B) contains a clear format and design,  
22 such as an easily readable type font; and

23 (C) succinctly explains the information  
24 that must be communicated to the consumer.

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1           (3) CONSUMER TESTING.—Any model form  
2           issued pursuant to this subsection shall be validated  
3           through consumer testing.

4           (c) BASIS FOR RULEMAKING.—In prescribing rules  
5           under this section, the Bureau shall consider available evi-  
6           dence about consumer awareness, understanding of, and  
7           responses to disclosures or communications about the  
8           risks, costs, and benefits of consumer financial products  
9           or services.

10          (d) SAFE HARBOR.—Any covered person that uses a  
11          model form included with a rule issued under this section  
12          shall be deemed to be in compliance with the disclosure  
13          requirements of this section with respect to such model  
14          form.

15          (e) TRIAL DISCLOSURE PROGRAMS.—

16               (1) IN GENERAL.—The Bureau may permit a  
17               covered person to conduct a trial program that is  
18               limited in time and scope, subject to specified stand-  
19               ards and procedures, for the purpose of providing  
20               trial disclosures to consumers that are designed to  
21               improve upon any model form issued pursuant to  
22               subsection (b)(1), or any other model form issued to  
23               implement an enumerated statute, as applicable.

24               (2) SAFE HARBOR.—The standards and proce-  
25               dures issued by the Bureau shall be designed to en-



1       courage covered persons to conduct trial disclosure  
2       programs. For the purposes of administering this  
3       subsection, the Bureau may establish a limited pe-  
4       riod during which a covered person conducting a  
5       trial disclosure program shall be deemed to be in  
6       compliance with, or may be exempted from, a re-  
7       quirement of a rule or an enumerated consumer law.

8               (3) PUBLIC DISCLOSURE.—The rules of the Bu-  
9       reau shall provide for public disclosure of trial dis-  
10      closure programs, which public disclosure may be  
11      limited, to the extent necessary to encourage covered  
12      persons to conduct effective trials.

13              (f) COMBINED MORTGAGE LOAN DISCLOSURE.—Not  
14      later than 1 year after the designated transfer date, the  
15      Bureau shall propose for public comment rules and model  
16      disclosures that combine the disclosures required under  
17      the Truth in Lending Act and sections 4 and 5 of the  
18      Real Estate Settlement Procedures Act of 1974, into a  
19      single, integrated disclosure for mortgage loan trans-  
20      actions covered by those laws, unless the Bureau deter-  
21      mines that any proposal issued by the Board of Governors  
22      and the Secretary of Housing and Urban Development  
23      carries out the same purpose.

1 **SEC. 1033. CONSUMER RIGHTS TO ACCESS INFORMATION.**

2 (a) IN GENERAL.—Subject to rules prescribed by the  
3 Bureau, a covered person shall make available to a con-  
4 sumer, upon request, information in the control or posses-  
5 sion of the covered person concerning the consumer finan-  
6 cial product or service that the consumer obtained from  
7 such covered person, including information relating to any  
8 transaction, series of transactions, or to the account in-  
9 cluding costs, charges and usage data. The information  
10 shall be made available in an electronic form usable by  
11 consumers.

12 (b) EXCEPTIONS.—A covered person may not be re-  
13 quired by this section to make available to the consumer—

14 (1) any confidential commercial information, in-  
15 cluding an algorithm used to derive credit scores or  
16 other risk scores or predictors;

17 (2) any information collected by the covered  
18 person for the purpose of preventing fraud or money  
19 laundering, or detecting, or making any report re-  
20 garding other unlawful or potentially unlawful con-  
21 duct;

22 (3) any information required to be kept con-  
23 fidential by any other provision of law; or

24 (4) any information that the covered person  
25 cannot retrieve in the ordinary course of its business  
26 with respect to that information.

1           (c) NO DUTY TO MAINTAIN RECORDS.—Nothing in  
2 this section shall be construed to impose any duty on a  
3 covered person to maintain or keep any information about  
4 a consumer.

5           (d) STANDARDIZED FORMATS FOR DATA.—The Bu-  
6 reau, by rule, shall prescribe standards applicable to cov-  
7 ered persons to promote the development and use of stand-  
8 ardized formats for information, including through the use  
9 of machine readable files, to be made available to con-  
10 sumers under this section.

11          (e) CONSULTATION.—The Bureau shall, when pre-  
12 scribing any rule under this section, consult with the Fed-  
13 eral banking agencies and the Federal Trade Commission  
14 to ensure, to the extent appropriate, that the rules—

15               (1) impose substantively similar requirements  
16 on covered persons;

17               (2) take into account conditions under which  
18 covered persons do business both in the United  
19 States and in other countries; and

20               (3) do not require or promote the use of any  
21 particular technology in order to develop systems for  
22 compliance.

1 **SEC. 1034. RESPONSE TO CONSUMER COMPLAINTS AND IN-**  
2 **QUIRIES.**

3 (a) **TIMELY REGULATOR RESPONSE TO CON-**  
4 **SUMERS.**—The Bureau shall establish, in consultation  
5 with the appropriate Federal regulatory agencies, reason-  
6 able procedures to provide a timely response to consumers,  
7 in writing where appropriate, to complaints against, or in-  
8 quiries concerning, a covered person, including—

9 (1) steps that have been taken by the regulator  
10 in response to the complaint or inquiry of the con-  
11 sumer;

12 (2) any responses received by the regulator  
13 from the covered person; and

14 (3) any follow-up actions or planned follow-up  
15 actions by the regulator in response to the complaint  
16 or inquiry of the consumer.

17 (b) **TIMELY RESPONSE TO REGULATOR BY COVERED**  
18 **PERSON.**—A covered person subject to supervision and  
19 primary enforcement by the Bureau pursuant to section  
20 1025 shall provide a timely response, in writing where ap-  
21 propriate, to the Bureau, the prudential regulators, and  
22 any other agency having jurisdiction over such covered  
23 person concerning a consumer complaint or inquiry, in-  
24 cluding—

1           (1) steps that have been taken by the covered  
2 person to respond to the complaint or inquiry of the  
3 consumer;

4           (2) responses received by the covered person  
5 from the consumer; and

6           (3) follow-up actions or planned follow-up ac-  
7 tions by the covered person to respond to the com-  
8 plaint or inquiry of the consumer.

9           (c) PROVISION OF INFORMATION TO CONSUMERS.—

10           (1) IN GENERAL.—A covered person subject to  
11 supervision and primary enforcement by the Bureau  
12 pursuant to section 1025 shall, in a timely manner,  
13 comply with a consumer request for information in  
14 the control or possession of such covered person con-  
15 cerning the consumer financial product or service  
16 that the consumer obtained from such covered per-  
17 son, including supporting written documentation,  
18 concerning the account of the consumer.

19           (2) EXCEPTIONS.—A covered person subject to  
20 supervision and primary enforcement by the Bureau  
21 pursuant to section 1025, a prudential regulator,  
22 and any other agency having jurisdiction over a cov-  
23 ered person subject to supervision and primary en-  
24 forcement by the Bureau pursuant to section 1025

1       may not be required by this section to make avail-  
2       able to the consumer—

3               (A) any confidential commercial informa-  
4               tion, including an algorithm used to derive cred-  
5               it scores or other risk scores or predictors;

6               (B) any information collected by the cov-  
7               ered person for the purpose of preventing fraud  
8               or money laundering, or detecting or making  
9               any report regarding other unlawful or poten-  
10              tially unlawful conduct;

11              (C) any information required to be kept  
12              confidential by any other provision of law; or

13              (D) any nonpublic or confidential informa-  
14              tion, including confidential supervisory informa-  
15              tion.

16       (d) AGREEMENTS WITH OTHER AGENCIES.—The  
17 Bureau shall enter into a memorandum of understanding  
18 with any affected Federal regulatory agency regarding  
19 procedures by which any covered person, and the pruden-  
20 tial regulators, and any other agency having jurisdiction  
21 over a covered person, including the Secretary of the De-  
22 partment of Housing and Urban Development and the  
23 Secretary of Education, shall comply with this section.

1 **SEC. 1035. PRIVATE EDUCATION LOAN OMBUDSMAN.**

2 (a) ESTABLISHMENT.—The Secretary, in consulta-  
3 tion with the Director, shall designate a Private Education  
4 Loan Ombudsman (in this section referred to as the “Om-  
5 budsman”) within the Bureau, to provide timely assist-  
6 ance to borrowers of private education loans.

7 (b) PUBLIC INFORMATION.—The Secretary and the  
8 Director shall disseminate information about the avail-  
9 ability and functions of the Ombudsman to borrowers and  
10 potential borrowers, as well as institutions of higher edu-  
11 cation, lenders, guaranty agencies, loan servicers, and  
12 other participants in private education student loan pro-  
13 grams.

14 (c) FUNCTIONS OF OMBUDSMAN.—The Ombudsman  
15 designated under this subsection shall—

16 (1) in accordance with regulations of the Direc-  
17 tor, receive, review, and attempt to resolve infor-  
18 mally complaints from borrowers of loans described  
19 in subsection (a), including, as appropriate, attempts  
20 to resolve such complaints in collaboration with the  
21 Department of Education and with institutions of  
22 higher education, lenders, guaranty agencies, loan  
23 servicers, and other participants in private education  
24 loan programs;

25 (2) not later than 90 days after the designated  
26 transfer date, establish a memorandum of under-

1 standing with the student loan ombudsman estab-  
2 lished under section 141(f) of the Higher Education  
3 Act of 1965 (20 U.S.C. 1018(f)), to ensure coordi-  
4 nation in providing assistance to and serving bor-  
5 rowers seeking to resolve complaints related to their  
6 private education or Federal student loans;

7 (3) compile and analyze data on borrower com-  
8 plaints regarding private education loans; and

9 (4) make appropriate recommendations to the  
10 Director, the Secretary, the Secretary of Education,  
11 the Committee on Banking, Housing, and Urban Af-  
12 fairs and the Committee on Health, Education,  
13 Labor, and Pensions of the Senate and the Com-  
14 mittee on Financial Services and the Committee on  
15 Education and Labor of the House of Representa-  
16 tives.

17 (d) ANNUAL REPORTS.—

18 (1) IN GENERAL.—The Ombudsman shall pre-  
19 pare an annual report that describes the activities,  
20 and evaluates the effectiveness of the Ombudsman  
21 during the preceding year.

22 (2) SUBMISSION.—The report required by para-  
23 graph (1) shall be submitted on the same date annu-  
24 ally to the Secretary, the Secretary of Education,  
25 the Committee on Banking, Housing, and Urban Af-



1       fairs and the Committee on Health, Education,  
2       Labor, and Pensions of the Senate and the Com-  
3       mittee on Financial Services and the Committee on  
4       Education and Labor of the House of Representa-  
5       tives.

6       (e) DEFINITIONS.—For purposes of this section, the  
7       terms “private education loan” and “institution of higher  
8       education” have the same meanings as in section 140 of  
9       the Truth in Lending Act (15 U.S.C. 1650).

10   **SEC. 1036. PROHIBITED ACTS.**

11       (a) IN GENERAL.—It shall be unlawful for—

12           (1) any covered person or service provider—

13               (A) to offer or provide to a consumer any  
14               financial product or service not in conformity  
15               with Federal consumer financial law, or other-  
16               wise commit any act or omission in violation of  
17               a Federal consumer financial law; or

18               (B) to engage in any unfair, deceptive, or  
19               abusive act or practice;

20           (2) any covered person or service provider to  
21           fail or refuse, as required by Federal consumer fi-  
22           nancial law, or any rule or order issued by the Bu-  
23           reau thereunder—

24               (A) to permit access to or copying of  
25               records;

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1 (B) to establish or maintain records; or

2 (C) to make reports or provide information  
3 to the Bureau; or

4 (3) any person to knowingly or recklessly pro-  
5 vide substantial assistance to a covered person or  
6 service provider in violation of the provisions of sec-  
7 tion 1031, or any rule or order issued thereunder,  
8 and notwithstanding any provision of this title, the  
9 provider of such substantial assistance shall be  
10 deemed to be in violation of that section to the same  
11 extent as the person to whom such assistance is pro-  
12 vided.

13 (b) EXCEPTION.—No person shall be held to have  
14 violated subsection (a)(1) solely by virtue of providing or  
15 selling time or space to a covered person or service pro-  
16 vider placing an advertisement.

17 **SEC. 1037. EFFECTIVE DATE.**

18 This subtitle shall take effect on the designated  
19 transfer date.

20 **Subtitle D—Preservation of State**  
21 **Law**

22 **SEC. 1041. RELATION TO STATE LAW.**

23 (a) IN GENERAL.—

24 (1) RULE OF CONSTRUCTION.—This title, other  
25 than sections 1044 through 1048, may not be con-

1       strued as annulling, altering, or affecting, or ex-  
2       empting any person subject to the provisions of this  
3       title from complying with, the statutes, regulations,  
4       orders, or interpretations in effect in any State, ex-  
5       cept to the extent that any such provision of law is  
6       inconsistent with the provisions of this title, and  
7       then only to the extent of the inconsistency.

8               (2) GREATER PROTECTION UNDER STATE  
9       LAW.—For purposes of this subsection, a statute,  
10      regulation, order, or interpretation in effect in any  
11      State is not inconsistent with the provisions of this  
12      title if the protection that such statute, regulation,  
13      order, or interpretation affords to consumers is  
14      greater than the protection provided under this title.  
15      A determination regarding whether a statute, regu-  
16      lation, order, or interpretation in effect in any State  
17      is inconsistent with the provisions of this title may  
18      be made by the Bureau on its own motion or in re-  
19      sponse to a nonfrivolous petition initiated by any in-  
20      terested person.

21               (b) RELATION TO OTHER PROVISIONS OF ENUMER-  
22      ATED CONSUMER LAWS THAT RELATE TO STATE LAW.—  
23      No provision of this title, except as provided in section  
24      1083, shall be construed as modifying, limiting, or super-  
25      seding the operation of any provision of an enumerated

1 consumer law that relates to the application of a law in  
2 effect in any State with respect to such Federal law.

3 (c) ADDITIONAL CONSUMER PROTECTION REGULA-  
4 TIONS IN RESPONSE TO STATE ACTION.—

5 (1) NOTICE OF PROPOSED RULE REQUIRED.—

6 The Bureau shall issue a notice of proposed rule-  
7 making whenever a majority of the States has en-  
8 acted a resolution in support of the establishment or  
9 modification of a consumer protection regulation by  
10 the Bureau.

11 (2) BUREAU CONSIDERATIONS REQUIRED FOR  
12 ISSUANCE OF FINAL REGULATION.—Before pre-  
13 scribing a final regulation based upon a notice  
14 issued pursuant to paragraph (1), the Bureau shall  
15 take into account whether—

16 (A) the proposed regulation would afford  
17 greater protection to consumers than any exist-  
18 ing regulation;

19 (B) the intended benefits of the proposed  
20 regulation for consumers would outweigh any  
21 increased costs or inconveniences for con-  
22 sumers, and would not discriminate unfairly  
23 against any category or class of consumers; and

24 (C) a Federal banking agency has advised  
25 that the proposed regulation is likely to present

1 an unacceptable safety and soundness risk to  
2 insured depository institutions.

3 (3) EXPLANATION OF CONSIDERATIONS.—The  
4 Bureau—

5 (A) shall include a discussion of the con-  
6 siderations required in paragraph (2) in the  
7 Federal Register notice of a final regulation  
8 prescribed pursuant to this subsection; and

9 (B) whenever the Bureau determines not  
10 to prescribe a final regulation, shall publish an  
11 explanation of such determination in the Fed-  
12 eral Register, and provide a copy of such expla-  
13 nation to each State that enacted a resolution  
14 in support of the proposed regulation, the Com-  
15 mittee on Banking, Housing, and Urban Affairs  
16 of the Senate, and the Committee on Financial  
17 Services of the House of Representatives.

18 (4) RESERVATION OF AUTHORITY.—No provi-  
19 sion of this subsection shall be construed as limiting  
20 or restricting the authority of the Bureau to enhance  
21 consumer protection standards established pursuant  
22 to this title in response to its own motion or in re-  
23 sponse to a request by any other interested person.

24 (5) RULE OF CONSTRUCTION.—No provision of  
25 this subsection shall be construed as exempting the

1 Bureau from complying with subchapter II of chap-  
2 ter 5 of title 5, United States Code.

3 (6) DEFINITION.—For purposes of this sub-  
4 section, the term “consumer protection regulation”  
5 means a regulation that the Bureau is authorized to  
6 prescribe under the Federal consumer financial laws.

7 **SEC. 1042. PRESERVATION OF ENFORCEMENT POWERS OF**  
8 **STATES.**

9 (a) IN GENERAL.—

10 (1) ACTION BY STATE.—Except as provided in  
11 paragraph (2), the attorney general (or the equiva-  
12 lent thereof) of any State may bring a civil action  
13 in the name of such State in any district court of  
14 the United States in that State or in State court  
15 that is located in that State and that has jurisdic-  
16 tion over the defendant, to enforce provisions of this  
17 title or regulations issued under this title, and to se-  
18 cure remedies under provisions of this title or rem-  
19 edies otherwise provided under other law. A State  
20 regulator may bring a civil action or other appro-  
21 priate proceeding to enforce the provisions of this  
22 title or regulations issued under this title with re-  
23 spect to any entity that is State-chartered, incor-  
24 porated, licensed, or otherwise authorized to do busi-  
25 ness under State law (except as provided in para-

1 graph (2)), and to secure remedies under provisions  
2 of this title or remedies otherwise provided under  
3 other provisions of law with respect to such an enti-  
4 ty.

5 (2) ACTION BY STATE AGAINST NATIONAL  
6 BANK OR FEDERAL SAVINGS ASSOCIATION TO EN-  
7 FORCE RULES.—

8 (A) IN GENERAL.—Except as permitted  
9 under subparagraph (B), the attorney general  
10 (or equivalent thereof) of any State may not  
11 bring a civil action in the name of such State  
12 against a national bank or Federal savings as-  
13 sociation to enforce a provision of this title.

14 (B) ENFORCEMENT OF RULES PER-  
15 MITTED.—The attorney general (or the equiva-  
16 lent thereof) of any State may bring a civil ac-  
17 tion in the name of such State against a na-  
18 tional bank or Federal savings association in  
19 any district court of the United States in the  
20 State or in State court that is located in that  
21 State and that has jurisdiction over the defend-  
22 ant to enforce a regulation prescribed by the  
23 Bureau under a provision of this title and to se-  
24 cure remedies under provisions of this title or  
25 remedies otherwise provided under other law.

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1           (3) RULE OF CONSTRUCTION.—No provision of  
2 this title shall be construed as modifying, limiting,  
3 or superseding the operation of any provision of an  
4 enumerated consumer law that relates to the author-  
5 ity of a State attorney general or State regulator to  
6 enforce such Federal law.

7           (b) CONSULTATION REQUIRED.—

8           (1) NOTICE.—

9           (A) IN GENERAL.—Before initiating any  
10 action in a court or other administrative or reg-  
11 ulatory proceeding against any covered person  
12 as authorized by subsection (a) to enforce any  
13 provision of this title, including any regulation  
14 prescribed by the Bureau under this title, a  
15 State attorney general or State regulator shall  
16 timely provide a copy of the complete complaint  
17 to be filed and written notice describing such  
18 action or proceeding to the Bureau and the pru-  
19 dential regulator, if any, or the designee there-  
20 of.

21           (B) EMERGENCY ACTION.—If prior notice  
22 is not practicable, the State attorney general or  
23 State regulator shall provide a copy of the com-  
24 plete complaint and the notice to the Bureau  
25 and the prudential regulator, if any, imme-



1 diately upon instituting the action or pro-  
2 ceeding.

3 (C) CONTENTS OF NOTICE.—The notifica-  
4 tion required under this paragraph shall, at a  
5 minimum, describe—

6 (i) the identity of the parties;

7 (ii) the alleged facts underlying the  
8 proceeding; and

9 (iii) whether there may be a need to  
10 coordinate the prosecution of the pro-  
11 ceeding so as not to interfere with any ac-  
12 tion, including any rulemaking, undertaken  
13 by the Bureau, a prudential regulator, or  
14 another Federal agency.

15 (2) BUREAU RESPONSE.—In any action de-  
16 scribed in paragraph (1), the Bureau may—

17 (A) intervene in the action as a party;

18 (B) upon intervening—

19 (i) remove the action to the appro-  
20 priate United States district court, if the  
21 action was not originally brought there;  
22 and

23 (ii) be heard on all matters arising in  
24 the action; and

1           (C) appeal any order or judgment, to the  
2           same extent as any other party in the pro-  
3           ceeding may.

4           (c) REGULATIONS.—The Bureau shall prescribe reg-  
5           ulations to implement the requirements of this section  
6           and, from time to time, provide guidance in order to fur-  
7           ther coordinate actions with the State attorneys general  
8           and other regulators.

9           (d) PRESERVATION OF STATE AUTHORITY.—

10           (1) STATE CLAIMS.—No provision of this sec-  
11           tion shall be construed as altering, limiting, or af-  
12           fecting the authority of a State attorney general or  
13           any other regulatory or enforcement agency or au-  
14           thority to bring an action or other regulatory pro-  
15           ceeding arising solely under the law in effect in that  
16           State.

17           (2) STATE SECURITIES REGULATORS.—No pro-  
18           vision of this title shall be construed as altering, lim-  
19           iting, or affecting the authority of a State securities  
20           commission (or any agency or office performing like  
21           functions) under State law to adopt rules, initiate  
22           enforcement proceedings, or take any other action  
23           with respect to a person regulated by such commis-  
24           sion or authority.

1           (3) STATE INSURANCE REGULATORS.—No pro-  
2           vision of this title shall be construed as altering, lim-  
3           iting, or affecting the authority of a State insurance  
4           commission or State insurance regulator under State  
5           law to adopt rules, initiate enforcement proceedings,  
6           or take any other action with respect to a person  
7           regulated by such commission or regulator.

8   **SEC. 1043. PRESERVATION OF EXISTING CONTRACTS.**

9           This title, and regulations, orders, guidance, and in-  
10          terpretations prescribed, issued, or established by the Bu-  
11          reau, shall not be construed to alter or affect the applica-  
12          bility of any regulation, order, guidance, or interpretation  
13          prescribed, issued, and established by the Comptroller of  
14          the Currency or the Director of the Office of Thrift Super-  
15          vision regarding the applicability of State law under Fed-  
16          eral banking law to any contract entered into on or before  
17          the date of enactment of this Act, by national banks, Fed-  
18          eral savings associations, or subsidiaries thereof that are  
19          regulated and supervised by the Comptroller of the Cur-  
20          rency or the Director of the Office of Thrift Supervision,  
21          respectively.

1 **SEC. 1044. STATE LAW PREEMPTION STANDARDS FOR NA-**  
2 **TIONAL BANKS AND SUBSIDIARIES CLARI-**  
3 **FIED.**

4 (a) IN GENERAL.—Chapter one of title LXII of the  
5 Revised Statutes of the United States (12 U.S.C. 21 et  
6 seq.) is amended by inserting after section 5136B the fol-  
7 lowing new section:

8 **“SEC. 5136C. STATE LAW PREEMPTION STANDARDS FOR NA-**  
9 **TIONAL BANKS AND SUBSIDIARIES CLARI-**  
10 **FIED.**

11 “(a) DEFINITIONS.—For purposes of this section, the  
12 following definitions shall apply:

13 “(1) NATIONAL BANK.—The term ‘national  
14 bank’ includes—

15 “(A) any bank organized under the laws of  
16 the United States; and

17 “(B) any Federal branch established in ac-  
18 cordance with the International Banking Act of  
19 1978.

20 “(2) STATE CONSUMER FINANCIAL LAWS.—The  
21 term ‘State consumer financial law’ means a State  
22 law that does not directly or indirectly discriminate  
23 against national banks and that directly and specifi-  
24 cally regulates the manner, content, or terms and  
25 conditions of any financial transaction (as may be

1 authorized for national banks to engage in), or any  
2 account related thereto, with respect to a consumer.

3 “(3) OTHER DEFINITIONS.—The terms ‘affil-  
4 iate’, ‘subsidiary’, ‘includes’, and ‘including’ have the  
5 same meanings as in section 3 of the Federal De-  
6 posit Insurance Act.

7 “(b) PREEMPTION STANDARD.—

8 “(1) IN GENERAL.—State consumer financial  
9 laws are preempted, only if—

10 “(A) application of a State consumer fi-  
11 nancial law would have a discriminatory effect  
12 on national banks, in comparison with the effect  
13 of the law on a bank chartered by that State;

14 “(B) in accordance with the legal standard  
15 for preemption in the decision of the Supreme  
16 Court of the United States in *Barnett Bank of  
17 Marion County, N. A. v. Nelson, Florida Insur-  
18 ance Commissioner, et al.*, 517 U.S. 25 (1996),  
19 the State consumer financial law prevents or  
20 significantly interferes with the exercise by the  
21 national bank of its powers; and any preemp-  
22 tion determination under this subparagraph  
23 may be made by a court, or by regulation or  
24 order of the Comptroller of the Currency on a

1 case-by-case basis, in accordance with applica-  
2 ble law; or

3 “(C) the State consumer financial law is  
4 preempted by a provision of Federal law other  
5 than this title.

6 “(2) SAVINGS CLAUSE.—This title and section  
7 24 of the Federal Reserve Act (12 U.S.C. 371) do  
8 not preempt, annul, or affect the applicability of any  
9 State law to any subsidiary or affiliate of a national  
10 bank (other than a subsidiary or affiliate that is  
11 chartered as a national bank).

12 “(3) CASE-BY-CASE BASIS.—

13 “(A) DEFINITION.—As used in this section  
14 the term ‘case-by-case basis’ refers to a deter-  
15 mination pursuant to this section made by the  
16 Comptroller concerning the impact of a par-  
17 ticular State consumer financial law on any na-  
18 tional bank that is subject to that law, or the  
19 law of any other State with substantively equiv-  
20 alent terms.

21 “(B) CONSULTATION.—When making a  
22 determination on a case-by-case basis that a  
23 State consumer financial law of another State  
24 has substantively equivalent terms as one that  
25 the Comptroller is preempting, the Comptroller

1 shall first consult with the Bureau of Consumer  
2 Financial Protection and shall take the views of  
3 the Bureau into account when making the de-  
4 termination.

5 “(4) RULE OF CONSTRUCTION.—This title does  
6 not occupy the field in any area of State law.

7 “(5) STANDARDS OF REVIEW.—

8 “(A) PREEMPTION.—A court reviewing  
9 any determinations made by the Comptroller re-  
10 garding preemption of a State law by this title  
11 or section 24 of the Federal Reserve Act (12  
12 U.S.C. 371) shall assess the validity of such de-  
13 terminations, depending upon the thoroughness  
14 evident in the consideration of the agency, the  
15 validity of the reasoning of the agency, the con-  
16 sistency with other valid determinations made  
17 by the agency, and other factors which the  
18 court finds persuasive and relevant to its deci-  
19 sion.

20 “(B) SAVINGS CLAUSE.—Except as pro-  
21 vided in subparagraph (A), nothing in this sec-  
22 tion shall affect the deference that a court may  
23 afford to the Comptroller in making determina-  
24 tions regarding the meaning or interpretation of

1 title LXII of the Revised Statutes of the United  
2 States or other Federal laws.

3 “(6) COMPTROLLER DETERMINATION NOT DEL-  
4 EGABLE.—Any regulation, order, or determination  
5 made by the Comptroller of the Currency under  
6 paragraph (1)(B) shall be made by the Comptroller,  
7 and shall not be delegable to another officer or em-  
8 ployee of the Comptroller of the Currency.

9 “(c) SUBSTANTIAL EVIDENCE.—No regulation or  
10 order of the Comptroller of the Currency prescribed under  
11 subsection (b)(1)(B), shall be interpreted or applied so as  
12 to invalidate, or otherwise declare inapplicable to a na-  
13 tional bank, the provision of the State consumer financial  
14 law, unless substantial evidence, made on the record of  
15 the proceeding, supports the specific finding regarding the  
16 preemption of such provision in accordance with the legal  
17 standard of the decision of the Supreme Court of the  
18 United States in Barnett Bank of Marion County, N.A.  
19 v. Nelson, Florida Insurance Commissioner, et al., 517  
20 U.S. 25 (1996).

21 “(d) PERIODIC REVIEW OF PREEMPTION DETER-  
22 MINATIONS.—

23 “(1) IN GENERAL.—The Comptroller of the  
24 Currency shall periodically conduct a review,  
25 through notice and public comment, of each deter-



1       mination that a provision of Federal law preempts a  
2       State consumer financial law. The agency shall con-  
3       duct such review within the 5-year period after pre-  
4       scribing or otherwise issuing such determination,  
5       and at least once during each 5-year period there-  
6       after. After conducting the review of, and inspecting  
7       the comments made on, the determination, the agen-  
8       cy shall publish a notice in the Federal Register an-  
9       nouncing the decision to continue or rescind the de-  
10      termination or a proposal to amend the determina-  
11      tion. Any such notice of a proposal to amend a de-  
12      termination and the subsequent resolution of such  
13      proposal shall comply with the procedures set forth  
14      in subsections (a) and (b) of section 5244 of the Re-  
15      vised Statutes of the United States (12 U.S.C. 43  
16      (a), (b)).

17           “(2) REPORTS TO CONGRESS.—At the time of  
18      issuing a review conducted under paragraph (1), the  
19      Comptroller of the Currency shall submit a report  
20      regarding such review to the Committee on Finan-  
21      cial Services of the House of Representatives and  
22      the Committee on Banking, Housing, and Urban Af-  
23      fairs of the Senate. The report submitted to the re-  
24      spective committees shall address whether the agen-  
25      cy intends to continue, rescind, or propose to amend

1 any determination that a provision of Federal law  
2 preempts a State consumer financial law, and the  
3 reasons therefor.

4 “(e) APPLICATION OF STATE CONSUMER FINANCIAL  
5 LAW TO SUBSIDIARIES AND AFFILIATES.—Notwith-  
6 standing any provision of this title or section 24 of Federal  
7 Reserve Act (12 U.S.C. 371), a State consumer financial  
8 law shall apply to a subsidiary or affiliate of a national  
9 bank (other than a subsidiary or affiliate that is chartered  
10 as a national bank) to the same extent that the State con-  
11 sumer financial law applies to any person, corporation, or  
12 other entity subject to such State law.

13 “(f) PRESERVATION OF POWERS RELATED TO  
14 CHARGING INTEREST.—No provision of this title shall be  
15 construed as altering or otherwise affecting the authority  
16 conferred by section 5197 of the Revised Statutes of the  
17 United States (12 U.S.C. 85) for the charging of interest  
18 by a national bank at the rate allowed by the laws of the  
19 State, territory, or district where the bank is located, in-  
20 cluding with respect to the meaning of ‘interest’ under  
21 such provision.

22 “(g) TRANSPARENCY OF OCC PREEMPTION DETER-  
23 MINATIONS.—The Comptroller of the Currency shall pub-  
24 lish and update no less frequently than quarterly, a list  
25 of preemption determinations by the Comptroller of the

1 Currency then in effect that identifies the activities and  
2 practices covered by each determination and the require-  
3 ments and constraints determined to be preempted.”.

4 (b) CLERICAL AMENDMENT.—The table of sections  
5 for chapter one of title LXII of the Revised Statutes of  
6 the United States is amended by inserting after the item  
7 relating to section 5136B the following new item:

“Sec. 5136C. State law preemption standards for national banks and subsidi-  
aries clarified.”.

8 **SEC. 1045. CLARIFICATION OF LAW APPLICABLE TO NON-**  
9 **DEPOSITORY INSTITUTION SUBSIDIARIES.**

10 Section 5136C of the Revised Statutes of the United  
11 States (as added by this subtitle) is amended by adding  
12 at the end the following:

13 “(h) CLARIFICATION OF LAW APPLICABLE TO NON-  
14 DEPOSITORY INSTITUTION SUBSIDIARIES AND AFFILI-  
15 ATES OF NATIONAL BANKS.—

16 “(1) DEFINITIONS.—For purposes of this sub-  
17 section, the terms ‘depository institution’, ‘sub-  
18 sidiary’, and ‘affiliate’ have the same meanings as in  
19 section 3 of the Federal Deposit Insurance Act.

20 “(2) RULE OF CONSTRUCTION.—No provision  
21 of this title or section 24 of the Federal Reserve Act  
22 (12 U.S.C. 371) shall be construed as preempting,  
23 annulling, or affecting the applicability of State law  
24 to any subsidiary, affiliate, or agent of a national

1 bank (other than a subsidiary, affiliate, or agent  
2 that is chartered as a national bank).”.

3 **SEC. 1046. STATE LAW PREEMPTION STANDARDS FOR FED-**  
4 **ERAL SAVINGS ASSOCIATIONS AND SUBSIDI-**  
5 **ARIES CLARIFIED.**

6 (a) IN GENERAL.—The Home Owners’ Loan Act (12  
7 U.S.C. 1461 et seq.) is amended by inserting after section  
8 5 the following new section:

9 **“SEC. 6. STATE LAW PREEMPTION STANDARDS FOR FED-**  
10 **ERAL SAVINGS ASSOCIATIONS CLARIFIED.**

11 “(a) IN GENERAL.—Any determination by a court or  
12 by the Director or any successor officer or agency regard-  
13 ing the relation of State law to a provision of this Act  
14 or any regulation or order prescribed under this Act shall  
15 be made in accordance with the laws and legal standards  
16 applicable to national banks regarding the preemption of  
17 State law.

18 “(b) PRINCIPLES OF CONFLICT PREEMPTION APPLI-  
19 CABLE.—Notwithstanding the authorities granted under  
20 sections 4 and 5, this Act does not occupy the field in  
21 any area of State law.”.

22 (b) CLERICAL AMENDMENT.—The table of sections  
23 for the Home Owners’ Loan Act (12 U.S.C. 1461 et seq.)  
24 is amended by striking the item relating to section 6 and  
25 inserting the following new item:

“Sec. 6. State law preemption standards for Federal savings associations and subsidiaries clarified.”.

1 **SEC. 1047. VISITORIAL STANDARDS FOR NATIONAL BANKS**  
2 **AND SAVINGS ASSOCIATIONS.**

3 (a) NATIONAL BANKS.—Section 5136C of the Re-  
4 vised Statutes of the United States (as added by this sub-  
5 title) is amended by adding at the end the following:

6 “(i) VISITORIAL POWERS.—

7 “(1) IN GENERAL.—In accordance with the de-  
8 cision of the Supreme Court of the United States in  
9 Cuomo v. Clearing House Assn., L. L. C. (129 S.  
10 Ct. 2710 (2009)), no provision of this title which re-  
11 lates to visitorial powers or otherwise limits or re-  
12 stricts the visitorial authority to which any national  
13 bank is subject shall be construed as limiting or re-  
14 stricting the authority of any attorney general (or  
15 other chief law enforcement officer) of any State to  
16 bring an action against a national bank in a court  
17 of appropriate jurisdiction to enforce an applicable  
18 law and to seek relief as authorized by such law.

19 “(j) ENFORCEMENT ACTIONS.—The ability of the  
20 Comptroller of the Currency to bring an enforcement ac-  
21 tion under this title or section 5 of the Federal Trade  
22 Commission Act does not preclude any private party from  
23 enforcing rights granted under Federal or State law in the  
24 courts.”.

1 (b) SAVINGS ASSOCIATIONS.—Section 6 of the Home  
2 Owners’ Loan Act (as added by this title) is amended by  
3 adding at the end the following:

4 “(c) VISITORIAL POWERS.—The provisions of sec-  
5 tions 5136C(i) of the Revised Statutes of the United  
6 States shall apply to Federal savings associations, and any  
7 subsidiary thereof, to the same extent and in the same  
8 manner as if such savings associations, or subsidiaries  
9 thereof, were national banks or subsidiaries of national  
10 banks, respectively.”

11 “(d) ENFORCEMENT ACTIONS.—The ability of the  
12 Comptroller of the Currency to bring an enforcement ac-  
13 tion under this Act or section 5 of the Federal Trade Com-  
14 mission Act does not preclude any private party from en-  
15 forcing rights granted under Federal or State law in the  
16 courts.”.

17 **SEC. 1048. EFFECTIVE DATE.**

18 This subtitle shall become effective on the designated  
19 transfer date.

20 **Subtitle E—Enforcement Powers**

21 **SEC. 1051. DEFINITIONS.**

22 For purposes of this subtitle, the following definitions  
23 shall apply:

24 (1) BUREAU INVESTIGATION.—The term “Bu-  
25 reau investigation” means any inquiry conducted by

1 a Bureau investigator for the purpose of  
2 ascertaining whether any person is or has been en-  
3 gaged in any conduct that is a violation, as defined  
4 in this section.

5 (2) BUREAU INVESTIGATOR.—The term “Bu-  
6 reau investigator” means any attorney or investi-  
7 gator employed by the Bureau who is charged with  
8 the duty of enforcing or carrying into effect any  
9 Federal consumer financial law.

10 (3) CUSTODIAN.—The term “custodian” means  
11 the custodian or any deputy custodian designated by  
12 the Bureau.

13 (4) DOCUMENTARY MATERIAL.—The term  
14 “documentary material” includes the original or any  
15 copy of any book, document, record, report, memo-  
16 randum, paper, communication, tabulation, chart,  
17 logs, electronic files, or other data or data compila-  
18 tions stored in any medium.

19 (5) VIOLATION.—The term “violation” means  
20 any act or omission that, if proved, would constitute  
21 a violation of any provision of Federal consumer fi-  
22 nancial law.

23 **SEC. 1052. INVESTIGATIONS AND ADMINISTRATIVE DIS-**  
24 **COVERY.**

25 (a) JOINT INVESTIGATIONS.—

1           (1) IN GENERAL.—The Bureau or, where ap-  
2           propriate, a Bureau investigator, may engage in  
3           joint investigations and requests for information, as  
4           authorized under this title.

5           (2) FAIR LENDING.—The authority under para-  
6           graph (1) includes matters relating to fair lending,  
7           and where appropriate, joint investigations with, and  
8           requests for information from, the Secretary of  
9           Housing and Urban Development, the Attorney Gen-  
10          eral of the United States, or both.

11          (b) SUBPOENAS.—

12           (1) IN GENERAL.—The Bureau or a Bureau in-  
13          vestigator may issue subpoenas for the attendance  
14          and testimony of witnesses and the production of  
15          relevant papers, books, documents, or other material  
16          in connection with hearings under this title.

17           (2) FAILURE TO OBEY.—In the case of contu-  
18          macy or refusal to obey a subpoena issued pursuant  
19          to this paragraph and served upon any person, the  
20          district court of the United States for any district in  
21          which such person is found, resides, or transacts  
22          business, upon application by the Bureau or a Bu-  
23          reau investigator and after notice to such person,  
24          may issue an order requiring such person to appear



1 and give testimony or to appear and produce docu-  
2 ments or other material.

3 (3) CONTEMPT.—Any failure to obey an order  
4 of the court under this subsection may be punished  
5 by the court as a contempt thereof.

6 (c) DEMANDS.—

7 (1) IN GENERAL.—Whenever the Bureau has  
8 reason to believe that any person may be in posses-  
9 sion, custody, or control of any documentary mate-  
10 rial or tangible things, or may have any information,  
11 relevant to a violation, the Bureau may, before the  
12 institution of any proceedings under the Federal  
13 consumer financial law, issue in writing, and cause  
14 to be served upon such person, a civil investigative  
15 demand requiring such person to—

16 (A) produce such documentary material for  
17 inspection and copying or reproduction in the  
18 form or medium requested by the Bureau;

19 (B) submit such tangible things;

20 (C) file written reports or answers to ques-  
21 tions;

22 (D) give oral testimony concerning docu-  
23 mentary material, tangible things, or other in-  
24 formation; or

1           (E) furnish any combination of such mate-  
2           rial, answers, or testimony.

3           (2) REQUIREMENTS.—Each civil investigative  
4           demand shall state the nature of the conduct consti-  
5           tuting the alleged violation which is under investiga-  
6           tion and the provision of law applicable to such vio-  
7           lation.

8           (3) PRODUCTION OF DOCUMENTS.—Each civil  
9           investigative demand for the production of documen-  
10          tary material shall—

11           (A) describe each class of documentary  
12          material to be produced under the demand with  
13          such definiteness and certainty as to permit  
14          such material to be fairly identified;

15           (B) prescribe a return date or dates which  
16          will provide a reasonable period of time within  
17          which the material so demanded may be assem-  
18          bled and made available for inspection and  
19          copying or reproduction; and

20           (C) identify the custodian to whom such  
21          material shall be made available.

22          (4) PRODUCTION OF THINGS.—Each civil inves-  
23          tigative demand for the submission of tangible  
24          things shall—

1 (A) describe each class of tangible things  
2 to be submitted under the demand with such  
3 definiteness and certainty as to permit such  
4 things to be fairly identified;

5 (B) prescribe a return date or dates which  
6 will provide a reasonable period of time within  
7 which the things so demanded may be assem-  
8 bled and submitted; and

9 (C) identify the custodian to whom such  
10 things shall be submitted.

11 (5) DEMAND FOR WRITTEN REPORTS OR AN-  
12 SWERS.—Each civil investigative demand for written  
13 reports or answers to questions shall—

14 (A) propound with definiteness and cer-  
15 tainty the reports to be produced or the ques-  
16 tions to be answered;

17 (B) prescribe a date or dates at which time  
18 written reports or answers to questions shall be  
19 submitted; and

20 (C) identify the custodian to whom such  
21 reports or answers shall be submitted.

22 (6) ORAL TESTIMONY.—Each civil investigative  
23 demand for the giving of oral testimony shall—

24 (A) prescribe a date, time, and place at  
25 which oral testimony shall be commenced; and

1 (B) identify a Bureau investigator who  
2 shall conduct the investigation and the custo-  
3 dian to whom the transcript of such investiga-  
4 tion shall be submitted.

5 (7) SERVICE.—Any civil investigative demand  
6 issued, and any enforcement petition filed, under  
7 this section may be served—

8 (A) by any Bureau investigator at any  
9 place within the territorial jurisdiction of any  
10 court of the United States; and

11 (B) upon any person who is not found  
12 within the territorial jurisdiction of any court of  
13 the United States—

14 (i) in such manner as the Federal  
15 Rules of Civil Procedure prescribe for serv-  
16 ice in a foreign nation; and

17 (ii) to the extent that the courts of  
18 the United States have authority to assert  
19 jurisdiction over such person, consistent  
20 with due process, the United States Dis-  
21 trict Court for the District of Columbia  
22 shall have the same jurisdiction to take  
23 any action respecting compliance with this  
24 section by such person that such district  
25 court would have if such person were per-

1                   sonally within the jurisdiction of such dis-  
2                   trict court.

3                   (8) METHOD OF SERVICE.—Service of any civil  
4                   investigative demand or any enforcement petition  
5                   filed under this section may be made upon a person,  
6                   including any legal entity, by—

7                   (A) delivering a duly executed copy of such  
8                   demand or petition to the individual or to any  
9                   partner, executive officer, managing agent, or  
10                  general agent of such person, or to any agent  
11                  of such person authorized by appointment or by  
12                  law to receive service of process on behalf of  
13                  such person;

14                  (B) delivering a duly executed copy of such  
15                  demand or petition to the principal office or  
16                  place of business of the person to be served; or

17                  (C) depositing a duly executed copy in the  
18                  United States mails, by registered or certified  
19                  mail, return receipt requested, duly addressed  
20                  to such person at the principal office or place  
21                  of business of such person.

22                  (9) PROOF OF SERVICE.—

23                  (A) IN GENERAL.—A verified return by the  
24                  individual serving any civil investigative demand  
25                  or any enforcement petition filed under this sec-

1           tion setting forth the manner of such service  
2           shall be proof of such service.

3                   (B) RETURN RECEIPTS.—In the case of  
4           service by registered or certified mail, such re-  
5           turn shall be accompanied by the return post  
6           office receipt of delivery of such demand or en-  
7           forcement petition.

8                   (10) PRODUCTION OF DOCUMENTARY MATE-  
9           RIAL.—The production of documentary material in  
10          response to a civil investigative demand shall be  
11          made under a sworn certificate, in such form as the  
12          demand designates, by the person, if a natural per-  
13          son, to whom the demand is directed or, if not a  
14          natural person, by any person having knowledge of  
15          the facts and circumstances relating to such produc-  
16          tion, to the effect that all of the documentary mate-  
17          rial required by the demand and in the possession,  
18          custody, or control of the person to whom the de-  
19          mand is directed has been produced and made avail-  
20          able to the custodian.

21                   (11) SUBMISSION OF TANGIBLE THINGS.—The  
22          submission of tangible things in response to a civil  
23          investigative demand shall be made under a sworn  
24          certificate, in such form as the demand designates,  
25          by the person to whom the demand is directed or,

1 if not a natural person, by any person having knowl-  
2 edge of the facts and circumstances relating to such  
3 production, to the effect that all of the tangible  
4 things required by the demand and in the posses-  
5 sion, custody, or control of the person to whom the  
6 demand is directed have been submitted to the cus-  
7 todian.

8 (12) SEPARATE ANSWERS.—Each reporting re-  
9 quirement or question in a civil investigative demand  
10 shall be answered separately and fully in writing  
11 under oath, unless it is objected to, in which event  
12 the reasons for the objection shall be stated in lieu  
13 of an answer, and it shall be submitted under a  
14 sworn certificate, in such form as the demand des-  
15 ignates, by the person, if a natural person, to whom  
16 the demand is directed or, if not a natural person,  
17 by any person responsible for answering each report-  
18 ing requirement or question, to the effect that all in-  
19 formation required by the demand and in the posses-  
20 sion, custody, control, or knowledge of the person to  
21 whom the demand is directed has been submitted.

22 (13) TESTIMONY.—

23 (A) IN GENERAL.—

24 (i) OATH AND RECORDATION.—The  
25 examination of any person pursuant to a

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1 demand for oral testimony served under  
2 this subsection shall be taken before an of-  
3 ficer authorized to administer oaths and  
4 affirmations by the laws of the United  
5 States or of the place at which the exam-  
6 ination is held. The officer before whom  
7 oral testimony is to be taken shall put the  
8 witness on oath or affirmation and shall  
9 personally, or by any individual acting  
10 under the direction of and in the presence  
11 of the officer, record the testimony of the  
12 witness.

13 (ii) TRANSCRIPTION.—The testimony  
14 shall be taken stenographically and tran-  
15 scribed.

16 (iii) TRANSMISSION TO CUSTODIAN.—  
17 After the testimony is fully transcribed,  
18 the officer investigator before whom the  
19 testimony is taken shall promptly transmit  
20 a copy of the transcript of the testimony to  
21 the custodian.

22 (B) PARTIES PRESENT.—Any Bureau in-  
23 vestigator before whom oral testimony is to be  
24 taken shall exclude from the place where the  
25 testimony is to be taken all other persons, ex-



1           cept the person giving the testimony, the attor-  
2           ney for that person, the officer before whom the  
3           testimony is to be taken, an investigator or rep-  
4           resentative of an agency with which the Bureau  
5           is engaged in a joint investigation, and any ste-  
6           nographer taking such testimony.

7           (C) LOCATION.—The oral testimony of any  
8           person taken pursuant to a civil investigative  
9           demand shall be taken in the judicial district of  
10          the United States in which such person resides,  
11          is found, or transacts business, or in such other  
12          place as may be agreed upon by the Bureau in-  
13          vestigator before whom the oral testimony of  
14          such person is to be taken and such person.

15          (D) ATTORNEY REPRESENTATION.—

16           (i) IN GENERAL.—Any person com-  
17           pelled to appear under a civil investigative  
18           demand for oral testimony pursuant to this  
19           section may be accompanied, represented,  
20           and advised by an attorney.

21           (ii) AUTHORITY.—The attorney may  
22           advise a person described in clause (i), in  
23           confidence, either upon the request of such  
24           person or upon the initiative of the attor-

1           ney, with respect to any question asked of  
2           such person.

3           (iii) OBJECTIONS.—A person de-  
4           scribed in clause (i), or the attorney for  
5           that person, may object on the record to  
6           any question, in whole or in part, and such  
7           person shall briefly state for the record the  
8           reason for the objection. An objection may  
9           properly be made, received, and entered  
10          upon the record when it is claimed that  
11          such person is entitled to refuse to answer  
12          the question on grounds of any constitu-  
13          tional or other legal right or privilege, in-  
14          cluding the privilege against self-incrimina-  
15          tion, but such person shall not otherwise  
16          object to or refuse to answer any question,  
17          and such person or attorney shall not oth-  
18          erwise interrupt the oral examination.

19          (iv) REFUSAL TO ANSWER.—If a per-  
20          son described in clause (i) refuses to an-  
21          swer any question—

22                 (I) the Bureau may petition the  
23                 district court of the United States  
24                 pursuant to this section for an order

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1           compelling such person to answer  
2           such question; and

3                   (II) if the refusal is on grounds  
4           of the privilege against self-incrimina-  
5           tion, the testimony of such person  
6           may be compelled in accordance with  
7           the provisions of section 6004 of title  
8           18, United States Code.

9           (E) TRANSCRIPTS.—For purposes of this  
10          subsection—

11                   (i) after the testimony of any witness  
12          is fully transcribed, the Bureau investi-  
13          gator shall afford the witness (who may be  
14          accompanied by an attorney) a reasonable  
15          opportunity to examine the transcript;

16                   (ii) the transcript shall be read to or  
17          by the witness, unless such examination  
18          and reading are waived by the witness;

19                   (iii) any changes in form or substance  
20          which the witness desires to make shall be  
21          entered and identified upon the transcript  
22          by the Bureau investigator, with a state-  
23          ment of the reasons given by the witness  
24          for making such changes;

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1 (iv) the transcript shall be signed by  
2 the witness, unless the witness in writing  
3 waives the signing, is ill, cannot be found,  
4 or refuses to sign; and

5 (v) if the transcript is not signed by  
6 the witness during the 30-day period fol-  
7 lowing the date on which the witness is  
8 first afforded a reasonable opportunity to  
9 examine the transcript, the Bureau investi-  
10 gator shall sign the transcript and state on  
11 the record the fact of the waiver, illness,  
12 absence of the witness, or the refusal to  
13 sign, together with any reasons given for  
14 the failure to sign.

15 (F) CERTIFICATION BY INVESTIGATOR.—

16 The Bureau investigator shall certify on the  
17 transcript that the witness was duly sworn by  
18 him or her and that the transcript is a true  
19 record of the testimony given by the witness,  
20 and the Bureau investigator shall promptly de-  
21 liver the transcript or send it by registered or  
22 certified mail to the custodian.

23 (G) COPY OF TRANSCRIPT.—The Bureau  
24 investigator shall furnish a copy of the tran-  
25 script (upon payment of reasonable charges for

1 the transcript) to the witness only, except that  
2 the Bureau may for good cause limit such wit-  
3 ness to inspection of the official transcript of  
4 his testimony.

5 (H) WITNESS FEES.—Any witness appear-  
6 ing for the taking of oral testimony pursuant to  
7 a civil investigative demand shall be entitled to  
8 the same fees and mileage which are paid to  
9 witnesses in the district courts of the United  
10 States.

11 (d) CONFIDENTIAL TREATMENT OF DEMAND MATE-  
12 RIAL.—

13 (1) IN GENERAL.—Documentary materials and  
14 tangible things received as a result of a civil inves-  
15 tigative demand shall be subject to requirements and  
16 procedures regarding confidentiality, in accordance  
17 with rules established by the Bureau.

18 (2) DISCLOSURE TO CONGRESS.—No rule es-  
19 tablished by the Bureau regarding the confidentiality  
20 of materials submitted to, or otherwise obtained by,  
21 the Bureau shall be intended to prevent disclosure to  
22 either House of Congress or to an appropriate com-  
23 mittee of the Congress, except that the Bureau is  
24 permitted to adopt rules allowing prior notice to any  
25 party that owns or otherwise provided the material

1 to the Bureau and had designated such material as  
2 confidential.

3 (e) PETITION FOR ENFORCEMENT.—

4 (1) IN GENERAL.—Whenever any person fails  
5 to comply with any civil investigative demand duly  
6 served upon him under this section, or whenever sat-  
7 isfactory copying or reproduction of material re-  
8 quested pursuant to the demand cannot be accom-  
9 plished and such person refuses to surrender such  
10 material, the Bureau, through such officers or attor-  
11 neys as it may designate, may file, in the district  
12 court of the United States for any judicial district  
13 in which such person resides, is found, or transacts  
14 business, and serve upon such person, a petition for  
15 an order of such court for the enforcement of this  
16 section.

17 (2) SERVICE OF PROCESS.—All process of any  
18 court to which application may be made as provided  
19 in this subsection may be served in any judicial dis-  
20 trict.

21 (f) PETITION FOR ORDER MODIFYING OR SETTING  
22 ASIDE DEMAND.—

23 (1) IN GENERAL.—Not later than 20 days after  
24 the service of any civil investigative demand upon  
25 any person under subsection (b), or at any time be-

1 fore the return date specified in the demand, which-  
2 ever period is shorter, or within such period exceed-  
3 ing 20 days after service or in excess of such return  
4 date as may be prescribed in writing, subsequent to  
5 service, by any Bureau investigator named in the de-  
6 mand, such person may file with the Bureau a peti-  
7 tion for an order by the Bureau modifying or setting  
8 aside the demand.

9 (2) COMPLIANCE DURING PENDENCY.—The  
10 time permitted for compliance with the demand in  
11 whole or in part, as determined proper and ordered  
12 by the Bureau, shall not run during the pendency of  
13 a petition under paragraph (1) at the Bureau, ex-  
14 cept that such person shall comply with any portions  
15 of the demand not sought to be modified or set  
16 aside.

17 (3) SPECIFIC GROUNDS.—A petition under  
18 paragraph (1) shall specify each ground upon which  
19 the petitioner relies in seeking relief, and may be  
20 based upon any failure of the demand to comply  
21 with the provisions of this section, or upon any con-  
22 stitutional or other legal right or privilege of such  
23 person.

24 (g) CUSTODIAL CONTROL.—At any time during  
25 which any custodian is in custody or control of any docu-

1 mentary material, tangible things, reports, answers to  
2 questions, or transcripts of oral testimony given by any  
3 person in compliance with any civil investigative demand,  
4 such person may file, in the district court of the United  
5 States for the judicial district within which the office of  
6 such custodian is situated, and serve upon such custodian,  
7 a petition for an order of such court requiring the per-  
8 formance by such custodian of any duty imposed upon him  
9 by this section or rule promulgated by the Bureau.

10 (h) JURISDICTION OF COURT.—

11 (1) IN GENERAL.—Whenever any petition is  
12 filed in any district court of the United States under  
13 this section, such court shall have jurisdiction to  
14 hear and determine the matter so presented, and to  
15 enter such order or orders as may be required to  
16 carry out the provisions of this section.

17 (2) APPEAL.—Any final order entered as de-  
18 scribed in paragraph (1) shall be subject to appeal  
19 pursuant to section 1291 of title 28, United States  
20 Code.

21 **SEC. 1053. HEARINGS AND ADJUDICATION PROCEEDINGS.**

22 (a) IN GENERAL.—The Bureau is authorized to con-  
23 duct hearings and adjudication proceedings with respect  
24 to any person in the manner prescribed by chapter 5 of



1 title 5, United States Code in order to ensure or enforce  
2 compliance with—

3 (1) the provisions of this title, including any  
4 rules prescribed by the Bureau under this title; and

5 (2) any other Federal law that the Bureau is  
6 authorized to enforce, including an enumerated con-  
7 sumer law, and any regulations or order prescribed  
8 thereunder, unless such Federal law specifically lim-  
9 its the Bureau from conducting a hearing or adju-  
10 dication proceeding and only to the extent of such  
11 limitation.

12 (b) SPECIAL RULES FOR CEASE-AND-DESIST PRO-  
13 CEEDINGS.—

14 (1) ORDERS AUTHORIZED.—

15 (A) IN GENERAL.—If, in the opinion of the  
16 Bureau, any covered person or service provider  
17 is engaging or has engaged in an activity that  
18 violates a law, rule, or any condition imposed in  
19 writing on the person by the Bureau, the Bu-  
20 reau may, subject to sections 1024, 1025, and  
21 1026, issue and serve upon the covered person  
22 or service provider a notice of charges in re-  
23 spect thereof.

24 (B) CONTENT OF NOTICE.—The notice  
25 under subparagraph (A) shall contain a state-

1           ment of the facts constituting the alleged viola-  
2           tion or violations, and shall fix a time and place  
3           at which a hearing will be held to determine  
4           whether an order to cease and desist should  
5           issue against the covered person or service pro-  
6           vider, such hearing to be held not earlier than  
7           30 days nor later than 60 days after the date  
8           of service of such notice, unless an earlier or a  
9           later date is set by the Bureau, at the request  
10          of any party so served.

11           (C) CONSENT.—Unless the party or par-  
12          ties served under subparagraph (B) appear at  
13          the hearing personally or by a duly authorized  
14          representative, such person shall be deemed to  
15          have consented to the issuance of the cease-and-  
16          desist order.

17           (D) PROCEDURE.—In the event of consent  
18          under subparagraph (C), or if, upon the record,  
19          made at any such hearing, the Bureau finds  
20          that any violation specified in the notice of  
21          charges has been established, the Bureau may  
22          issue and serve upon the covered person or  
23          service provider an order to cease and desist  
24          from the violation or practice. Such order may,  
25          by provisions which may be mandatory or other-

1           wise, require the covered person or service pro-  
2           vider to cease and desist from the subject activ-  
3           ity, and to take affirmative action to correct the  
4           conditions resulting from any such violation.

5           (2) EFFECTIVENESS OF ORDER.—A cease-and-  
6           desist order shall become effective at the expiration  
7           of 30 days after the date of service of an order  
8           under paragraph (1) upon the covered person or  
9           service provider concerned (except in the case of a  
10          cease-and-desist order issued upon consent, which  
11          shall become effective at the time specified therein),  
12          and shall remain effective and enforceable as pro-  
13          vided therein, except to such extent as the order is  
14          stayed, modified, terminated, or set aside by action  
15          of the Bureau or a reviewing court.

16          (3) DECISION AND APPEAL.—Any hearing pro-  
17          vided for in this subsection shall be held in the Fed-  
18          eral judicial district or in the territory in which the  
19          residence or principal office or place of business of  
20          the person is located unless the person consents to  
21          another place, and shall be conducted in accordance  
22          with the provisions of chapter 5 of title 5 of the  
23          United States Code. After such hearing, and within  
24          90 days after the Bureau has notified the parties  
25          that the case has been submitted to the Bureau for

1 final decision, the Bureau shall render its decision  
2 (which shall include findings of fact upon which its  
3 decision is predicated) and shall issue and serve  
4 upon each party to the proceeding an order or or-  
5 ders consistent with the provisions of this section.  
6 Judicial review of any such order shall be exclusively  
7 as provided in this subsection. Unless a petition for  
8 review is timely filed in a court of appeals of the  
9 United States, as provided in paragraph (4), and  
10 thereafter until the record in the proceeding has  
11 been filed as provided in paragraph (4), the Bureau  
12 may at any time, upon such notice and in such man-  
13 ner as the Bureau shall determine proper, modify,  
14 terminate, or set aside any such order. Upon filing  
15 of the record as provided, the Bureau may modify,  
16 terminate, or set aside any such order with permis-  
17 sion of the court.

18 (4) APPEAL TO COURT OF APPEALS.—Any  
19 party to any proceeding under this subsection may  
20 obtain a review of any order served pursuant to this  
21 subsection (other than an order issued with the con-  
22 sent of the person concerned) by the filing in the  
23 court of appeals of the United States for the circuit  
24 in which the principal office of the covered person is  
25 located, or in the United States Court of Appeals for

1 the District of Columbia Circuit, within 30 days  
2 after the date of service of such order, a written pe-  
3 tition praying that the order of the Bureau be modi-  
4 fied, terminated, or set aside. A copy of such peti-  
5 tion shall be forthwith transmitted by the clerk of  
6 the court to the Bureau, and thereupon the Bureau  
7 shall file in the court the record in the proceeding,  
8 as provided in section 2112 of title 28 of the United  
9 States Code. Upon the filing of such petition, such  
10 court shall have jurisdiction, which upon the filing of  
11 the record shall except as provided in the last sen-  
12 tence of paragraph (3) be exclusive, to affirm, mod-  
13 ify, terminate, or set aside, in whole or in part, the  
14 order of the Bureau. Review of such proceedings  
15 shall be had as provided in chapter 7 of title 5 of  
16 the United States Code. The judgment and decree of  
17 the court shall be final, except that the same shall  
18 be subject to review by the Supreme Court of the  
19 United States, upon certiorari, as provided in section  
20 1254 of title 28 of the United States Code.

21 (5) NO STAY.—The commencement of pro-  
22 ceedings for judicial review under paragraph (4)  
23 shall not, unless specifically ordered by the court,  
24 operate as a stay of any order issued by the Bureau.

1 (c) SPECIAL RULES FOR TEMPORARY CEASE-AND-  
2 DESIST PROCEEDINGS.—

3 (1) IN GENERAL.—Whenever the Bureau deter-  
4 mines that the violation specified in the notice of  
5 charges served upon a person, including a service  
6 provider, pursuant to subsection (b), or the continu-  
7 ation thereof, is likely to cause the person to be in-  
8 solvent or otherwise prejudice the interests of con-  
9 sumers before the completion of the proceedings con-  
10 ducted pursuant to subsection (b), the Bureau may  
11 issue a temporary order requiring the person to  
12 cease and desist from any such violation or practice  
13 and to take affirmative action to prevent or remedy  
14 such insolvency or other condition pending comple-  
15 tion of such proceedings. Such order may include  
16 any requirement authorized under this subtitle. Such  
17 order shall become effective upon service upon the  
18 person and, unless set aside, limited, or suspended  
19 by a court in proceedings authorized by paragraph  
20 (2), shall remain effective and enforceable pending  
21 the completion of the administrative proceedings  
22 pursuant to such notice and until such time as the  
23 Bureau shall dismiss the charges specified in such  
24 notice, or if a cease-and-desist order is issued

1       against the person, until the effective date of such  
2       order.

3           (2) APPEAL.—Not later than 10 days after the  
4       covered person or service provider concerned has  
5       been served with a temporary cease-and-desist order,  
6       the person may apply to the United States district  
7       court for the judicial district in which the residence  
8       or principal office or place of business of the person  
9       is located, or the United States District Court for  
10      the District of Columbia, for an injunction setting  
11      aside, limiting, or suspending the enforcement, oper-  
12      ation, or effectiveness of such order pending the  
13      completion of the administrative proceedings pursu-  
14      ant to the notice of charges served upon the person  
15      under subsection (b), and such court shall have ju-  
16      risdiction to issue such injunction.

17           (3) INCOMPLETE OR INACCURATE RECORDS.—

18           (A) TEMPORARY ORDER.—If a notice of  
19      charges served under subsection (b) specifies,  
20      on the basis of particular facts and cir-  
21      cumstances, that the books and records of a  
22      covered person or service provider are so incom-  
23      plete or inaccurate that the Bureau is unable to  
24      determine the financial condition of that person  
25      or the details or purpose of any transaction or

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1 transactions that may have a material effect on  
2 the financial condition of that person, the Bu-  
3 reau may issue a temporary order requiring—

4 (i) the cessation of any activity or  
5 practice which gave rise, whether in whole  
6 or in part, to the incomplete or inaccurate  
7 state of the books or records; or

8 (ii) affirmative action to restore such  
9 books or records to a complete and accu-  
10 rate state, until the completion of the pro-  
11 ceedings under subsection (b)(1).

12 (B) EFFECTIVE PERIOD.—Any temporary  
13 order issued under subparagraph (A)—

14 (i) shall become effective upon service;  
15 and

16 (ii) unless set aside, limited, or sus-  
17 pended by a court in proceedings under  
18 paragraph (2), shall remain in effect and  
19 enforceable until the earlier of—

20 (I) the completion of the pro-  
21 ceeding initiated under subsection (b)  
22 in connection with the notice of  
23 charges; or

24 (II) the date the Bureau deter-  
25 mines, by examination or otherwise,



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1 that the books and records of the cov-  
2 ered person or service provider are ac-  
3 curate and reflect the financial condi-  
4 tion thereof.

5 (d) SPECIAL RULES FOR ENFORCEMENT OF OR-  
6 DERS.—

7 (1) IN GENERAL.—The Bureau may in its dis-  
8 cretion apply to the United States district court  
9 within the jurisdiction of which the principal office  
10 or place of business of the person is located, for the  
11 enforcement of any effective and outstanding notice  
12 or order issued under this section, and such court  
13 shall have jurisdiction and power to order and re-  
14 quire compliance herewith.

15 (2) EXCEPTION.—Except as otherwise provided  
16 in this subsection, no court shall have jurisdiction to  
17 affect by injunction or otherwise the issuance or en-  
18 forcement of any notice or order or to review, mod-  
19 ify, suspend, terminate, or set aside any such notice  
20 or order.

21 (e) RULES.—The Bureau shall prescribe rules estab-  
22 lishing such procedures as may be necessary to carry out  
23 this section.

1 **SEC. 1054. LITIGATION AUTHORITY.**

2 (a) IN GENERAL.—If any person violates a Federal  
3 consumer financial law, the Bureau may, subject to sec-  
4 tions 1024, 1025, and 1026, commence a civil action  
5 against such person to impose a civil penalty or to seek  
6 all appropriate legal and equitable relief including a per-  
7 manent or temporary injunction as permitted by law.

8 (b) REPRESENTATION.—The Bureau may act in its  
9 own name and through its own attorneys in enforcing any  
10 provision of this title, rules thereunder, or any other law  
11 or regulation, or in any action, suit, or proceeding to which  
12 the Bureau is a party.

13 (c) COMPROMISE OF ACTIONS.—The Bureau may  
14 compromise or settle any action if such compromise is ap-  
15 proved by the court.

16 (d) NOTICE TO THE ATTORNEY GENERAL.—

17 (1) IN GENERAL.—When commencing a civil  
18 action under Federal consumer financial law, or any  
19 rule thereunder, the Bureau shall notify the Attor-  
20 ney General and, with respect to a civil action  
21 against an insured depository institution or insured  
22 credit union, the appropriate prudential regulator.

23 (2) NOTICE AND COORDINATION.—

24 (A) NOTICE OF OTHER ACTIONS.—In addi-  
25 tion to any notice required under paragraph  
26 (1), the Bureau shall notify the Attorney Gen-

1           eral concerning any action, suit, or proceeding  
2           to which the Bureau is a party, except an ac-  
3           tion, suit, or proceeding that involves the offer-  
4           ing or provision of consumer financial products  
5           or services.

6           (B) COORDINATION.—In order to avoid  
7           conflicts and promote consistency regarding liti-  
8           gation of matters under Federal law, the Attor-  
9           ney General and the Bureau shall consult re-  
10          garding the coordination of investigations and  
11          proceedings, including by negotiating an agree-  
12          ment for coordination by not later than 180  
13          days after the designated transfer date. The  
14          agreement under this subparagraph shall in-  
15          clude provisions to ensure that parallel inves-  
16          tigations and proceedings involving the Federal  
17          consumer financial laws are conducted in a  
18          manner that avoids conflicts and does not im-  
19          pede the ability of the Attorney General to  
20          prosecute violations of Federal criminal laws.

21          (C) RULE OF CONSTRUCTION.—Nothing in  
22          this paragraph shall be construed to limit the  
23          authority of the Bureau under this title, includ-  
24          ing the authority to interpret Federal consumer  
25          financial law.

1 (e) APPEARANCE BEFORE THE SUPREME COURT.—

2 The Bureau may represent itself in its own name before  
3 the Supreme Court of the United States, provided that  
4 the Bureau makes a written request to the Attorney Gen-  
5 eral within the 10-day period which begins on the date  
6 of entry of the judgment which would permit any party  
7 to file a petition for writ of certiorari, and the Attorney  
8 General concurs with such request or fails to take action  
9 within 60 days of the request of the Bureau.

10 (f) FORUM.—Any civil action brought under this title  
11 may be brought in a United States district court or in  
12 any court of competent jurisdiction of a state in a district  
13 in which the defendant is located or resides or is doing  
14 business, and such court shall have jurisdiction to enjoin  
15 such person and to require compliance with any Federal  
16 consumer financial law.

17 (g) TIME FOR BRINGING ACTION.—

18 (1) IN GENERAL.—Except as otherwise per-  
19 mitted by law or equity, no action may be brought  
20 under this title more than 3 years after the date of  
21 discovery of the violation to which an action relates.

22 (2) LIMITATIONS UNDER OTHER FEDERAL  
23 LAWS.—

1 (A) IN GENERAL.—An action arising under  
2 this title does not include claims arising solely  
3 under enumerated consumer laws.

4 (B) BUREAU AUTHORITY.—In any action  
5 arising solely under an enumerated consumer  
6 law, the Bureau may commence, defend, or in-  
7 tervene in the action in accordance with the re-  
8 quirements of that provision of law, as applica-  
9 ble.

10 (C) TRANSFERRED AUTHORITY.—In any  
11 action arising solely under laws for which au-  
12 thorities were transferred under subtitles F and  
13 H, the Bureau may commence, defend, or inter-  
14 vene in the action in accordance with the re-  
15 quirements of that provision of law, as applica-  
16 ble.

17 **SEC. 1055. RELIEF AVAILABLE.**

18 (a) ADMINISTRATIVE PROCEEDINGS OR COURT AC-  
19 TIONS.—

20 (1) JURISDICTION.—The court (or the Bureau,  
21 as the case may be) in an action or adjudication pro-  
22 ceeding brought under Federal consumer financial  
23 law, shall have jurisdiction to grant any appropriate  
24 legal or equitable relief with respect to a violation of  
25 Federal consumer financial law, including a violation

1 of a rule or order prescribed under a Federal con-  
2 sumer financial law.

3 (2) RELIEF.—Relief under this section may in-  
4 clude, without limitation—

5 (A) rescission or reformation of contracts;

6 (B) refund of moneys or return of real  
7 property;

8 (C) restitution;

9 (D) disgorgement or compensation for un-  
10 just enrichment;

11 (E) payment of damages or other mone-  
12 tary relief;

13 (F) public notification regarding the viola-  
14 tion, including the costs of notification;

15 (G) limits on the activities or functions of  
16 the person; and

17 (H) civil money penalties, as set forth  
18 more fully in subsection (c).

19 (3) NO EXEMPLARY OR PUNITIVE DAMAGES.—

20 Nothing in this subsection shall be construed as au-  
21 thorizing the imposition of exemplary or punitive  
22 damages.

23 (b) RECOVERY OF COSTS.—In any action brought by  
24 the Bureau, a State attorney general, or any State regu-  
25 lator to enforce any Federal consumer financial law, the

1 Bureau, the State attorney general, or the State regulator  
2 may recover its costs in connection with prosecuting such  
3 action if the Bureau, the State attorney general, or the  
4 State regulator is the prevailing party in the action.

5 (c) CIVIL MONEY PENALTY IN COURT AND ADMINIS-  
6 TRATIVE ACTIONS.—

7 (1) IN GENERAL.—Any person that violates,  
8 through any act or omission, any provision of Fed-  
9 eral consumer financial law shall forfeit and pay a  
10 civil penalty pursuant to this subsection.

11 (2) PENALTY AMOUNTS.—

12 (A) FIRST TIER.—For any violation of a  
13 law, rule, or final order or condition imposed in  
14 writing by the Bureau, a civil penalty may not  
15 exceed \$5,000 for each day during which such  
16 violation or failure to pay continues.

17 (B) SECOND TIER.—Notwithstanding  
18 paragraph (A), for any person that recklessly  
19 engages in a violation of a Federal consumer fi-  
20 nancial law, a civil penalty may not exceed  
21 \$25,000 for each day during which such viola-  
22 tion continues.

23 (C) THIRD TIER.—Notwithstanding sub-  
24 paragraphs (A) and (B), for any person that  
25 knowingly violates a Federal consumer financial

1 law, a civil penalty may not exceed \$1,000,000  
2 for each day during which such violation con-  
3 tinues.

4 (3) MITIGATING FACTORS.—In determining the  
5 amount of any penalty assessed under paragraph  
6 (2), the Bureau or the court shall take into account  
7 the appropriateness of the penalty with respect to—

8 (A) the size of financial resources and good  
9 faith of the person charged;

10 (B) the gravity of the violation or failure  
11 to pay;

12 (C) the severity of the risks to or losses of  
13 the consumer, which may take into account the  
14 number of products or services sold or provided;

15 (D) the history of previous violations; and

16 (E) such other matters as justice may re-  
17 quire.

18 (4) AUTHORITY TO MODIFY OR REMIT PEN-  
19 ALTY.—The Bureau may compromise, modify, or  
20 remit any penalty which may be assessed or had al-  
21 ready been assessed under paragraph (2). The  
22 amount of such penalty, when finally determined,  
23 shall be exclusive of any sums owed by the person  
24 to the United States in connection with the costs of



1 the proceeding, and may be deducted from any sums  
2 owing by the United States to the person charged.

3 (5) NOTICE AND HEARING.—No civil penalty  
4 may be assessed under this subsection with respect  
5 to a violation of any Federal consumer financial law,  
6 unless—

7 (A) the Bureau gives notice and an oppor-  
8 tunity for a hearing to the person accused of  
9 the violation; or

10 (B) the appropriate court has ordered such  
11 assessment and entered judgment in favor of  
12 the Bureau.

13 **SEC. 1056. REFERRALS FOR CRIMINAL PROCEEDINGS.**

14 If the Bureau obtains evidence that any person, do-  
15 mestic or foreign, has engaged in conduct that may con-  
16 stitute a violation of Federal criminal law, the Bureau  
17 shall transmit such evidence to the Attorney General of  
18 the United States, who may institute criminal proceedings  
19 under appropriate law. Nothing in this section affects any  
20 other authority of the Bureau to disclose information.

21 **SEC. 1057. EMPLOYEE PROTECTION.**

22 (a) IN GENERAL.—No covered person or service pro-  
23 vider shall terminate or in any other way discriminate  
24 against, or cause to be terminated or discriminated  
25 against, any covered employee or any authorized rep-

1 representative of covered employees by reason of the fact that  
2 such employee or representative, whether at the initiative  
3 of the employee or in the ordinary course of the duties  
4 of the employee (or any person acting pursuant to a re-  
5 quest of the employee), has—

6           (1) provided, caused to be provided, or is about  
7           to provide or cause to be provided, information to  
8           the employer, the Bureau, or any other State, local,  
9           or Federal, government authority or law enforce-  
10          ment agency relating to any violation of, or any act  
11          or omission that the employee reasonably believes to  
12          be a violation of, any provision of this title or any  
13          other provision of law that is subject to the jurisdic-  
14          tion of the Bureau, or any rule, order, standard, or  
15          prohibition prescribed by the Bureau;

16          (2) testified or will testify in any proceeding re-  
17          sulting from the administration or enforcement of  
18          any provision of this title or any other provision of  
19          law that is subject to the jurisdiction of the Bureau,  
20          or any rule, order, standard, or prohibition pre-  
21          scribed by the Bureau;

22          (3) filed, instituted, or caused to be filed or in-  
23          stituted any proceeding under any Federal consumer  
24          financial law; or

1           (4) objected to, or refused to participate in, any  
2           activity, policy, practice, or assigned task that the  
3           employee (or other such person) reasonably believed  
4           to be in violation of any law, rule, order, standard,  
5           or prohibition, subject to the jurisdiction of, or en-  
6           forceable by, the Bureau.

7           (b) DEFINITION OF COVERED EMPLOYEE.—For the  
8           purposes of this section, the term “covered employee”  
9           means any individual performing tasks related to the of-  
10          fering or provision of a consumer financial product or  
11          service.

12          (c) PROCEDURES AND TIMETABLES.—

13           (1) COMPLAINT.—

14           (A) IN GENERAL.—A person who believes  
15           that he or she has been discharged or otherwise  
16           discriminated against by any person in violation  
17           of subsection (a) may, not later than 180 days  
18           after the date on which such alleged violation  
19           occurs, file (or have any person file on his or  
20           her behalf) a complaint with the Secretary of  
21           Labor alleging such discharge or discrimination  
22           and identifying the person responsible for such  
23           act.

24           (B) ACTIONS OF SECRETARY OF LABOR.—

25           Upon receipt of such a complaint, the Secretary

1 of Labor shall notify, in writing, the person  
2 named in the complaint who is alleged to have  
3 committed the violation, of—

4 (i) the filing of the complaint;

5 (ii) the allegations contained in the  
6 complaint;

7 (iii) the substance of evidence sup-  
8 porting the complaint; and

9 (iv) opportunities that will be afforded  
10 to such person under paragraph (2).

11 (2) INVESTIGATION BY SECRETARY OF  
12 LABOR.—

13 (A) IN GENERAL.—Not later than 60 days  
14 after the date of receipt of a complaint filed  
15 under paragraph (1), and after affording the  
16 complainant and the person named in the com-  
17 plaint who is alleged to have committed the vio-  
18 lation that is the basis for the complaint an op-  
19 portunity to submit to the Secretary of Labor  
20 a written response to the complaint and an op-  
21 portunity to meet with a representative of the  
22 Secretary of Labor to present statements from  
23 witnesses, the Secretary of Labor shall—

1 (i) initiate an investigation and deter-  
2 mine whether there is reasonable cause to  
3 believe that the complaint has merit; and

4 (ii) notify the complainant and the  
5 person alleged to have committed the viola-  
6 tion of subsection (a), in writing, of such  
7 determination.

8 (B) NOTICE OF RELIEF AVAILABLE.—If  
9 the Secretary of Labor concludes that there is  
10 reasonable cause to believe that a violation of  
11 subsection (a) has occurred, the Secretary of  
12 Labor shall, together with the notice under sub-  
13 paragraph (A)(ii), issue a preliminary order  
14 providing the relief prescribed by paragraph  
15 (4)(B).

16 (C) REQUEST FOR HEARING.—Not later  
17 than 30 days after the date of receipt of notifi-  
18 cation of a determination of the Secretary of  
19 Labor under this paragraph, either the person  
20 alleged to have committed the violation or the  
21 complainant may file objections to the findings  
22 or preliminary order, or both, and request a  
23 hearing on the record. The filing of such objec-  
24 tions shall not operate to stay any reinstatement  
25 remedy contained in the preliminary

1 order. Any such hearing shall be conducted ex-  
2 peditiously, and if a hearing is not requested in  
3 such 30-day period, the preliminary order shall  
4 be deemed a final order that is not subject to  
5 judicial review.

6 (3) GROUNDS FOR DETERMINATION OF COM-  
7 PLAINTS.—

8 (A) IN GENERAL.—The Secretary of Labor  
9 shall dismiss a complaint filed under this sub-  
10 section, and shall not conduct an investigation  
11 otherwise required under paragraph (2), unless  
12 the complainant makes a prima facie showing  
13 that any behavior described in paragraphs (1)  
14 through (4) of subsection (a) was a contrib-  
15 uting factor in the unfavorable personnel action  
16 alleged in the complaint.

17 (B) REBUTTAL EVIDENCE.—Notwith-  
18 standing a finding by the Secretary of Labor  
19 that the complainant has made the showing re-  
20 quired under subparagraph (A), no investiga-  
21 tion otherwise required under paragraph (2)  
22 shall be conducted, if the employer dem-  
23 onstrates, by clear and convincing evidence,  
24 that the employer would have taken the same

1 unfavorable personnel action in the absence of  
2 that behavior.

3 (C) EVIDENTIARY STANDARDS.—The Sec-  
4 retary of Labor may determine that a violation  
5 of subsection (a) has occurred only if the com-  
6 plainant demonstrates that any behavior de-  
7 scribed in paragraphs (1) through (4) of sub-  
8 section (a) was a contributing factor in the un-  
9 favorable personnel action alleged in the com-  
10 plaint. Relief may not be ordered under sub-  
11 paragraph (A) if the employer demonstrates by  
12 clear and convincing evidence that the employer  
13 would have taken the same unfavorable per-  
14 sonnel action in the absence of that behavior.

15 (4) ISSUANCE OF FINAL ORDERS; REVIEW PRO-  
16 CEDURES.—

17 (A) TIMING.—Not later than 120 days  
18 after the date of conclusion of any hearing  
19 under paragraph (2), the Secretary of Labor  
20 shall issue a final order providing the relief pre-  
21 scribed by this paragraph or denying the com-  
22 plaint. At any time before issuance of a final  
23 order, a proceeding under this subsection may  
24 be terminated on the basis of a settlement  
25 agreement entered into by the Secretary of

1 Labor, the complainant, and the person alleged  
2 to have committed the violation.

3 (B) PENALTIES.—

4 (i) ORDER OF SECRETARY OF  
5 LABOR.—If, in response to a complaint  
6 filed under paragraph (1), the Secretary of  
7 Labor determines that a violation of sub-  
8 section (a) has occurred, the Secretary of  
9 Labor shall order the person who com-  
10 mitted such violation—

11 (I) to take affirmative action to  
12 abate the violation;

13 (II) to reinstate the complainant  
14 to his or her former position, together  
15 with compensation (including back  
16 pay) and restore the terms, condi-  
17 tions, and privileges associated with  
18 his or her employment; and

19 (III) to provide compensatory  
20 damages to the complainant.

21 (ii) PENALTY.—If an order is issued  
22 under clause (i), the Secretary of Labor, at  
23 the request of the complainant, shall assess  
24 against the person against whom the order  
25 is issued, a sum equal to the aggregate



1 amount of all costs and expenses (includ-  
2 ing attorney fees and expert witness fees)  
3 reasonably incurred, as determined by the  
4 Secretary of Labor, by the complainant  
5 for, or in connection with, the bringing of  
6 the complaint upon which the order was  
7 issued.

8 (C) PENALTY FOR FRIVOLOUS CLAIMS.—If  
9 the Secretary of Labor finds that a complaint  
10 under paragraph (1) is frivolous or has been  
11 brought in bad faith, the Secretary of Labor  
12 may award to the prevailing employer a reason-  
13 able attorney fee, not exceeding \$1,000, to be  
14 paid by the complainant.

15 (D) DE NOVO REVIEW.—

16 (i) FAILURE OF THE SECRETARY TO  
17 ACT.—If the Secretary of Labor has not  
18 issued a final order within 210 days after  
19 the date of filing of a complaint under this  
20 subsection, or within 90 days after the  
21 date of receipt of a written determination,  
22 the complainant may bring an action at  
23 law or equity for de novo review in the ap-  
24 propriate district court of the United  
25 States having jurisdiction, which shall have

1 jurisdiction over such an action without re-  
2 gard to the amount in controversy, and  
3 which action shall, at the request of either  
4 party to such action, be tried by the court  
5 with a jury.

6 (ii) PROCEDURES.—A proceeding  
7 under clause (i) shall be governed by the  
8 same legal burdens of proof specified in  
9 paragraph (3). The court shall have juris-  
10 diction to grant all relief necessary to  
11 make the employee whole, including injunc-  
12 tive relief and compensatory damages, in-  
13 cluding—

14 (I) reinstatement with the same  
15 seniority status that the employee  
16 would have had, but for the discharge  
17 or discrimination;

18 (II) the amount of back pay, with  
19 interest; and

20 (III) compensation for any spe-  
21 cial damages sustained as a result of  
22 the discharge or discrimination, in-  
23 cluding litigation costs, expert witness  
24 fees, and reasonable attorney fees.

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1           (E) OTHER APPEALS.—Unless the com-  
2           plainant brings an action under subparagraph  
3           (D), any person adversely affected or aggrieved  
4           by a final order issued under subparagraph (A)  
5           may file a petition for review of the order in the  
6           United States Court of Appeals for the circuit  
7           in which the violation with respect to which the  
8           order was issued, allegedly occurred or the cir-  
9           cuit in which the complainant resided on the  
10          date of such violation, not later than 60 days  
11          after the date of the issuance of the final order  
12          of the Secretary of Labor under subparagraph  
13          (A). Review shall conform to chapter 7 of title  
14          5, United States Code. The commencement of  
15          proceedings under this subparagraph shall not,  
16          unless ordered by the court, operate as a stay  
17          of the order. An order of the Secretary of  
18          Labor with respect to which review could have  
19          been obtained under this subparagraph shall  
20          not be subject to judicial review in any criminal  
21          or other civil proceeding.

22          (5) FAILURE TO COMPLY WITH ORDER.—

23                (A) ACTIONS BY THE SECRETARY.—If any  
24                person has failed to comply with a final order  
25                issued under paragraph (4), the Secretary of

1 Labor may file a civil action in the United  
2 States district court for the district in which  
3 the violation was found to have occurred, or in  
4 the United States district court for the District  
5 of Columbia, to enforce such order. In actions  
6 brought under this paragraph, the district  
7 courts shall have jurisdiction to grant all appro-  
8 priate relief including injunctive relief and com-  
9 pensatory damages.

10 (B) CIVIL ACTIONS TO COMPEL COMPLI-  
11 ANCE.—A person on whose behalf an order was  
12 issued under paragraph (4) may commence a  
13 civil action against the person to whom such  
14 order was issued to require compliance with  
15 such order. The appropriate United States dis-  
16 trict court shall have jurisdiction, without re-  
17 gard to the amount in controversy or the citi-  
18 zenship of the parties, to enforce such order.

19 (C) AWARD OF COSTS AUTHORIZED.—The  
20 court, in issuing any final order under this  
21 paragraph, may award costs of litigation (in-  
22 cluding reasonable attorney and expert witness  
23 fees) to any party, whenever the court deter-  
24 mines such award is appropriate.

1                   (D) MANDAMUS PROCEEDINGS.—Any non-  
2                   discretionary duty imposed by this section shall  
3                   be enforceable in a mandamus proceeding  
4                   brought under section 1361 of title 28, United  
5                   States Code.

6           (d) UNENFORCEABILITY OF CERTAIN AGREE-  
7 MENTTS.—

8                   (1) NO WAIVER OF RIGHTS AND REMEDIES.—  
9                   Except as provided under paragraph (3), and not-  
10                  withstanding any other provision of law, the rights  
11                  and remedies provided for in this section may not be  
12                  waived by any agreement, policy, form, or condition  
13                  of employment, including by any predispute arbitra-  
14                  tion agreement.

15                  (2) NO PREDISPUTE ARBITRATION AGREE-  
16                  MENTS.—Except as provided under paragraph (3),  
17                  and notwithstanding any other provision of law, no  
18                  predispute arbitration agreement shall be valid or  
19                  enforceable to the extent that it requires arbitration  
20                  of a dispute arising under this section.

21                  (3) EXCEPTION.—Notwithstanding paragraphs  
22                  (1) and (2), an arbitration provision in a collective  
23                  bargaining agreement shall be enforceable as to dis-  
24                  putes arising under subsection (a)(4), unless the Bu-

1 reau determines, by rule, that such provision is in-  
2 consistent with the purposes of this title.

3 **SEC. 1058. EFFECTIVE DATE.**

4 This subtitle shall become effective on the designated  
5 transfer date.

6 **Subtitle F—Transfer of Functions**  
7 **and Personnel; Transitional**  
8 **Provisions**

9 **SEC. 1061. TRANSFER OF CONSUMER FINANCIAL PROTEC-**  
10 **TION FUNCTIONS.**

11 (a) **DEFINED TERMS.**—For purposes of this sub-  
12 title—

13 (1) the term “consumer financial protection  
14 functions” means—

15 (A) all authority to prescribe rules or issue  
16 orders or guidelines pursuant to any Federal  
17 consumer financial law, including performing  
18 appropriate functions to promulgate and review  
19 such rules, orders, and guidelines; and

20 (B) the examination authority described in  
21 subsection (c)(1), with respect to a person de-  
22 scribed in subsection 1025(a); and

23 (2) the terms “transferor agency” and “trans-  
24 feror agencies” mean, respectively—

1 (A) the Board of Governors (and any Fed-  
2 eral reserve bank, as the context requires), the  
3 Federal Deposit Insurance Corporation, the  
4 Federal Trade Commission, the National Credit  
5 Union Administration, the Office of the Comp-  
6 troller of the Currency, the Office of Thrift Su-  
7 pervision, and the Department of Housing and  
8 Urban Development, and the heads of those  
9 agencies; and

10 (B) the agencies listed in subparagraph  
11 (A), collectively.

12 (b) IN GENERAL.—Except as provided in subsection  
13 (c), consumer financial protection functions are trans-  
14 ferred as follows:

15 (1) BOARD OF GOVERNORS.—

16 (A) TRANSFER OF FUNCTIONS.—All con-  
17 sumer financial protection functions of the  
18 Board of Governors are transferred to the Bu-  
19 reau.

20 (B) BOARD OF GOVERNORS AUTHORITY.—  
21 The Bureau shall have all powers and duties  
22 that were vested in the Board of Governors, re-  
23 lating to consumer financial protection func-  
24 tions, on the day before the designated transfer  
25 date.

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1 (2) COMPTROLLER OF THE CURRENCY.—

2 (A) TRANSFER OF FUNCTIONS.—All con-  
3 sumer financial protection functions of the  
4 Comptroller of the Currency are transferred to  
5 the Bureau.

6 (B) COMPTROLLER AUTHORITY.—The Bu-  
7 reau shall have all powers and duties that were  
8 vested in the Comptroller of the Currency, re-  
9 lating to consumer financial protection func-  
10 tions, on the day before the designated transfer  
11 date.

12 (3) DIRECTOR OF THE OFFICE OF THRIFT SU-  
13 PERVISION.—

14 (A) TRANSFER OF FUNCTIONS.—All con-  
15 sumer financial protection functions of the Di-  
16 rector of the Office of Thrift Supervision are  
17 transferred to the Bureau.

18 (B) DIRECTOR AUTHORITY.—The Bureau  
19 shall have all powers and duties that were vest-  
20 ed in the Director of the Office of Thrift Super-  
21 vision, relating to consumer financial protection  
22 functions, on the day before the designated  
23 transfer date.

24 (4) FEDERAL DEPOSIT INSURANCE CORPORA-  
25 TION.—



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1 (A) TRANSFER OF FUNCTIONS.—All con-  
2 sumer financial protection functions of the Fed-  
3 eral Deposit Insurance Corporation are trans-  
4 ferred to the Bureau.

5 (B) CORPORATION AUTHORITY.—The Bu-  
6 reau shall have all powers and duties that were  
7 vested in the Federal Deposit Insurance Cor-  
8 poration, relating to consumer financial protec-  
9 tion functions, on the day before the designated  
10 transfer date.

11 (5) FEDERAL TRADE COMMISSION.—

12 (A) TRANSFER OF FUNCTIONS.—The au-  
13 thority of the Federal Trade Commission under  
14 an enumerated consumer law to prescribe rules,  
15 issue guidelines, or conduct a study or issue a  
16 report mandated under such law shall be trans-  
17 ferred to the Bureau on the designated transfer  
18 date. Nothing in this title shall be construed to  
19 require a mandatory transfer of any employee  
20 of the Federal Trade Commission.

21 (B) BUREAU AUTHORITY.—

22 (i) IN GENERAL.—The Bureau shall  
23 have all powers and duties under the enu-  
24 merated consumer laws to prescribe rules,  
25 issue guidelines, or to conduct studies or

1 issue reports mandated by such laws, that  
2 were vested in the Federal Trade Commis-  
3 sion on the day before the designated  
4 transfer date.

5 (ii) FEDERAL TRADE COMMISSION  
6 ACT.—Subject to subtitle B, the Bureau  
7 may enforce a rule prescribed under the  
8 Federal Trade Commission Act by the  
9 Federal Trade Commission with respect to  
10 an unfair or deceptive act or practice to  
11 the extent that such rule applies to a cov-  
12 ered person or service provider with re-  
13 spect to the offering or provision of a con-  
14 sumer financial product or service as if it  
15 were a rule prescribed under section 1031  
16 of this title.

17 (C) AUTHORITY OF THE FEDERAL TRADE  
18 COMMISSION.—

19 (i) IN GENERAL.—No provision of this  
20 title shall be construed as modifying, lim-  
21 iting, or otherwise affecting the authority  
22 of the Federal Trade Commission (includ-  
23 ing its authority with respect to affiliates  
24 described in section 1025(a)(1)) under the  
25 Federal Trade Commission Act or any

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1 other law, other than the authority under  
2 an enumerated consumer law to prescribe  
3 rules, issue official guidelines, or conduct a  
4 study or issue a report mandated under  
5 such law.

6 (ii) COMMISSION AUTHORITY RELAT-  
7 ING TO RULES PRESCRIBED BY THE BU-  
8 REAU.—Subject to subtitle B, the Federal  
9 Trade Commission shall have authority to  
10 enforce under the Federal Trade Commis-  
11 sion Act (15 U.S.C. 41 et seq.) a rule pre-  
12 scribed by the Bureau under this title with  
13 respect to a covered person subject to the  
14 jurisdiction of the Federal Trade Commis-  
15 sion under that Act, and a violation of  
16 such a rule by such a person shall be treat-  
17 ed as a violation of a rule issued under sec-  
18 tion 18 of that Act (15 U.S.C. 57a) with  
19 respect to unfair or deceptive acts or prac-  
20 tices.

21 (D) COORDINATION.—To avoid duplication  
22 of or conflict between rules prescribed by the  
23 Bureau under section 1031 of this title and the  
24 Federal Trade Commission under section  
25 18(a)(1)(B) of the Federal Trade Commission

1 Act that apply to a covered person or service  
2 provider with respect to the offering or provi-  
3 sion of consumer financial products or services,  
4 the agencies shall negotiate an agreement with  
5 respect to rulemaking by each agency, including  
6 consultation with the other agency prior to pro-  
7 posing a rule and during the comment period.

8 (E) DEFERENCE.—No provision of this  
9 title shall be construed as altering, limiting, ex-  
10 panding, or otherwise affecting the deference  
11 that a court affords to the—

12 (i) Federal Trade Commission in  
13 making determinations regarding the  
14 meaning or interpretation of any provision  
15 of the Federal Trade Commission Act, or  
16 of any other Federal law for which the  
17 Commission has authority to prescribe  
18 rules; or

19 (ii) Bureau in making determinations  
20 regarding the meaning or interpretation of  
21 any provision of a Federal consumer finan-  
22 cial law (other than any law described in  
23 clause (i)).

24 (6) NATIONAL CREDIT UNION ADMINISTRA-  
25 TION.—

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1 (A) TRANSFER OF FUNCTIONS.—All con-  
2 sumer financial protection functions of the Na-  
3 tional Credit Union Administration are trans-  
4 ferred to the Bureau.

5 (B) NATIONAL CREDIT UNION ADMINIS-  
6 TRATION AUTHORITY.—The Bureau shall have  
7 all powers and duties that were vested in the  
8 National Credit Union Administration, relating  
9 to consumer financial protection functions, on  
10 the day before the designated transfer date.

11 (7) DEPARTMENT OF HOUSING AND URBAN DE-  
12 VELOPMENT.—

13 (A) TRANSFER OF FUNCTIONS.—All con-  
14 sumer protection functions of the Secretary of  
15 the Department of Housing and Urban Devel-  
16 opment relating to the Real Estate Settlement  
17 Procedures Act of 1974 (12 U.S.C. 2601 et  
18 seq.), the Secure and Fair Enforcement for  
19 Mortgage Licensing Act of 2008 (12 U.S.C.  
20 5102 et seq.), and the Interstate Land Sales  
21 Full Disclosure Act (15 U.S.C. 1701 et seq.)  
22 are transferred to the Bureau.

23 (B) AUTHORITY OF THE DEPARTMENT OF  
24 HOUSING AND URBAN DEVELOPMENT.—The  
25 Bureau shall have all powers and duties that

1           were vested in the Secretary of the Department  
2           of Housing and Urban Development relating to  
3           the Real Estate Settlement Procedures Act of  
4           1974 (12 U.S.C. 2601 et seq.), the Secure and  
5           Fair Enforcement for Mortgage Licensing Act  
6           of 2008 (12 U.S.C. 5101 et seq.), and the  
7           Interstate Land Sales Full Disclosure Act (15  
8           U.S.C. 1701 et seq.), on the day before the des-  
9           ignated transfer date.

10       (c) AUTHORITIES OF THE PRUDENTIAL REGU-  
11   LATORS.—

12           (1) EXAMINATION.—A transferor agency that is  
13   a prudential regulator shall have—

14           (A) authority to require reports from and  
15           conduct examinations for compliance with Fed-  
16           eral consumer financial laws with respect to a  
17           person described in section 1025(a), that is in-  
18           cidental to the backup and enforcement proce-  
19           dures provided to the regulator under section  
20           1025(c); and

21           (B) exclusive authority (relative to the Bu-  
22           reau) to require reports from and conduct ex-  
23           aminations for compliance with Federal con-  
24           sumer financial laws with respect to a person  
25           described in section 1026(a), except as provided

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1 to the Bureau under subsections (b) and (c) of  
2 section 1026.

3 (2) ENFORCEMENT.—

4 (A) LIMITATION.—The authority of a  
5 transferor agency that is a prudential regulator  
6 to enforce compliance with Federal consumer fi-  
7 nancial laws with respect to a person described  
8 in section 1025(a), shall be limited to the  
9 backup and enforcement procedures in de-  
10 scribed in section 1025(c).

11 (B) EXCLUSIVE AUTHORITY.—A transferor  
12 agency that is a prudential regulator shall have  
13 exclusive authority (relative to the Bureau) to  
14 enforce compliance with Federal consumer fi-  
15 nancial laws with respect to a person described  
16 in section 1026(a), except as provided to the  
17 Bureau under subsections (b) and (c) of section  
18 1026.

19 (C) STATUTORY ENFORCEMENT.—For pur-  
20 poses of carrying out the authorities under, and  
21 subject to the limitations of, subtitle B, each  
22 prudential regulator may enforce compliance  
23 with the requirements imposed under this title,  
24 and any rule or order prescribed by the Bureau  
25 under this title, under—

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1 (i) the Federal Credit Union Act (12  
2 U.S.C. 1751 et seq.), by the National  
3 Credit Union Administration Board with  
4 respect to any covered person or service  
5 provider that is an insured credit union, or  
6 service provider thereto, or any affiliate of  
7 an insured credit union, who is subject to  
8 the jurisdiction of the Board under that  
9 Act; and

10 (ii) section 8 of the Federal Deposit  
11 Insurance Act (12 U.S.C. 1818), by the  
12 appropriate Federal banking agency, as de-  
13 fined in section 3(q) of the Federal De-  
14 posit Insurance Act (12 U.S.C. 1813(q)),  
15 with respect to a covered person or service  
16 provider that is a person described in sec-  
17 tion 3(q) of that Act and who is subject to  
18 the jurisdiction of that agency, as set forth  
19 in sections 3(q) and 8 of the Federal De-  
20 posit Insurance Act; or

21 (iii) the Bank Service Company Act  
22 (12 U.S.C. 1861 et seq.).

23 (d) EFFECTIVE DATE.—Subsections (b) and (c) shall  
24 become effective on the designated transfer date.



1 **SEC. 1062. DESIGNATED TRANSFER DATE.**

2 (a) IN GENERAL.—Not later than 60 days after the  
3 date of enactment of this Act, the Secretary shall—

4 (1) in consultation with the Chairman of the  
5 Board of Governors, the Chairperson of the Cor-  
6 poration, the Chairman of the Federal Trade Com-  
7 mission, the Chairman of the National Credit Union  
8 Administration Board, the Comptroller of the Cur-  
9 rency, the Director of the Office of Thrift Super-  
10 vision, the Secretary of the Department of Housing  
11 and Urban Development, and the Director of the Of-  
12 fice of Management and Budget, designate a single  
13 calendar date for the transfer of functions to the  
14 Bureau under section 1061; and

15 (2) publish notice of that designated date in the  
16 Federal Register.

17 (b) CHANGING DESIGNATION.—The Secretary—

18 (1) may, in consultation with the Chairman of  
19 the Board of Governors, the Chairperson of the Fed-  
20 eral Deposit Insurance Corporation, the Chairman  
21 of the Federal Trade Commission, the Chairman of  
22 the National Credit Union Administration Board,  
23 the Comptroller of the Currency, the Director of the  
24 Office of Thrift Supervision, the Secretary of the  
25 Department of Housing and Urban Development,  
26 and the Director of the Office of Management and

1 Budget, change the date designated under sub-  
2 section (a); and

3 (2) shall publish notice of any changed des-  
4 ignated date in the Federal Register.

5 (c) PERMISSIBLE DATES.—

6 (1) IN GENERAL.—Except as provided in para-  
7 graph (2), any date designated under this section  
8 shall be not earlier than 180 days, nor later than 12  
9 months, after the date of enactment of this Act.

10 (2) EXTENSION OF TIME.—The Secretary may  
11 designate a date that is later than 12 months after  
12 the date of enactment of this Act if the Secretary  
13 transmits to appropriate committees of Congress—

14 (A) a written determination that orderly  
15 implementation of this title is not feasible be-  
16 fore the date that is 12 months after the date  
17 of enactment of this Act;

18 (B) an explanation of why an extension is  
19 necessary for the orderly implementation of this  
20 title; and

21 (C) a description of the steps that will be  
22 taken to effect an orderly and timely implemen-  
23 tation of this title within the extended time pe-  
24 riod.

1           (3) EXTENSION LIMITED.—In no case may any  
2           date designated under this section be later than 18  
3           months after the date of enactment of this Act.

4 **SEC. 1063. SAVINGS PROVISIONS.**

5           (a) BOARD OF GOVERNORS.—

6           (1) EXISTING RIGHTS, DUTIES, AND OBLIGA-  
7           TIONS NOT AFFECTED.—Section 1061(b)(1) does  
8           not affect the validity of any right, duty, or obliga-  
9           tion of the United States, the Board of Governors  
10          (or any Federal reserve bank), or any other person  
11          that—

12                   (A) arises under any provision of law relat-  
13                   ing to any consumer financial protection func-  
14                   tion of the Board of Governors transferred to  
15                   the Bureau by this title; and

16                   (B) existed on the day before the des-  
17                   ignated transfer date.

18           (2) CONTINUATION OF SUITS.—No provision of  
19           this Act shall abate any proceeding commenced by  
20           or against the Board of Governors (or any Federal  
21           reserve bank) before the designated transfer date  
22           with respect to any consumer financial protection  
23           function of the Board of Governors (or any Federal  
24           reserve bank) transferred to the Bureau by this title,  
25           except that the Bureau, subject to sections 1024,

1 1025, and 1026, shall be substituted for the Board  
2 of Governors (or Federal reserve bank) as a party  
3 to any such proceeding as of the designated transfer  
4 date.

5 (b) FEDERAL DEPOSIT INSURANCE CORPORATION.—

6 (1) EXISTING RIGHTS, DUTIES, AND OBLIGA-  
7 TIONS NOT AFFECTED.—Section 1061(b)(4) does  
8 not affect the validity of any right, duty, or obliga-  
9 tion of the United States, the Federal Deposit In-  
10 surance Corporation, the Board of Directors of that  
11 Corporation, or any other person, that—

12 (A) arises under any provision of law relat-  
13 ing to any consumer financial protection func-  
14 tion of the Federal Deposit Insurance Corpora-  
15 tion transferred to the Bureau by this title; and

16 (B) existed on the day before the des-  
17 igned transfer date.

18 (2) CONTINUATION OF SUITS.—No provision of  
19 this Act shall abate any proceeding commenced by  
20 or against the Federal Deposit Insurance Corpora-  
21 tion (or the Board of Directors of that Corporation)  
22 before the designated transfer date with respect to  
23 any consumer financial protection function of the  
24 Federal Deposit Insurance Corporation transferred  
25 to the Bureau by this title, except that the Bureau,

1 subject to sections 1024, 1025, and 1026, shall be  
2 substituted for the Federal Deposit Insurance Cor-  
3 poration (or Board of Directors) as a party to any  
4 such proceeding as of the designated transfer date.

5 (c) FEDERAL TRADE COMMISSION.—Section  
6 1061(b)(5) does not affect the validity of any right, duty,  
7 or obligation of the United States, the Federal Trade  
8 Commission, or any other person, that—

9 (1) arises under any provision of law relating to  
10 any consumer financial protection function of the  
11 Federal Trade Commission transferred to the Bu-  
12 reau by this title; and

13 (2) existed on the day before the designated  
14 transfer date.

15 (d) NATIONAL CREDIT UNION ADMINISTRATION.—

16 (1) EXISTING RIGHTS, DUTIES, AND OBLIGA-  
17 TIONS NOT AFFECTED.—Section 1061(b)(6) does  
18 not affect the validity of any right, duty, or obliga-  
19 tion of the United States, the National Credit Union  
20 Administration, the National Credit Union Adminis-  
21 tration Board, or any other person, that—

22 (A) arises under any provision of law relat-  
23 ing to any consumer financial protection func-  
24 tion of the National Credit Union Administra-  
25 tion transferred to the Bureau by this title; and

1 (B) existed on the day before the des-  
2 igned transfer date.

3 (2) CONTINUATION OF SUITS.—No provision of  
4 this Act shall abate any proceeding commenced by  
5 or against the National Credit Union Administration  
6 (or the National Credit Union Administration  
7 Board) before the designated transfer date with re-  
8 spect to any consumer financial protection function  
9 of the National Credit Union Administration trans-  
10 ferred to the Bureau by this title, except that the  
11 Bureau, subject to sections 1024, 1025, and 1026,  
12 shall be substituted for the National Credit Union  
13 Administration (or National Credit Union Adminis-  
14 tration Board) as a party to any such proceeding as  
15 of the designated transfer date.

16 (e) OFFICE OF THE COMPTROLLER OF THE CUR-  
17 RENCY.—

18 (1) EXISTING RIGHTS, DUTIES, AND OBLIGA-  
19 TIONS NOT AFFECTED.—Section 1061(b)(2) does  
20 not affect the validity of any right, duty, or obliga-  
21 tion of the United States, the Comptroller of the  
22 Currency, the Office of the Comptroller of the Cur-  
23 rency, or any other person, that—

24 (A) arises under any provision of law relat-  
25 ing to any consumer financial protection func-

1           tion of the Comptroller of the Currency trans-  
2           ferred to the Bureau by this title; and

3           (B) existed on the day before the des-  
4           ignated transfer date.

5           (2) CONTINUATION OF SUITS.—No provision of  
6           this Act shall abate any proceeding commenced by  
7           or against the Comptroller of the Currency (or the  
8           Office of the Comptroller of the Currency) with re-  
9           spect to any consumer financial protection function  
10          of the Comptroller of the Currency transferred to  
11          the Bureau by this title before the designated trans-  
12          fer date, except that the Bureau, subject to sections  
13          1024, 1025, and 1026, shall be substituted for the  
14          Comptroller of the Currency (or the Office of the  
15          Comptroller of the Currency) as a party to any such  
16          proceeding as of the designated transfer date.

17          (f) OFFICE OF THRIFT SUPERVISION.—

18           (1) EXISTING RIGHTS, DUTIES, AND OBLIGA-  
19           TIONS NOT AFFECTED.—Section 1061(b)(3) does  
20           not affect the validity of any right, duty, or obliga-  
21           tion of the United States, the Director of the Office  
22           of Thrift Supervision, the Office of Thrift Super-  
23           vision, or any other person, that—

24           (A) arises under any provision of law relat-  
25           ing to any consumer financial protection func-

1           tion of the Director of the Office of Thrift Su-  
2           pervision transferred to the Bureau by this  
3           title; and

4                   (B) that existed on the day before the des-  
5           ignated transfer date.

6           (2) CONTINUATION OF SUITS.—No provision of  
7           this Act shall abate any proceeding commenced by  
8           or against the Director of the Office of Thrift Su-  
9           pervision (or the Office of Thrift Supervision) with  
10          respect to any consumer financial protection func-  
11          tion of the Director of the Office of Thrift Super-  
12          vision transferred to the Bureau by this title before  
13          the designated transfer date, except that the Bu-  
14          reau, subject to sections 1024, 1025, and 1026,  
15          shall be substituted for the Director (or the Office  
16          of Thrift Supervision) as a party to any such pro-  
17          ceeding as of the designated transfer date.

18          (g) DEPARTMENT OF HOUSING AND URBAN DEVEL-  
19          OPMENT.—

20                   (1) EXISTING RIGHTS, DUTIES, AND OBLIGA-  
21          TIONS NOT AFFECTED.—Section 1061(b)(7) shall  
22          not affect the validity of any right, duty, or obliga-  
23          tion of the United States, the Secretary of the De-  
24          partment of Housing and Urban Development (or



1 the Department of Housing and Urban Develop-  
2 ment), or any other person, that—

3 (A) arises under any provision of law relat-  
4 ing to any function of the Secretary of the De-  
5 partment of Housing and Urban Development  
6 with respect to the Real Estate Settlement Pro-  
7 cedures Act of 1974 (12 U.S.C. 2601 et seq.),  
8 the Secure and Fair Enforcement for Mortgage  
9 Licensing Act of 2008 (12 U.S.C. 5102 et  
10 seq.), or the Interstate Land Sales Full Disclo-  
11 sure Act (15 U.S.C. 1701 et seq) transferred to  
12 the Bureau by this title; and

13 (B) existed on the day before the des-  
14 igned transfer date.

15 (2) CONTINUATION OF SUITS.—This title shall  
16 not abate any proceeding commenced by or against  
17 the Secretary of the Department of Housing and  
18 Urban Development (or the Department of Housing  
19 and Urban Development) with respect to any con-  
20 sumer financial protection function of the Secretary  
21 of the Department of Housing and Urban Develop-  
22 ment transferred to the Bureau by this title before  
23 the designated transfer date, except that the Bu-  
24 reau, subject to sections 1024, 1025, and 1026,  
25 shall be substituted for the Secretary of the Depart-

1       ment of Housing and Urban Development (or the  
2       Department of Housing and Urban Development) as  
3       a party to any such proceeding as of the designated  
4       transfer date.

5       (h) CONTINUATION OF EXISTING ORDERS, RULINGS,  
6 DETERMINATIONS, AGREEMENTS, AND RESOLUTIONS.—

7           (1) IN GENERAL.—Except as provided in para-  
8       graph (2) and under subsection (i), all orders, reso-  
9       lutions, determinations, agreements, and rulings that  
10      have been issued, made, prescribed, or allowed to be-  
11      come effective by any transferor agency or by a  
12      court of competent jurisdiction, in the performance  
13      of consumer financial protection functions that are  
14      transferred by this title and that are in effect on the  
15      day before the designated transfer date, shall con-  
16      tinue in effect, and shall continue to be enforceable  
17      by the appropriate transferor agency, according to  
18      the terms of those orders, resolutions, determina-  
19      tions, agreements, and rulings, and shall not be en-  
20      forceable by or against the Bureau.

21           (2) EXCEPTION FOR ORDERS APPLICABLE TO  
22      PERSONS DESCRIBED IN SECTION 1025(a).—All or-  
23      ders, resolutions, determinations, agreements, and  
24      rulings that have been issued, made, prescribed, or  
25      allowed to become effective by any transferor agency

1 or by a court of competent jurisdiction, in the per-  
2 formance of consumer financial protection functions  
3 that are transferred by this title and that are in ef-  
4 fect on the day before the designated transfer date  
5 with respect to any person described in section  
6 1025(a), shall continue in effect, according to the  
7 terms of those orders, resolutions, determinations,  
8 agreements, and rulings, and shall be enforceable by  
9 or against the Bureau or transferor agency.

10 (i) IDENTIFICATION OF RULES AND ORDERS CON-  
11 TINUED.—Not later than the designated transfer date, the  
12 Bureau—

13 (1) shall, after consultation with the head of  
14 each transferor agency, identify the rules and orders  
15 that will be enforced by the Bureau; and

16 (2) shall publish a list of such rules and orders  
17 in the Federal Register.

18 (j) STATUS OF RULES PROPOSED OR NOT YET EF-  
19 FECTIVE.—

20 (1) PROPOSED RULES.—Any proposed rule of a  
21 transferor agency which that agency, in performing  
22 consumer financial protection functions transferred  
23 by this title, has proposed before the designated  
24 transfer date, but has not been published as a final

1 rule before that date, shall be deemed to be a pro-  
2 posed rule of the Bureau.

3 (2) RULES NOT YET EFFECTIVE.—Any interim  
4 or final rule of a transferor agency which that agen-  
5 cy, in performing consumer financial protection  
6 functions transferred by this title, has published be-  
7 fore the designated transfer date, but which has not  
8 become effective before that date, shall become effec-  
9 tive as a rule of the Bureau according to its terms.

10 **SEC. 1064. TRANSFER OF CERTAIN PERSONNEL.**

11 (a) IN GENERAL.—

12 (1) CERTAIN FEDERAL RESERVE SYSTEM EM-  
13 PLOYEES TRANSFERRED.—

14 (A) IDENTIFYING EMPLOYEES FOR TRANS-  
15 FER.—The Bureau and the Board of Governors  
16 shall—

17 (i) jointly determine the number of  
18 employees of the Board of Governors nec-  
19 essary to perform or support the consumer  
20 financial protection functions of the Board  
21 of Governors that are transferred to the  
22 Bureau by this title; and

23 (ii) consistent with the number deter-  
24 mined under clause (i), jointly identify em-  
25 ployees of the Board of Governors for

1 transfer to the Bureau, in a manner that  
2 the Bureau and the Board of Governors, in  
3 their sole discretion, determine equitable.

4 (B) IDENTIFIED EMPLOYEES TRANS-  
5 FERRED.—All employees of the Board of Gov-  
6 ernors identified under subparagraph (A)(ii)  
7 shall be transferred to the Bureau for employ-  
8 ment.

9 (C) FEDERAL RESERVE BANK EMPLOY-  
10 EES.—Employees of any Federal reserve bank  
11 who are performing consumer financial protec-  
12 tion functions on behalf of the Board of Gov-  
13 ernors shall be treated as employees of the  
14 Board of Governors for purposes of subpara-  
15 graphs (A) and (B).

16 (2) CERTAIN FDIC EMPLOYEES TRANS-  
17 FERRED.—

18 (A) IDENTIFYING EMPLOYEES FOR TRANS-  
19 FER.—The Bureau and the Board of Directors  
20 of the Federal Deposit Insurance Corporation  
21 shall—

22 (i) jointly determine the number of  
23 employees of that Corporation necessary to  
24 perform or support the consumer financial  
25 protection functions of the Corporation

1 that are transferred to the Bureau by this  
2 title; and

3 (ii) consistent with the number deter-  
4 mined under clause (i), jointly identify em-  
5 ployees of the Corporation for transfer to  
6 the Bureau, in a manner that the Bureau  
7 and the Board of Directors of the Corpora-  
8 tion, in their sole discretion, determine eq-  
9 uitable.

10 (B) IDENTIFIED EMPLOYEES TRANS-  
11 FERRED.—All employees of the Corporation  
12 identified under subparagraph (A)(ii) shall be  
13 transferred to the Bureau for employment.

14 (3) CERTAIN NCUA EMPLOYEES TRANS-  
15 FERRED.—

16 (A) IDENTIFYING EMPLOYEES FOR TRANS-  
17 FER.—The Bureau and the National Credit  
18 Union Administration Board shall—

19 (i) jointly determine the number of  
20 employees of the National Credit Union  
21 Administration necessary to perform or  
22 support the consumer financial protection  
23 functions of the National Credit Union Ad-  
24 ministration that are transferred to the  
25 Bureau by this title; and

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1                   (ii) consistent with the number deter-  
2                   mined under clause (i), jointly identify em-  
3                   ployees of the National Credit Union Ad-  
4                   ministration for transfer to the Bureau, in  
5                   a manner that the Bureau and the Na-  
6                   tional Credit Union Administration Board,  
7                   in their sole discretion, determine equi-  
8                   table.

9                   (B) IDENTIFIED EMPLOYEES TRANS-  
10                  FERRED.—All employees of the National Credit  
11                  Union Administration identified under subpara-  
12                  graph (A)(ii) shall be transferred to the Bureau  
13                  for employment.

14                  (4) CERTAIN OFFICE OF THE COMPTROLLER OF  
15                  THE CURRENCY EMPLOYEES TRANSFERRED.—

16                  (A) IDENTIFYING EMPLOYEES FOR TRANS-  
17                  FER.—The Bureau and the Comptroller of the  
18                  Currency shall—

19                         (i) jointly determine the number of  
20                         employees of the Office of the Comptroller  
21                         of the Currency necessary to perform or  
22                         support the consumer financial protection  
23                         functions of the Office of the Comptroller  
24                         of the Currency that are transferred to the  
25                         Bureau by this title; and

1                   (ii) consistent with the number deter-  
2                   mined under clause (i), jointly identify em-  
3                   ployees of the Office of the Comptroller of  
4                   the Currency for transfer to the Bureau, in  
5                   a manner that the Bureau and the Office  
6                   of the Comptroller of the Currency, in  
7                   their sole discretion, determine equitable.

8                   (B) IDENTIFIED EMPLOYEES TRANS-  
9                   FERRED.—All employees of the Office of the  
10                  Comptroller of the Currency identified under  
11                  subparagraph (A)(ii) shall be transferred to the  
12                  Bureau for employment.

13                  (5) CERTAIN OFFICE OF THRIFT SUPERVISION  
14                  EMPLOYEES TRANSFERRED.—

15                  (A) IDENTIFYING EMPLOYEES FOR TRANS-  
16                  FER.—The Bureau and the Director of the Of-  
17                  fice of Thrift Supervision shall—

18                         (i) jointly determine the number of  
19                         employees of the Office of Thrift Super-  
20                         vision necessary to perform or support the  
21                         consumer financial protection functions of  
22                         the Office of Thrift Supervision that are  
23                         transferred to the Bureau by this title; and

24                                 (ii) consistent with the number deter-  
25                                 mined under clause (i), jointly identify em-



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1 employees of the Office of Thrift Supervision  
2 for transfer to the Bureau, in a manner  
3 that the Bureau and the Office of Thrift  
4 Supervision, in their sole discretion, deter-  
5 mine equitable.

6 (B) IDENTIFIED EMPLOYEES TRANS-  
7 FERRED.—All employees of the Office of Thrift  
8 Supervision identified under subparagraph  
9 (A)(ii) shall be transferred to the Bureau for  
10 employment.

11 (6) CERTAIN EMPLOYEES OF DEPARTMENT OF  
12 HOUSING AND URBAN DEVELOPMENT TRANS-  
13 FERRED.—

14 (A) IDENTIFYING EMPLOYEES FOR TRANS-  
15 FER.—The Bureau and the Secretary of the  
16 Department of Housing and Urban Develop-  
17 ment shall—

18 (i) jointly determine the number of  
19 employees of the Department of Housing  
20 and Urban Development necessary to per-  
21 form or support the consumer protection  
22 functions of the Department that are  
23 transferred to the Bureau by this title; and

24 (ii) consistent with the number deter-  
25 mined under clause (i), jointly identify em-

1                    ployees of the Department of Housing and  
2                    Urban Development for transfer to the Bu-  
3                    reau in a manner that the Bureau and the  
4                    Secretary of the Department of Housing  
5                    and Urban Development, in their sole dis-  
6                    cretion, deem equitable.

7                    (B) IDENTIFIED EMPLOYEES TRANS-  
8                    FERRED.—All employees of the Department of  
9                    Housing and Urban Development identified  
10                    under subparagraph (A)(ii) shall be transferred  
11                    to the Bureau for employment.

12                    (7) CONSUMER EDUCATION, FINANCIAL LIT-  
13                    ERACY, CONSUMER COMPLAINTS, AND RESEARCH  
14                    FUNCTIONS.—The Bureau and each of the trans-  
15                    feror agencies (except the Federal Trade Commis-  
16                    sion) shall jointly determine the number of employ-  
17                    ees and the types and grades of employees necessary  
18                    to perform the functions of the Bureau under sub-  
19                    title A, including consumer education, financial lit-  
20                    eracy, policy analysis, responses to consumer com-  
21                    plaints and inquiries, research, and similar func-  
22                    tions. All employees jointly identified under this  
23                    paragraph shall be transferred to the Bureau for  
24                    employment.

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1           (8) AUTHORITY OF THE PRESIDENT TO RE-  
2 SOLVE DISPUTES.—

3           (A) ACTION AUTHORIZED.—In the event  
4 that the Bureau and a transferor agency are  
5 unable to reach an agreement under paragraphs  
6 (1) through (7) by the designated transfer date,  
7 the President, or the designee thereof, may  
8 issue an order or directive to the transferor  
9 agency to effect the transfer of personnel and  
10 property under this subtitle.

11           (B) TRANSMITTAL TO CONGRESS RE-  
12 QUIRED.—If an order or directive is issued  
13 under subparagraph (A), the President shall  
14 transmit a copy of the written determination  
15 made with respect to such order or directive, in-  
16 cluding an explanation for the need for the  
17 order or directive, to the Committee on Bank-  
18 ing, Housing, and Urban Affairs and the Com-  
19 mittee on Appropriations of the Senate and the  
20 Committee on Financial Services and the Com-  
21 mittee on Appropriations of the House of Rep-  
22 resentatives.

23           (C) SUNSET.—The authority provided in  
24 this paragraph shall terminate 3 years after the  
25 designated transfer date.

1           (9) APPOINTMENT AUTHORITY FOR EXCEPTED  
2 SERVICE AND SENIOR EXECUTIVE SERVICE TRANS-  
3 FERRED.—

4           (A) IN GENERAL.—In the case of an em-  
5 ployee occupying a position in the excepted  
6 service or the Senior Executive Service, any ap-  
7 pointment authority established pursuant to law  
8 or regulations of the Office of Personnel Man-  
9 agement for filling such positions shall be  
10 transferred, subject to subparagraph (B).

11           (B) DECLINING TRANSFERS ALLOWED.—  
12 An agency or entity may decline to make a  
13 transfer of authority under subparagraph (A)  
14 (and the employees appointed pursuant thereto)  
15 to the extent that such authority relates to posi-  
16 tions excepted from the competitive service be-  
17 cause of their confidential, policy-making, pol-  
18 icy-determining, or policy-advocating character,  
19 and non-career positions in the Senior Execu-  
20 tive Service (within the meaning of section  
21 3132(a)(7) of title 5, United States Code).

22           (b) TIMING OF TRANSFERS AND POSITION ASSIGN-  
23 MENTS.—Each employee to be transferred under this sec-  
24 tion shall—

1           (1) be transferred not later than 90 days after  
2 the designated transfer date; and

3           (2) receive notice of a position assignment not  
4 later than 120 days after the effective date of his or  
5 her transfer.

6       (c) TRANSFER OF FUNCTION.—

7           (1) IN GENERAL.—Notwithstanding any other  
8 provision of law, the transfer of employees shall be  
9 deemed a transfer of functions for the purpose of  
10 section 3503 of title 5, United States Code.

11          (2) PRIORITY OF THIS TITLE.—If any provi-  
12 sions of this title conflict with any protection pro-  
13 vided to transferred employees under section 3503 of  
14 title 5, United States Code, the provisions of this  
15 title shall control.

16       (d) EQUAL STATUS AND TENURE POSITIONS.—

17           (1) EMPLOYEES TRANSFERRED FROM THE  
18 FEDERAL RESERVE SYSTEM, FDIC, HUD, NCUA, OCC,  
19 AND OTS.—Each employee transferred to the Bu-  
20 reau from the Board of Governors, a Federal reserve  
21 bank, the Federal Deposit Insurance Corporation,  
22 the Department of Housing and Urban Develop-  
23 ment, the National Credit Union Administration, the  
24 Office of the Comptroller of the Currency, or the Of-  
25 fice of Thrift Supervision shall be placed in a posi-

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1           tion at the Bureau with the same status and tenure  
2           as that employee held on the day before the des-  
3           ignated transfer date.

4           (2) EMPLOYEES TRANSFERRED FROM THE  
5           FEDERAL RESERVE SYSTEM.—For purposes of de-  
6           termining the status and position placement of a  
7           transferred employee, any period of service with the  
8           Board of Governors or a Federal reserve bank shall  
9           be credited as a period of service with a Federal  
10          agency.

11          (e) ADDITIONAL CERTIFICATION REQUIREMENTS  
12          LIMITED.—Examiners transferred to the Bureau are not  
13          subject to any additional certification requirements before  
14          being placed in a comparable examiner position at the Bu-  
15          reau examining the same types of institutions as they ex-  
16          amined before they were transferred.

17          (f) PERSONNEL ACTIONS LIMITED.—

18               (1) 2-YEAR PROTECTION.—Except as provided  
19               in paragraph (2), each transferred employee holding  
20               a permanent position on the day before the des-  
21               ignated transfer date may not, during the 2-year pe-  
22               riod beginning on the designated transfer date, be  
23               involuntarily separated, or involuntarily reassigned  
24               outside his or her locality pay area.

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1           (2) EXCEPTIONS.—Paragraph (1) does not  
2           limit the right of the Bureau—

3                   (A) to separate an employee for cause or  
4                   for unacceptable performance;

5                   (B) to terminate an appointment to a posi-  
6                   tion excepted from the competitive service be-  
7                   cause of its confidential policy-making, policy-  
8                   determining, or policy-advocating character; or

9                   (C) to reassign a supervisory employee out-  
10                  side of his or her locality pay area when the  
11                  Bureau determines that the reassignment is  
12                  necessary for the efficient operation of the Bu-  
13                  reau.

14          (g) PAY.—

15                  (1) 2-YEAR PROTECTION.—

16                   (A) IN GENERAL.—Except as provided in  
17                   paragraph (2), each transferred employee shall,  
18                   during the 2-year period beginning on the des-  
19                   ignated transfer date, receive pay at a rate  
20                   equal to not less than the basic rate of pay (in-  
21                   cluding any geographic differential) that the  
22                   employee received during the pay period imme-  
23                   diately preceding the date of transfer.

24                   (B) LIMITATION.—Notwithstanding sub-  
25                   paragraph (A), if the employee was receiving a

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1 higher rate of basic pay on a temporary basis  
2 (because of a temporary assignment, temporary  
3 promotion, or other temporary action) imme-  
4 diately before the date of transfer, the Bureau  
5 may reduce the rate of basic pay on the date  
6 on which the rate would have been reduced but  
7 for the transfer, and the protected rate for the  
8 remainder of the 2-year period shall be the re-  
9 duced rate that would have applied, but for the  
10 transfer.

11 (2) EXCEPTIONS.—Paragraph (1) does not  
12 limit the right of the Bureau to reduce the rate of  
13 basic pay of a transferred employee—

- 14 (A) for cause;  
15 (B) for unacceptable performance; or  
16 (C) with the consent of the employee.

17 (3) PROTECTION ONLY WHILE EMPLOYED.—  
18 Paragraph (1) applies to a transferred employee  
19 only while that employee remains employed by the  
20 Bureau.

21 (4) PAY INCREASES PERMITTED.—Paragraph  
22 (1) does not limit the authority of the Bureau to in-  
23 crease the pay of a transferred employee.

24 (h) REORGANIZATION.—

25 (1) BETWEEN 1ST AND 3RD YEAR.—



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1 (A) IN GENERAL.—If the Bureau deter-  
2 mines, during the 2-year period beginning 1  
3 year after the designated transfer date, that a  
4 reorganization of the staff of the Bureau is re-  
5 quired—

6 (i) that reorganization shall be  
7 deemed a “substantial reorganization” for  
8 purposes of affording affected employees  
9 retirement under section 8336(d)(2) or  
10 8414(b)(1)(B) of title 5, United States  
11 Code;

12 (ii) before the reorganization occurs,  
13 all employees in the same locality pay area  
14 as defined by the Office of Personnel Man-  
15 agement shall be placed in a uniform posi-  
16 tion classification system; and

17 (iii) any resulting reduction in force  
18 shall be governed by the provisions of  
19 chapter 35 of title 5, United States Code,  
20 except that the Bureau shall—

21 (I) establish competitive areas  
22 (as that term is defined in regulations  
23 issued by the Office of Personnel  
24 Management) to include at a min-  
25 imum all employees in the same local-

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1                   ity pay area as defined by the Office  
2                   of Personnel Management;

3                   (II) establish competitive levels  
4                   (as that term is defined in regulations  
5                   issued by the Office of Personnel  
6                   Management) without regard to  
7                   whether the particular employees have  
8                   been appointed to positions in the  
9                   competitive service or the excepted  
10                  service; and

11                  (III) afford employees appointed  
12                  to positions in the excepted service  
13                  (other than to a position excepted  
14                  from the competitive service because  
15                  of its confidential policy-making, pol-  
16                  icy-determining, or policy-advocating  
17                  character) the same assignment rights  
18                  to positions within the Bureau as em-  
19                  ployees appointed to positions in the  
20                  competitive service.

21                  (B) SERVICE CREDIT FOR REDUCTIONS IN  
22                  FORCE.—For purposes of this paragraph, peri-  
23                  ods of service with a Federal home loan bank,  
24                  a joint office of the Federal home loan banks,  
25                  the Board of Governors, a Federal reserve

1 bank, the Federal Deposit Insurance Corpora-  
2 tion, or the National Credit Union Administra-  
3 tion shall be credited as periods of service with  
4 a Federal agency.

5 (2) AFTER 3RD YEAR.—

6 (A) IN GENERAL.—If the Bureau deter-  
7 mines, at any time after the 3-year period be-  
8 ginning on the designated transfer date, that a  
9 reorganization of the staff of the Bureau is re-  
10 quired, any resulting reduction in force shall be  
11 governed by the provisions of chapter 35 of title  
12 5, United States Code, except that the Bureau  
13 shall establish competitive levels (as that term  
14 is defined in regulations issued by the Office of  
15 Personnel Management) without regard to  
16 types of appointment held by particular employ-  
17 ees transferred under this section.

18 (B) SERVICE CREDIT FOR REDUCTIONS IN  
19 FORCE.—For purposes of this paragraph, peri-  
20 ods of service with a Federal home loan bank,  
21 a joint office of the Federal home loan banks,  
22 the Board of Governors, a Federal reserve  
23 bank, the Federal Deposit Insurance Corpora-  
24 tion, or the National Credit Union Administra-

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1           tion shall be credited as periods of service with  
2           a Federal agency.

3           (i) BENEFITS.—

4           (1) RETIREMENT BENEFITS FOR TRANSFERRED  
5           EMPLOYEES.—

6           (A) IN GENERAL.—

7           (i) CONTINUATION OF EXISTING RE-  
8           TIREMENT PLAN.—Unless an election is  
9           made under clause (iii) or subparagraph  
10          (B), each employee transferred pursuant to  
11          this subtitle shall remain enrolled in the  
12          existing retirement plan of that employee  
13          as of the date of transfer, through any pe-  
14          riod of continuous employment with the  
15          Bureau.

16          (ii) EMPLOYER CONTRIBUTION.—The  
17          Bureau shall pay any employer contribu-  
18          tions to the existing retirement plan of  
19          each transferred employee, as required  
20          under that plan.

21          (iii) OPTION TO ELECT INTO THE  
22          FEDERAL RESERVE SYSTEM RETIREMENT  
23          PLAN AND FEDERAL RESERVE SYSTEM  
24          THRIFT PLAN.—Any employee transferred  
25          pursuant to this subtitle may, during the

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1 1-year period beginning 6 months after the  
2 designated transfer date, elect to end their  
3 participation and benefit accruals under  
4 their existing retirement plan or plans and  
5 elect to participate in both the Federal Re-  
6 serve System Retirement Plan and the  
7 Federal Reserve System Thrift Plan,  
8 through any period of continuous employ-  
9 ment with the Bureau, under the same  
10 terms as are applicable to Federal Reserve  
11 System transferred employees, as provided  
12 in subparagraph (C). An election of cov-  
13 erage by the Federal Reserve System Re-  
14 tirement Plan and the Federal Reserve  
15 System Thrift Plan shall begin on the day  
16 following the end of the 18-month period  
17 beginning on the designated transfer date,  
18 and benefit accruals under the existing re-  
19 tirement plan of the transferred employee  
20 shall end on the last day of the 18-month  
21 period beginning on the designated trans-  
22 fer date If an employee elects to partici-  
23 pate in the Federal Reserve System Retire-  
24 ment Plan and the Federal Reserve Sys-  
25 tem Thrift Plan, all of the service of the

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1 employee that was creditable under their  
2 existing retirement plan shall be trans-  
3 ferred to the Federal Reserve System Re-  
4 tirement Plan on the day following the end  
5 of the 18-month period beginning on the  
6 designated transfer date.

7 (iv) BUREAU CONTRIBUTION.—The  
8 Bureau shall pay an employer contribution  
9 to the Federal Reserve System Retirement  
10 Plan, in the amount established as an em-  
11 ployer contribution under the Federal Em-  
12 ployees Retirement System, as established  
13 under chapter 84 of title 5, United States  
14 Code, for each Bureau employee who elects  
15 to participate in the Federal Reserve Sys-  
16 tem Retirement Plan under this subpara-  
17 graph. The Bureau shall pay an employer  
18 contribution to the Federal Reserve Sys-  
19 tem Thrift Plan for each Bureau employee  
20 who elects to participate in such plan, as  
21 required under the terms of the Federal  
22 Reserve System Thrift Plan.

23 (v) ADDITIONAL FUNDING.—The Bu-  
24 reau shall transfer to the Federal Reserve  
25 System Retirement Plan an amount deter-

1           mined by the Board of Governors, in con-  
2           sultation with the Bureau, to be necessary  
3           to reimburse the Federal Reserve System  
4           Retirement Plan for the costs to such plan  
5           of providing benefits to employees electing  
6           coverage under the Federal Reserve Sys-  
7           tem Retirement Plan under subparagraph  
8           (iii), and who were transferred to the Bu-  
9           reau from outside of the Federal Reserve  
10          System.

11                   (vi) OPTION TO ELECT INTO THRIFT  
12                   PLAN CREATED BY THE BUREAU.—If the  
13                   Bureau chooses to establish a thrift plan,  
14                   the employees transferred pursuant to this  
15                   subtitle shall have the option to elect,  
16                   under such terms and conditions as the  
17                   Bureau may establish, coverage under such  
18                   a thrift plan established by the Bureau.  
19                   Transferred employees may not remain in  
20                   the thrift plan of the agency from which  
21                   the employee transferred under this sub-  
22                   title, if the employee elects to participate  
23                   in a thrift plan established by the Bureau.

24                   (B) OPTION FOR EMPLOYEES TRANS-  
25                   FERRED FROM FEDERAL RESERVE SYSTEM TO

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1 BE SUBJECT TO THE FEDERAL EMPLOYEE RE-  
2 TIREMENT PROGRAM.—

3 (i) ELECTION.—Any Federal Reserve  
4 System transferred employee who was en-  
5 rolled in the Federal Reserve System Re-  
6 tirement Plan on the day before the date  
7 of his or her transfer to the Bureau may,  
8 during the 1-year period beginning 6  
9 months after the designated transfer date,  
10 elect to be subject to the Federal Employee  
11 Retirement Program.

12 (ii) EFFECTIVE DATE OF COV-  
13 ERAGE.—An election of coverage by the  
14 Federal Employee Retirement Program  
15 under this subparagraph shall begin on the  
16 day following the end of the 18-month pe-  
17 riod beginning on the designated transfer  
18 date, and benefit accruals under the exist-  
19 ing retirement plan of the Federal Reserve  
20 System transferred employee shall end on  
21 the last day of the 18-month period begin-  
22 ning on the designated transfer date.

23 (C) BUREAU PARTICIPATION IN FEDERAL  
24 RESERVE SYSTEM RETIREMENT PLAN.—



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1           (i) **BENEFITS PROVIDED.**—Federal  
2 Reserve System employees transferred pur-  
3 suant to this subtitle shall continue to be  
4 eligible to participate in the Federal Re-  
5 serve System Retirement Plan and Federal  
6 Reserve System Thrift Plan through any  
7 period of continuous employment with the  
8 Bureau, unless the employee makes an  
9 election under subparagraph (A)(vi) or  
10 (B). The retirement benefits, formulas,  
11 and features offered to the Federal Re-  
12 serve System transferred employees shall  
13 be the same as those offered to employees  
14 of the Board of Governors who participate  
15 in the Federal Reserve System Retirement  
16 Plan and the Federal Reserve System  
17 Thrift Plan, as amended from time to  
18 time.

19           (ii) **LIMITATION.**—The Bureau shall  
20 not have responsibility or authority—

21                 (I) to amend an existing retire-  
22 ment plan (including the Federal Re-  
23 serve System Retirement Plan or Fed-  
24 eral Reserve System Thrift Plan);

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1 (II) for administering an existing  
2 retirement plan (including the Federal  
3 Reserve System Retirement Plan or  
4 Federal Reserve System Thrift Plan);  
5 or

6 (III) for ensuring the plans com-  
7 ply with applicable laws, fiduciary  
8 rules, and related responsibilities.

9 (iii) TAX QUALIFIED STATUS.—Not-  
10 withstanding any other provision of law,  
11 providing benefits to Federal Reserve Sys-  
12 tem employees transferred to the Bureau  
13 pursuant to this subtitle, and to employees  
14 who elect coverage pursuant to subpara-  
15 graph (A)(iii) or under section  
16 1013(a)(2)(B), shall not cause any existing  
17 retirement plan (including the Federal Re-  
18 serve System Retirement Plan and the  
19 Federal Reserve System Thrift Plan) to  
20 lose its tax-qualified status under sections  
21 401(a) and 501(a) of the Internal Revenue  
22 Code of 1986.

23 (iv) BUREAU CONTRIBUTION.—The  
24 Bureau shall pay any employer contribu-  
25 tions to the existing retirement plan (in-

1 including the Federal Reserve System Re-  
2 tirement Plan and the Federal Reserve  
3 System Thrift Plan) for each Federal Re-  
4 serve System transferred employee partici-  
5 pating in those plans, as required under  
6 the plan, after the designated transfer  
7 date.

8 (v) CONTROLLED GROUP STATUS.—  
9 The Bureau is the same employer as the  
10 Federal Reserve System (as comprised of  
11 the Board of Governors and each of the 12  
12 Federal reserve banks prior to the date of  
13 enactment of this Act) for purposes of sub-  
14 sections (b), (c), (m), and (o) of section  
15 414 of the Internal Revenue Code of 1986  
16 (26 U.S.C. 414).

17 (D) DEFINITIONS.—For purposes of this  
18 paragraph—

19 (i) the term “existing retirement  
20 plan” means, with respect to an employee  
21 transferred pursuant to this subtitle, the  
22 retirement plan (including the Financial  
23 Institutions Retirement Fund) and any as-  
24 sociated thrift savings plan, of the agency  
25 from which the employee was transferred

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1 under this subtitle, in which the employee  
2 was enrolled on the day before the date on  
3 which the employee was transferred;

4 (ii) the term “Federal Employee Re-  
5 tirement Program” means either the Civil  
6 Service Retirement System established  
7 under chapter 83 of title 5, United States  
8 Code, or the Federal Employees Retire-  
9 ment System established under chapter 84  
10 of title 5, United States Code, depending  
11 upon the service history of the individual;

12 (iii) the term “Federal Reserve Sys-  
13 tem transferred employee” means a trans-  
14 ferred employee who is an employee of the  
15 Board of Governors or a Federal reserve  
16 bank on the day before the designated  
17 transfer date, and who is transferred to  
18 the Bureau on the designated transfer date  
19 pursuant to this subtitle;

20 (iv) the term “Federal Reserve Sys-  
21 tem Retirement Plan” means the Retire-  
22 ment Plan for Employees of the Federal  
23 Reserve System; and

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1 (v) the term “Federal Reserve System  
2 Thrift Plan” means the Thrift Plan for  
3 Employees of the Federal Reserve System.

4 (2) BENEFITS OTHER THAN RETIREMENT BEN-  
5 EFITS FOR TRANSFERRED EMPLOYEES.—

6 (A) DURING 1ST YEAR.—

7 (i) EXISTING PLANS CONTINUE.—

8 Each employee transferred pursuant to  
9 this subtitle may, for 1 year after the des-  
10 ignated transfer date, retain membership  
11 in any other employee benefit program of  
12 the agency or bank from which the em-  
13 ployee transferred, including a medical,  
14 dental, vision, long term care, or life insur-  
15 ance program, to which the employee be-  
16 longed on the day before the designated  
17 transfer date.

18 (ii) EMPLOYER CONTRIBUTION.—The  
19 Bureau shall reimburse the agency or bank  
20 from which an employee was transferred  
21 for any cost incurred by that agency or  
22 bank in continuing to extend coverage in  
23 the benefit program to the employee, as re-  
24 quired under that program or negotiated  
25 agreements.

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1 (B) MEDICAL, DENTAL, VISION, OR LIFE  
2 INSURANCE AFTER FIRST YEAR.—If, at the end  
3 of the 1-year period beginning on the des-  
4 ignated transfer date, the Bureau has not es-  
5 tablished its own, or arranged for participation  
6 in another entity's, medical, dental, vision, or  
7 life insurance program, an employee transferred  
8 pursuant to this subtitle who was a member of  
9 such a program at the agency or Federal re-  
10 serve bank from which the employee transferred  
11 may, before the coverage of that employee ends  
12 under subparagraph (A)(i), elect to enroll, with-  
13 out regard to any regularly scheduled open sea-  
14 son, in—

15 (i) the enhanced dental benefits pro-  
16 gram established under chapter 89A of  
17 title 5, United States Code;

18 (ii) the enhanced vision benefits estab-  
19 lished under chapter 89B of title 5, United  
20 States Code;

21 (iii) the Federal Employees Group  
22 Life Insurance Program established under  
23 chapter 87 of title 5, United States Code,  
24 without regard to any requirement of in-  
25 surability; and

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1 (iv) the Federal Employees Health  
2 Benefits Program established under chap-  
3 ter 89 of title 5, United States Code.

4 (C) LONG TERM CARE INSURANCE AFTER  
5 1ST YEAR.—If, at the end of the 1-year period  
6 beginning on the designated transfer date, the  
7 Bureau has not established its own, or arranged  
8 for participation in another entity's, long term  
9 care insurance program, an employee trans-  
10 ferred pursuant to this subtitle who was a  
11 member of such a program at the agency or  
12 Federal reserve bank from which the employee  
13 transferred may, before the coverage of that  
14 employee ends under subparagraph (A)(i), elect  
15 to apply for coverage under the Federal Long  
16 Term Care Insurance Program established  
17 under chapter 90 of title 5, United States Code,  
18 under the underwriting requirements applicable  
19 to a new active workforce member (as defined  
20 in part 875 of title 5, Code of Federal Regula-  
21 tions).

22 (D) EMPLOYEE CONTRIBUTION.—An indi-  
23 vidual enrolled in the Federal Employees  
24 Health Benefits program shall pay any em-  
25 ployee contribution required by the plan.

1           (E) ADDITIONAL FUNDING.—The Bureau  
2 shall transfer to the Federal Employees Health  
3 Benefits Fund established under section 8909  
4 of title 5, United States Code, an amount deter-  
5 mined by the Director of the Office of Per-  
6 sonnel Management, after consultation with the  
7 Bureau and the Office of Management and  
8 Budget, to be necessary to reimburse the Fund  
9 for the cost to the Fund of providing benefits  
10 under this paragraph.

11           (F) CREDIT FOR TIME ENROLLED IN  
12 OTHER PLANS.—For employees transferred  
13 under this title, enrollment in a health benefits  
14 plan administered by a transferor agency or a  
15 Federal reserve bank, as the case may be, im-  
16 mediately before enrollment in a health benefits  
17 plan under chapter 89 of title 5, United States  
18 Code, shall be considered as enrollment in a  
19 health benefits plan under that chapter for pur-  
20 poses of section 8905(b)(1)(A) of title 5, United  
21 States Code.

22           (G) SPECIAL PROVISIONS TO ENSURE CON-  
23 TINUATION OF LIFE INSURANCE BENEFITS.—

24           (i) IN GENERAL.—An annuitant (as  
25 defined in section 8901(3) of title 5,



1 United States Code) who is enrolled in a  
2 life insurance plan administered by a  
3 transferor agency on the day before the  
4 designated transfer date shall be eligible  
5 for coverage by a life insurance plan under  
6 sections 8706(b), 8714a, 8714b, and  
7 8714c of title 5, United States Code, or in  
8 a life insurance plan established by the  
9 Bureau, without regard to any regularly  
10 scheduled open season and requirement of  
11 insurability.

12 (ii) EMPLOYEE CONTRIBUTION.—An  
13 individual enrolled in a life insurance plan  
14 under this subparagraph shall pay any em-  
15 ployee contribution required by the plan.

16 (iii) ADDITIONAL FUNDING.—The Bu-  
17 reau shall transfer to the Employees' Life  
18 Insurance Fund established under section  
19 8714 of title 5, United States Code, an  
20 amount determined by the Director of the  
21 Office of Personnel Management, after  
22 consultation with the Bureau and the Of-  
23 fice of Management and Budget, to be nec-  
24 essary to reimburse the Fund for the cost  
25 to the Fund of providing benefits under

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1           this subparagraph not otherwise paid for  
2           by the employee under clause (ii).

3                   (iv) CREDIT FOR TIME ENROLLED IN  
4           OTHER PLANS.—For employees transferred  
5           under this title, enrollment in a life insur-  
6           ance plan administered by a transferor  
7           agency immediately before enrollment in a  
8           life insurance plan under chapter 87 of  
9           title 5, United States Code, shall be con-  
10          sidered as enrollment in a life insurance  
11          plan under that chapter for purposes of  
12          section 8706(b)(1)(A) of title 5, United  
13          States Code.

14                   (3) OPM RULES.—The Office of Personnel  
15          Management shall issue such rules as are necessary  
16          to carry out this subsection.

17                   (j) IMPLEMENTATION OF UNIFORM PAY AND CLASSI-  
18          FICATION SYSTEM.—Not later than 2 years after the des-  
19          ignated transfer date, the Bureau shall implement a uni-  
20          form pay and classification system for all employees trans-  
21          ferred under this title.

22                   (k) EQUITABLE TREATMENT.—In administering the  
23          provisions of this section, the Bureau—

24                           (1) shall take no action that would unfairly dis-  
25          advantage transferred employees relative to each

1 other based on their prior employment by the Board  
2 of Governors, the Federal Deposit Insurance Cor-  
3 poration, the Department of Housing and Urban  
4 Development, the National Credit Union Adminis-  
5 tration, the Office of the Comptroller of the Cur-  
6 rency, the Office of Thrift Supervision, a Federal re-  
7 serve bank, a Federal home loan bank, or a joint of-  
8 fice of the Federal home loan banks; and

9 (2) may take such action as is appropriate in  
10 individual cases so that employees transferred under  
11 this section receive equitable treatment, with respect  
12 to the status, tenure, pay, benefits (other than bene-  
13 fits under programs administered by the Office of  
14 Personnel Management), and accrued leave or vaca-  
15 tion time of those employees, for prior periods of  
16 service with any Federal agency, including the  
17 Board of Governors, the Corporation, the Depart-  
18 ment of Housing and Urban Development, the Na-  
19 tional Credit Union Administration, the Office of the  
20 Comptroller of the Currency, the Office of Thrift  
21 Supervision, a Federal reserve bank, a Federal home  
22 loan bank, or a joint office of the Federal home loan  
23 banks.

24 (1) IMPLEMENTATION.—In implementing the provi-  
25 sions of this section, the Bureau shall coordinate with the

1 Office of Personnel Management and other entities having  
2 expertise in matters related to employment to ensure a  
3 fair and orderly transition for affected employees.

4 **SEC. 1065. INCIDENTAL TRANSFERS.**

5 (a) INCIDENTAL TRANSFERS AUTHORIZED.—The Di-  
6 rector of the Office of Management and Budget, in con-  
7 sultation with the Secretary, shall make such additional  
8 incidental transfers and dispositions of assets and liabil-  
9 ities held, used, arising from, available, or to be made  
10 available, in connection with the functions transferred by  
11 this title, as the Director may determine necessary to ac-  
12 complish the purposes of this title.

13 (b) SUNSET.—The authority provided in this section  
14 shall terminate 5 years after the date of enactment of this  
15 Act.

16 **SEC. 1066. INTERIM AUTHORITY OF THE SECRETARY.**

17 (a) IN GENERAL.—The Secretary is authorized to  
18 perform the functions of the Bureau under this subtitle  
19 until the Director of the Bureau is confirmed by the Sen-  
20 ate in accordance with section 1011.

21 (b) INTERIM ADMINISTRATIVE SERVICES BY THE  
22 DEPARTMENT OF THE TREASURY.—The Department of  
23 the Treasury may provide administrative services nec-  
24 essary to support the Bureau before the designated trans-  
25 fer date.

1 **SEC. 1067. TRANSITION OVERSIGHT.**

2 (a) PURPOSE.—The purpose of this section is to en-  
3 sure that the Bureau—

4 (1) has an orderly and organized startup;

5 (2) attracts and retains a qualified workforce;

6 and

7 (3) establishes comprehensive employee training  
8 and benefits programs.

9 (b) REPORTING REQUIREMENT.—

10 (1) IN GENERAL.—The Bureau shall submit an  
11 annual report to the Committee on Banking, Hous-  
12 ing, and Urban Affairs of the Senate and the Com-  
13 mittee on Financial Services of the House of Rep-  
14 resentatives that includes the plans described in  
15 paragraph (2).

16 (2) PLANS.—The plans described in this para-  
17 graph are as follows:

18 (A) TRAINING AND WORKFORCE DEVELOP-  
19 MENT PLAN.—The Bureau shall submit a train-  
20 ing and workforce development plan that in-  
21 cludes, to the extent practicable—

22 (i) identification of skill and technical  
23 expertise needs and actions taken to meet  
24 those requirements;

25 (ii) steps taken to foster innovation  
26 and creativity;

- 1 (iii) leadership development and suc-  
2 cession planning; and  
3 (iv) effective use of technology by em-  
4 ployees.

5 (B) WORKPLACE FLEXIBILITIES PLAN.—

6 The Bureau shall submit a workforce flexibility  
7 plan that includes, to the extent practicable—

- 8 (i) telework;  
9 (ii) flexible work schedules;  
10 (iii) phased retirement;  
11 (iv) reemployed annuitants;  
12 (v) part-time work;  
13 (vi) job sharing;  
14 (vii) parental leave benefits and  
15 childcare assistance;  
16 (viii) domestic partner benefits;  
17 (ix) other workplace flexibilities; or  
18 (x) any combination of the items de-  
19 scribed in clauses (i) through (ix).

20 (C) RECRUITMENT AND RETENTION

21 PLAN.—The Bureau shall submit a recruitment  
22 and retention plan that includes, to the extent  
23 practicable, provisions relating to—

1 (i) the steps necessary to target highly  
2 qualified applicant pools with diverse back-  
3 grounds;

4 (ii) streamlined employment applica-  
5 tion processes;

6 (iii) the provision of timely notifica-  
7 tion of the status of employment applica-  
8 tions to applicants; and

9 (iv) the collection of information to  
10 measure indicators of hiring effectiveness.

11 (c) EXPIRATION.—The reporting requirement under  
12 subsection (b) shall terminate 5 years after the date of  
13 enactment of this Act.

14 (d) RULE OF CONSTRUCTION.—Nothing in this sec-  
15 tion may be construed to affect—

16 (1) a collective bargaining agreement, as that  
17 term is defined in section 7103(a)(8) of title 5,  
18 United States Code, that is in effect on the date of  
19 enactment of this Act; or

20 (2) the rights of employees under chapter 71 of  
21 title 5, United States Code.

22 (e) PARTICIPATION IN EXAMINATIONS.—In order to  
23 prepare the Bureau to conduct examinations under section  
24 1025 upon the designated transfer date, the Bureau and  
25 the applicable prudential regulator may agree to include,

1 on a sampling basis, examiners on examinations of the  
2 compliance with Federal consumer financial law of institu-  
3 tions described in section 1025(a) conducted by the pru-  
4 dential regulators prior to the designated transfer date.

5 **Subtitle G—Regulatory**  
6 **Improvements**

7 **SEC. 1071. SMALL BUSINESS DATA COLLECTION.**

8 (a) IN GENERAL.—The Equal Credit Opportunity  
9 Act (15 U.S.C. 1691 et seq.) is amended by inserting after  
10 section 704A the following:

11 **“SEC. 704B. SMALL BUSINESS LOAN DATA COLLECTION.**

12 “(a) PURPOSE.—The purpose of this section is to fa-  
13 cilitate enforcement of fair lending laws and enable com-  
14 munities, governmental entities, and creditors to identify  
15 business and community development needs and opportu-  
16 nities of women-owned, minority-owned, and small busi-  
17 nesses.

18 “(b) INFORMATION GATHERING.—Subject to the re-  
19 quirements of this section, in the case of any application  
20 to a financial institution for credit for women-owned, mi-  
21 nority-owned, or small business, the financial institution  
22 shall—

23 “(1) inquire whether the business is a women-  
24 owned, minority-owned, or small business, without  
25 regard to whether such application is received in



1 person, by mail, by telephone, by electronic mail or  
2 other form of electronic transmission, or by any  
3 other means, and whether or not such application is  
4 in response to a solicitation by the financial institu-  
5 tion; and

6 “(2) maintain a record of the responses to such  
7 inquiry, separate from the application and accom-  
8 panying information.

9 “(c) RIGHT TO REFUSE.—Any applicant for credit  
10 may refuse to provide any information requested pursuant  
11 to subsection (b) in connection with any application for  
12 credit.

13 “(d) NO ACCESS BY UNDERWRITERS.—

14 “(1) LIMITATION.—Where feasible, no loan un-  
15 derwriter or other officer or employee of a financial  
16 institution, or any affiliate of a financial institution,  
17 involved in making any determination concerning an  
18 application for credit shall have access to any infor-  
19 mation provided by the applicant pursuant to a re-  
20 quest under subsection (b) in connection with such  
21 application.

22 “(2) LIMITED ACCESS.—If a financial institu-  
23 tion determines that a loan underwriter or other of-  
24 ficer or employee of a financial institution, or any  
25 affiliate of a financial institution, involved in making

1 any determination concerning an application for  
2 credit should have access to any information pro-  
3 vided by the applicant pursuant to a request under  
4 subsection (b), the financial institution shall provide  
5 notice to the applicant of the access of the under-  
6 writer to such information, along with notice that  
7 the financial institution may not discriminate on the  
8 basis of such information.

9 “(e) FORM AND MANNER OF INFORMATION.—

10 “(1) IN GENERAL.—Each financial institution  
11 shall compile and maintain, in accordance with regu-  
12 lations of the Bureau, a record of the information  
13 provided by any loan applicant pursuant to a request  
14 under subsection (b).

15 “(2) ITEMIZATION.—Information compiled and  
16 maintained under paragraph (1) shall be itemized in  
17 order to clearly and conspicuously disclose—

18 “(A) the number of the application and the  
19 date on which the application was received;

20 “(B) the type and purpose of the loan or  
21 other credit being applied for;

22 “(C) the amount of the credit or credit  
23 limit applied for, and the amount of the credit  
24 transaction or the credit limit approved for such  
25 applicant;

1           “(D) the type of action taken with respect  
2           to such application, and the date of such action;

3           “(E) the census tract in which is located  
4           the principal place of business of the women-  
5           owned, minority-owned, or small business loan  
6           applicant;

7           “(F) the gross annual revenue of the busi-  
8           ness in the last fiscal year of the women-owned,  
9           minority-owned, or small business loan appli-  
10          cant preceding the date of the application;

11          “(G) the race, sex, and ethnicity of the  
12          principal owners of the business; and

13          “(H) any additional data that the Bureau  
14          determines would aid in fulfilling the purposes  
15          of this section.

16          “(3) NO PERSONALLY IDENTIFIABLE INFORMA-  
17          TION.—In compiling and maintaining any record of  
18          information under this section, a financial institution  
19          may not include in such record the name, specific  
20          address (other than the census tract required under  
21          paragraph (1)(E)), telephone number, electronic  
22          mail address, or any other personally identifiable in-  
23          formation concerning any individual who is, or is  
24          connected with, the women-owned, minority-owned,  
25          or small business loan applicant.

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1           “(4) DISCRETION TO DELETE OR MODIFY PUB-  
2           LICLY AVAILABLE DATA.—The Bureau may, at its  
3           discretion, delete or modify data collected under this  
4           section which is or will be available to the public, if  
5           the Bureau determines that the deletion or modifica-  
6           tion of the data would advance a privacy interest.

7           “(f) AVAILABILITY OF INFORMATION.—

8           “(1) SUBMISSION TO BUREAU.—The data re-  
9           quired to be compiled and maintained under this  
10          section by any financial institution shall be sub-  
11          mitted annually to the Bureau.

12          “(2) AVAILABILITY OF INFORMATION.—Infor-  
13          mation compiled and maintained under this section  
14          shall be—

15                 “(A) retained for not less than 3 years  
16                 after the date of preparation;

17                 “(B) made available to any member of the  
18                 public, upon request, in the form required  
19                 under regulations prescribed by the Bureau;

20                 “(C) annually made available to the public  
21                 generally by the Bureau, in such form and in  
22                 such manner as is determined by the Bureau,  
23                 by regulation.

24          “(3) COMPILATION OF AGGREGATE DATA.—The  
25          Bureau may, at its discretion—

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1           “(A) compile and aggregate data collected  
2           under this section for its own use; and

3           “(B) make public such compilations of ag-  
4           gregate data.

5           “(g) BUREAU ACTION.—

6           “(1) IN GENERAL.—The Bureau shall prescribe  
7           such rules and issue such guidance as may be nec-  
8           essary to carry out, enforce, and compile data pursu-  
9           ant to this section.

10          “(2) EXCEPTIONS.—The Bureau, by rule or  
11          order, may adopt exceptions to any requirement of  
12          this section and may, conditionally or uncondition-  
13          ally, exempt any financial institution or class of fi-  
14          nancial institutions from the requirements of this  
15          section, as the Bureau deems necessary or appro-  
16          priate to carry out the purposes of this section.

17          “(3) GUIDANCE.—The Bureau shall issue guid-  
18          ance designed to facilitate compliance with the re-  
19          quirements of this section, including assisting finan-  
20          cial institutions in working with applicants to deter-  
21          mine whether the applicants are women-owned, mi-  
22          nority-owned, or small businesses for purposes of  
23          this section.

24          “(h) DEFINITIONS.—For purposes of this section, the  
25          following definitions shall apply:

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1           “(1) FINANCIAL INSTITUTION.—The term ‘fi-  
2           nancial institution’ means any partnership, com-  
3           pany, corporation, association (incorporated or unin-  
4           corporated), trust, estate, cooperative organization,  
5           or other entity that engages in any financial activity.

6           “(2) SMALL BUSINESS.—The term ‘small busi-  
7           ness’ has the same meaning as the term ‘small busi-  
8           ness concern’ in section 3 of the Small Business Act  
9           (15 U.S.C. 632).

10           “(3) SMALL BUSINESS LOAN.—The term ‘small  
11           business loan’ means a loan made to a small busi-  
12           ness.

13           “(4) MINORITY.—The term ‘minority’ has the  
14           same meaning as in section 1204(c)(3) of the Finan-  
15           cial Institutions Reform, Recovery, and Enforcement  
16           Act of 1989.

17           “(5) MINORITY-OWNED BUSINESS.—The term  
18           ‘minority-owned business’ means a business—

19                   “(A) more than 50 percent of the owner-  
20                   ship or control of which is held by 1 or more  
21                   minority individuals; and

22                   “(B) more than 50 percent of the net prof-  
23                   it or loss of which accrues to 1 or more minor-  
24                   ity individuals.

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1           “(6) WOMEN-OWNED BUSINESS.—The term  
2           ‘women-owned business’ means a business—

3                   “(A) more than 50 percent of the owner-  
4                   ship or control of which is held by 1 or more  
5                   women; and

6                   “(B) more than 50 percent of the net prof-  
7                   it or loss of which accrues to 1 or more  
8                   women.”.

9           (b) TECHNICAL AND CONFORMING AMENDMENTS.—  
10          Section 701(b) of the Equal Credit Opportunity Act (15  
11          U.S.C. 1691(b)) is amended—

12                   (1) in paragraph (3), by striking “or” at the  
13                   end;

14                   (2) in paragraph (4), by striking the period at  
15                   the end and inserting “; or”; and

16                   (3) by inserting after paragraph (4), the fol-  
17                   lowing:

18                   “(5) to make an inquiry under section 704B, in  
19                   accordance with the requirements of that section.”.

20           (c) CLERICAL AMENDMENT.—The table of sections  
21          for title VII of the Consumer Credit Protection Act is  
22          amended by inserting after the item relating to section  
23          704A the following new item:

                  “704B. Small business loan data collection.”.

24           (d) EFFECTIVE DATE.—This section shall become ef-  
25          fective on the designated transfer date.

1 **SEC. 1072. ASSISTANCE FOR ECONOMICALLY VULNERABLE**  
2 **INDIVIDUALS AND FAMILIES.**

3 (a) HERA AMENDMENTS.—Section 1132 of the  
4 Housing and Economic Recovery Act of 2008 (12 U.S.C.  
5 1701x note) is amended—

6 (1) in subsection (a), by inserting in each of  
7 paragraphs (1), (2), (3), and (4) “or economically  
8 vulnerable individuals and families” after “home-  
9 buyers” each place that term appears;

10 (2) in subsection (b)(1), by inserting “or eco-  
11 nomically vulnerable individuals and families” after  
12 “homebuyers”;

13 (3) in subsection (c)(1)—

14 (A) in subparagraph (A), by striking “or”  
15 at the end;

16 (B) in subparagraph (B), by striking the  
17 period at the end and inserting “; or”; and

18 (C) by adding at the end the following:

19 “(C) a nonprofit corporation that—

20 “(i) is exempt from taxation under  
21 section 501(c)(3) of the Internal Revenue  
22 Code of 1986; and

23 “(ii) specializes or has expertise in  
24 working with economically vulnerable indi-  
25 viduals and families, but whose primary



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1                   purpose is not provision of credit coun-  
2                   seling services.”; and

3                   (4) in subsection (d)(1), by striking “not more  
4                   than 5”.

5                   (b) APPLICABILITY.—Amendments made by sub-  
6 section (a) shall not apply to programs authorized by sec-  
7 tion 1132 of the Housing and Economic Recovery Act of  
8 2008 (12 U.S.C. 1701x note) that are funded with appro-  
9 priations prior to fiscal year 2011.

10 **SEC. 1073. REMITTANCE TRANSFERS.**

11                   (a) TREATMENT OF REMITTANCE TRANSFERS.—The  
12 Electronic Fund Transfer Act (15 U.S.C. 1693 et seq.)  
13 is amended—

14                   (1) in section 902(b) (15 U.S.C. 1693(b)), by  
15                   inserting “and remittance” after “electronic fund”;

16                   (2) in section 904(c) (15 U.S.C. 1693b(c)), in  
17                   the first sentence, by inserting “or remittance trans-  
18                   fers” after “electronic fund transfers”;

19                   (3) by redesignating sections 919, 920, 921,  
20                   and 922 as sections 920, 921, 922, and 923, respec-  
21                   tively; and

22                   (4) by inserting after section 918 the following:

23 **“SEC. 919. REMITTANCE TRANSFERS.**

24                   “(a) DISCLOSURES REQUIRED FOR REMITTANCE  
25 TRANSFERS.—

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1           “(1) IN GENERAL.—Each remittance transfer  
2 provider shall make disclosures as required under  
3 this section and in accordance with rules prescribed  
4 by the Board. Disclosures required under this sec-  
5 tion shall be in addition to any other disclosures ap-  
6 plicable under this title.

7           “(2) DISCLOSURES.—Subject to rules pre-  
8 scribed by the Board, a remittance transfer provider  
9 shall provide, in writing and in a form that the send-  
10 er may keep, to each sender requesting a remittance  
11 transfer, as applicable to the transaction—

12           “(A) at the time at which the sender re-  
13 quests a remittance transfer to be initiated, and  
14 prior to the sender making any payment in con-  
15 nection with the remittance transfer, a disclo-  
16 sure describing—

17           “(i) the amount of currency that will  
18 be received by the designated recipient,  
19 using the values of the currency into which  
20 the funds will be exchanged;

21           “(ii) the amount of transfer and any  
22 other fees charged by the remittance trans-  
23 fer provider for the remittance transfer;  
24 and

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1                   “(iii) any exchange rate to be used by  
2                   the remittance transfer provider for the re-  
3                   mittance transfer, to the nearest 1/100th  
4                   of a point; and

5                   “(B) at the time at which the sender  
6                   makes payment in connection with the remit-  
7                   tance transfer—

8                   “(i) a receipt showing—

9                   “(I) the information described in  
10                  subparagraph (A);

11                  “(II) the promised date of deliv-  
12                  ery to the designated recipient; and

13                  “(III) the name and either the  
14                  telephone number or the address of  
15                  the designated recipient, if either the  
16                  telephone number or the address of  
17                  the designated recipient is provided by  
18                  the sender; and

19                  “(ii) a statement containing—

20                  “(I) information about the rights  
21                  of the sender under this section re-  
22                  garding the resolution of errors; and

23                  “(II) appropriate contact infor-  
24                  mation for—

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1                   “(aa) the remittance trans-  
2                   fer provider; and

3                   “(bb) the State agency that  
4                   regulates the remittance transfer  
5                   provider and the Board, includ-  
6                   ing the toll-free telephone num-  
7                   ber established under section  
8                   1013 of the Consumer Financial  
9                   Protection Act of 2010.

10                   “(3) REQUIREMENTS RELATING TO DISCLO-  
11                   SURES.—With respect to each disclosure required to  
12                   be provided under paragraph (2) a remittance trans-  
13                   fer provider shall—

14                   “(A) provide an initial notice and receipt,  
15                   as required by subparagraphs (A) and (B) of  
16                   paragraph (2), and an error resolution state-  
17                   ment, as required by subsection (d), that clearly  
18                   and conspicuously describe the information re-  
19                   quired to be disclosed therein; and

20                   “(B) with respect to any transaction that  
21                   a sender conducts electronically, comply with  
22                   the Electronic Signatures in Global and Na-  
23                   tional Commerce Act (15 U.S.C. 7001 et seq.).

24                   “(4) EXCEPTION FOR DISCLOSURES OF  
25                   AMOUNT RECEIVED.—

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1           “(A) IN GENERAL.—Subject to the rules  
2           prescribed by the Board, and except as provided  
3           under subparagraph (B), the disclosures re-  
4           quired regarding the amount of currency that  
5           will be received by the designated recipient shall  
6           be deemed to be accurate, so long as the dislo-  
7           sures provide a reasonably accurate estimate of  
8           the foreign currency to be received. This para-  
9           graph shall apply only to a remittance transfer  
10          provider who is an insured depository institu-  
11          tion, as defined in section 3 of the Federal De-  
12          posit Insurance Act (12 U.S.C. 1813), or an in-  
13          sured credit union, as defined in section 101 of  
14          the Federal Credit Union Act (12 U.S.C.  
15          1752), and if—

16                   “(i) a remittance transfer is con-  
17                   ducted through a demand deposit, savings  
18                   deposit, or other asset account that the  
19                   sender holds with such remittance transfer  
20                   provider; and

21                   “(ii) at the time at which the sender  
22                   requests the transaction, the remittance  
23                   transfer provider is unable to know, for  
24                   reasons beyond its control, the amount of

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1 currency that will be made available to the  
2 designated recipient.

3 “(B) DEADLINE.—The application of sub-  
4 paragraph (A) shall terminate 5 years after the  
5 date of enactment of the Consumer Financial  
6 Protection Act of 2010, unless the Board deter-  
7 mines that termination of such provision would  
8 negatively affect the ability of remittance trans-  
9 fer providers described in subparagraph (A) to  
10 send remittances to locations in foreign coun-  
11 tries, in which case, the Board may, by rule, ex-  
12 tend the application of subparagraph (A) to not  
13 longer than 10 years after the date of enact-  
14 ment of the Consumer Financial Protection Act  
15 of 2010.

16 “(5) EXEMPTION AUTHORITY.—The Board  
17 may, by rule, permit a remittance transfer provider  
18 to satisfy the requirements of—

19 “(A) paragraph (2)(A) orally, if the trans-  
20 action is conducted entirely by telephone;

21 “(B) paragraph (2)(B), in the case of a  
22 transaction conducted entirely by telephone, by  
23 mailing the disclosures required under such  
24 subparagraph to the sender, not later than 1  
25 business day after the date on which the trans-

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1 action is conducted, or by including such docu-  
2 ments in the next periodic statement, if the  
3 telephone transaction is conducted through a  
4 demand deposit, savings deposit, or other asset  
5 account that the sender holds with the remit-  
6 tance transfer provider;

7 “(C) subparagraphs (A) and (B) of para-  
8 graph (2) together in one written disclosure,  
9 but only to the extent that the information pro-  
10 vided in accordance with paragraph (3)(A) is  
11 accurate at the time at which payment is made  
12 in connection with the subject remittance trans-  
13 fer; and

14 “(D) paragraph (2)(A), without compliance  
15 with section 101(c) of the Electronic Signatures  
16 in Global Commerce Act, if a sender initiates  
17 the transaction electronically and the informa-  
18 tion is displayed electronically in a manner that  
19 the sender can keep.

20 “(6) STOREFRONT AND INTERNET NOTICES.—

21 “(A) IN GENERAL.—

22 “(i) PROMINENT POSTING.—Subject  
23 to subparagraph (B), the Board may pre-  
24 scribe rules to require a remittance trans-  
25 fer provider to prominently post, and time-

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1 ly update, a notice describing a model re-  
2 mittance transfer for one or more  
3 amounts, as the Board may determine,  
4 which notice shall show the amount of cur-  
5 rency that will be received by the des-  
6 ignated recipient, using the values of the  
7 currency into which the funds will be ex-  
8 changed.

9 “(ii) ONSITE DISPLAYS.—The Board  
10 may require the notice prescribed under  
11 this subparagraph to be displayed in every  
12 physical storefront location owned or con-  
13 trolled by the remittance transfer provider.

14 “(iii) INTERNET NOTICES.—Subject to  
15 paragraph (3), the Board shall prescribe  
16 rules to require a remittance transfer pro-  
17 vider that provides remittance transfers via  
18 the Internet to provide a notice, com-  
19 parable to a storefront notice described in  
20 this subparagraph, located on the home  
21 page or landing page (with respect to such  
22 remittance transfer services) owned or con-  
23 trolled by the remittance transfer provider.

24 “(iv) RULEMAKING AUTHORITY.—In  
25 prescribing rules under this subparagraph,



1 the Board may impose standards or re-  
2 quirements regarding the provision of the  
3 storefront and Internet notices required  
4 under this subparagraph and the provision  
5 of the disclosures required under para-  
6 graphs (2) and (3).

7 “(B) STUDY AND ANALYSIS.—Prior to pro-  
8 posing rules under subparagraph (A), the  
9 Board shall undertake appropriate studies and  
10 analyses, which shall be consistent with section  
11 904(a)(2), and may include an advanced notice  
12 of proposed rulemaking, to determine whether a  
13 storefront notice or Internet notice facilitates  
14 the ability of a consumer—

15 “(i) to compare prices for remittance  
16 transfers; and

17 “(ii) to understand the types and  
18 amounts of any fees or costs imposed on  
19 remittance transfers.

20 “(b) FOREIGN LANGUAGE DISCLOSURES.—The dis-  
21 closures required under this section shall be made in  
22 English and in each of the foreign languages principally  
23 used by the remittance transfer provider, or any of its  
24 agents, to advertise, solicit, or market, either orally or in  
25 writing, at that office.

1           “(c) REGULATIONS REGARDING TRANSFERS TO CER-  
2 TAIN NATIONS.—If the Board determines that a recipient  
3 nation does not legally allow, or the method by which  
4 transactions are made in the recipient country do not  
5 allow, a remittance transfer provider to know the amount  
6 of currency that will be received by the designated recipi-  
7 ent, the Board may prescribe rules (not later than 18  
8 months after the date of enactment of the Consumer Fi-  
9 nancial Protection Act of 2010) addressing the issue,  
10 which rules shall include standards for a remittance trans-  
11 fer provider to provide—

12                   “(1) a receipt that is consistent with sub-  
13 sections (a) and (b); and

14                   “(2) a reasonably accurate estimate of the for-  
15 eign currency to be received, based on the rate pro-  
16 vided to the sender by the remittance transfer pro-  
17 vider at the time at which the transaction was initi-  
18 ated by the sender.

19           “(d) REMITTANCE TRANSFER ERRORS.—

20                   “(1) ERROR RESOLUTION.—

21                           “(A) IN GENERAL.—If a remittance trans-  
22 fer provider receives oral or written notice from  
23 the sender within 180 days of the promised  
24 date of delivery that an error occurred with re-  
25 spect to a remittance transfer, including the

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1 amount of currency designated in subsection  
2 (a)(3)(A) that was to be sent to the designated  
3 recipient of the remittance transfer, using the  
4 values of the currency into which the funds  
5 should have been exchanged, but was not made  
6 available to the designated recipient in the for-  
7 eign country, the remittance transfer provider  
8 shall resolve the error pursuant to this sub-  
9 section and investigate the reason for the error.

10 “(B) REMEDIES.—Not later than 90 days  
11 after the date of receipt of a notice from the  
12 sender pursuant to subparagraph (A), the re-  
13 mittance transfer provider shall, as applicable  
14 to the error and as designated by the sender—

15 “(i) refund to the sender the total  
16 amount of funds tendered by the sender in  
17 connection with the remittance transfer  
18 which was not properly transmitted;

19 “(ii) make available to the designated  
20 recipient, without additional cost to the  
21 designated recipient or to the sender, the  
22 amount appropriate to resolve the error;

23 “(iii) provide such other remedy, as  
24 determined appropriate by rule of the  
25 Board for the protection of senders; or

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1                   “(iv) provide written notice to the  
2                   sender that there was no error with an ex-  
3                   planation responding to the specific com-  
4                   plaint of the sender.

5                   “(2) RULES.—The Board shall establish, by  
6                   rule issued not later than 18 months after the date  
7                   of enactment of the Consumer Financial Protection  
8                   Act of 2010, clear and appropriate standards for re-  
9                   mittance transfer providers with respect to error res-  
10                  olution relating to remittance transfers, to protect  
11                  senders from such errors. Standards prescribed  
12                  under this paragraph shall include appropriate  
13                  standards regarding record keeping, as required, in-  
14                  cluding documentation—

15                         “(A) of the complaint of the sender;

16                         “(B) that the sender provides the remit-  
17                         tance transfer provider with respect to the al-  
18                         leged error; and

19                         “(C) of the findings of the remittance  
20                         transfer provider regarding the investigation of  
21                         the alleged error that the sender brought to  
22                         their attention.

23                   “(3) CANCELLATION AND REFUND POLICY  
24                   RULES.—Not later than 18 months after the date of  
25                   enactment of the Consumer Financial Protection Act

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1 of 2010, the Board shall issue final rules regarding  
2 appropriate remittance transfer cancellation and re-  
3 fund policies for consumers.

4 “(e) APPLICABILITY OF THIS TITLE.—

5 “(1) IN GENERAL.—A remittance transfer that  
6 is not an electronic fund transfer, as defined in sec-  
7 tion 903, shall not be subject to any of the provi-  
8 sions of sections 905 through 913. A remittance  
9 transfer that is an electronic fund transfer, as de-  
10 fined in section 903, shall be subject to all provisions  
11 of this title, except for section 908, that are other-  
12 wise applicable to electronic fund transfers under  
13 this title.

14 “(2) RULE OF CONSTRUCTION.—Nothing in  
15 this section shall be construed—

16 “(A) to affect the application to any trans-  
17 action, to any remittance provider, or to any  
18 other person of any of the provisions of sub-  
19 chapter II of chapter 53 of title 31, United  
20 States Code, section 21 of the Federal Deposit  
21 Insurance Act (12 U.S.C. 1829b), or chapter 2  
22 of title I of Public Law 91–508 (12 U.S.C.  
23 1951–1959), or any regulations promulgated  
24 thereunder; or

1           “(B) to cause any fund transfer that would  
2           not otherwise be treated as such under para-  
3           graph (1) to be treated as an electronic fund  
4           transfer, or as otherwise subject to this title, for  
5           the purposes of any of the provisions referred to  
6           in subparagraph (A) or any regulations promul-  
7           gated thereunder.

8           “(f) ACTS OF AGENTS.—

9           “(1) IN GENERAL.—A remittance transfer pro-  
10          vider shall be liable for any violation of this section  
11          by any agent, authorized delegate, or person affili-  
12          ated with such provider, when such agent, author-  
13          ized delegate, or affiliate acts for that remittance  
14          transfer provider.

15          “(2) OBLIGATIONS OF REMITTANCE TRANSFER  
16          PROVIDERS.—The Board shall prescribe rules to im-  
17          plement appropriate standards or conditions of, li-  
18          ability of a remittance transfer provider, including a  
19          provider who acts through an agent or authorized  
20          delegate. An agency charged with enforcing the re-  
21          quirements of this section, or rules prescribed by the  
22          Board under this section, may consider, in any ac-  
23          tion or other proceeding against a remittance trans-  
24          fer provider, the extent to which the provider had es-  
25          tablished and maintained policies or procedures for

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1 compliance, including policies, procedures, or other  
2 appropriate oversight measures designed to assure  
3 compliance by an agent or authorized delegate act-  
4 ing for such provider.

5 “(g) DEFINITIONS.—As used in this section—

6 “(1) the term ‘designated recipient’ means any  
7 person located in a foreign country and identified by  
8 the sender as the authorized recipient of a remit-  
9 tance transfer to be made by a remittance transfer  
10 provider, except that a designated recipient shall not  
11 be deemed to be a consumer for purposes of this  
12 Act;

13 “(2) the term ‘remittance transfer’—

14 “(A) means the electronic (as defined in  
15 section 106(2) of the Electronic Signatures in  
16 Global and National Commerce Act (15 U.S.C.  
17 7006(2))) transfer of funds requested by a  
18 sender located in any State to a designated re-  
19 cipient that is initiated by a remittance transfer  
20 provider, whether or not the sender holds an ac-  
21 count with the remittance transfer provider or  
22 whether or not the remittance transfer is also  
23 an electronic fund transfer, as defined in sec-  
24 tion 903; and

1           “(B) does not include a transfer described  
2           in subparagraph (A) in an amount that is equal  
3           to or lesser than the amount of a small-value  
4           transaction determined, by rule, to be excluded  
5           from the requirements under section 906(a);

6           “(3) the term ‘remittance transfer provider’  
7           means any person or financial institution that pro-  
8           vides remittance transfers for a consumer in the nor-  
9           mal course of its business, whether or not the con-  
10          sumer holds an account with such person or finan-  
11          cial institution; and

12          “(4) the term ‘sender’ means a consumer who  
13          requests a remittance provider to send a remittance  
14          transfer for the consumer to a designated recipi-  
15          ent.”.

16          (b) AUTOMATED CLEARINGHOUSE SYSTEM.—

17           (1) EXPANSION OF SYSTEM.—The Board of  
18          Governors shall work with the Federal reserve banks  
19          and the Department of the Treasury to expand the  
20          use of the automated clearinghouse system and  
21          other payment mechanisms for remittance transfers  
22          to foreign countries, with a focus on countries that  
23          receive significant remittance transfers from the  
24          United States, based on—



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1 (A) the number, volume, and size of such  
2 transfers;

3 (B) the significance of the volume of such  
4 transfers relative to the external financial flows  
5 of the receiving country, including—

6 (i) the total amount transferred; and

7 (ii) the total volume of payments  
8 made by United States Government agen-  
9 cies to beneficiaries and retirees living  
10 abroad;

11 (C) the feasibility of such an expansion;

12 and

13 (D) the ability of the Federal Reserve Sys-  
14 tem to establish payment gateways in different  
15 geographic regions and currency zones to re-  
16 ceive remittance transfers and route them  
17 through the payments systems in the destina-  
18 tion countries.

19 (2) REPORT TO CONGRESS.—Not later than one  
20 calendar year after the date of enactment of this  
21 Act, and on April 30 biennially thereafter during the  
22 10-year period beginning on that date of enactment,  
23 the Board of Governors shall submit a report to the  
24 Committee on Banking, Housing, and Urban Affairs  
25 of the Senate and the Committee on Financial Serv-

1       ices of the House of Representatives on the status  
2       of the automated clearinghouse system and its  
3       progress in complying with the requirements of this  
4       subsection. The report shall include an analysis of  
5       adoption rates of International ACH Transactions  
6       rules and formats, the efficacy of increasing adop-  
7       tion rates, and potential recommendations to in-  
8       crease adoption.

9       (c) EXPANSION OF FINANCIAL INSTITUTION PROVI-  
10      SION OF REMITTANCE TRANSFERS.—

11           (1) PROVISION OF GUIDELINES TO INSTITU-  
12      TIONS.—Each of the Federal banking agencies and  
13      the National Credit Union Administration shall pro-  
14      vide guidelines to financial institutions under the ju-  
15      risdiction of the agency regarding the offering of  
16      low-cost remittance transfers and no-cost or low-cost  
17      basic consumer accounts, as well as agency services  
18      to remittance transfer providers.

19           (2) ASSISTANCE TO FINANCIAL LITERACY COM-  
20      MISSION.—As part of its duties as members of the  
21      Financial Literacy and Education Commission, the  
22      Bureau, the Federal banking agencies, and the Na-  
23      tional Credit Union Administration shall assist the  
24      Financial Literacy and Education Commission in  
25      executing the Strategy for Assuring Financial Em-

1 powerment (or the “SAFE Strategy”), as it relates  
2 to remittances.

3 (d) FEDERAL CREDIT UNION ACT CONFORMING  
4 AMENDMENT.—Paragraph (12) of section 107 of the Fed-  
5 eral Credit Union Act (12 U.S.C. 1757) is amended to  
6 read as follows:

7 “(12) in accordance with regulations prescribed  
8 by the Board—

9 “(A) to sell, to persons in the field of  
10 membership, negotiable checks (including trav-  
11 elers checks), money orders, and other similar  
12 money transfer instruments (including inter-  
13 national and domestic electronic fund transfers  
14 and remittance transfers, as defined in section  
15 919 of the Electronic Fund Transfer Act); and

16 “(B) to cash checks and money orders for  
17 persons in the field of membership for a fee;”.

18 (e) REPORT ON FEASIBILITY OF AND IMPEDIMENTS  
19 TO USE OF REMITTANCE HISTORY IN CALCULATION OF  
20 CREDIT SCORE.—Before the end of the 365-day period  
21 beginning on the date of enactment of this Act, the Direc-  
22 tor shall submit a report to the President, the Committee  
23 on Banking, Housing, and Urban Affairs of the Senate,  
24 and the Committee on Financial Services of the House of  
25 Representatives regarding—

1           (1) the manner in which the remittance history  
2 of a consumer could be used to enhance the credit  
3 score of the consumer;

4           (2) the current legal and business model bar-  
5 riers and impediments that impede the use of the re-  
6 mittance history of the consumer to enhance the  
7 credit score of the consumer; and

8           (3) recommendations on the manner in which  
9 maximum transparency and disclosure to consumers  
10 of exchange rates for remittance transfers subject to  
11 this title and the amendments made by this title  
12 may be accomplished, whether or not such exchange  
13 rates are known at the time of origination or pay-  
14 ment by the consumer for the remittance transfer,  
15 including disclosure to the sender of the actual ex-  
16 change rate used and the amount of currency that  
17 the recipient of the remittance transfer received,  
18 using the values of the currency into which the  
19 funds were exchanged, as contained in sections  
20 919(a)(2)(D) and 919(a)(3) of the Electronic Fund  
21 Transfer Act (as amended by this section).

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1 **SEC. 1074. DEPARTMENT OF THE TREASURY STUDY ON**  
2 **ENDING THE CONSERVATORSHIP OF FANNIE**  
3 **MAE, FREDDIE MAC, AND REFORMING THE**  
4 **HOUSING FINANCE SYSTEM.**

5 (a) STUDY REQUIRED.—

6 (1) IN GENERAL.—The Secretary of the Treas-  
7 ury shall conduct a study of and develop rec-  
8 ommendations regarding the options for ending the  
9 conservatorship of the Federal National Mortgage  
10 Association (in this section referred to as “Fannie  
11 Mae”) and the Federal Home Loan Mortgage Cor-  
12 poration (in this section referred to as “Freddie  
13 Mac”), while minimizing the cost to taxpayers, in-  
14 cluding such options as—

15 (A) the gradual wind-down and liquidation  
16 of such entities;

17 (B) the privatization of such entities;

18 (C) the incorporation of the functions of  
19 such entities into a Federal agency;

20 (D) the dissolution of Fannie Mae and  
21 Freddie Mac into smaller companies; or

22 (E) any other measures the Secretary de-  
23 termines appropriate.

24 (2) ANALYSES.—The study required under  
25 paragraph (1) shall include an analysis of—

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1 (A) the role of the Federal Government in  
2 supporting a stable, well-functioning housing fi-  
3 nance system, and whether and to what extent  
4 the Federal Government should bear risks in  
5 meeting Federal housing finance objectives;

6 (B) how the current structure of the hous-  
7 ing finance system can be improved;

8 (C) how the housing finance system should  
9 support the continued availability of mortgage  
10 credit to all segments of the market;

11 (D) how the housing finance system should  
12 be structured to ensure that consumers con-  
13 tinue to have access to 30-year, fixed rate, pre-  
14 payable mortgages and other mortgage products  
15 that have simple terms that can be easily un-  
16 derstood;

17 (E) the role of the Federal Housing Ad-  
18 ministration and the Department of Veterans  
19 Affairs in a future housing system;

20 (F) the impact of reforms of the housing  
21 finance system on the financing of rental hous-  
22 ing;

23 (G) the impact of reforms of the housing  
24 finance system on secondary market liquidity;

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1 (H) the role of standardization in the  
2 housing finance system;

3 (I) how housing finance systems in other  
4 countries offer insights that can help inform op-  
5 tions for reform in the United States; and

6 (J) the options for transition to a reformed  
7 housing finance system.

8 (b) REPORT AND RECOMMENDATIONS.—Not later  
9 than January 31, 2011, the Secretary of the Treasury  
10 shall submit the report and recommendations required  
11 under subsection (a) to the Committee on Banking, Hous-  
12 ing, and Urban Affairs of the Senate and the Committee  
13 on Financial Services of the House of Representatives.

14 **SEC. 1075. REASONABLE FEES AND RULES FOR PAYMENT**  
15 **CARD TRANSACTIONS.**

16 (a) IN GENERAL.—The Electronic Fund Transfer  
17 Act (15 U.S.C. 1693 et seq.) is amended—

18 (1) by redesignating sections 920 and 921 as  
19 sections 921 and 922, respectively; and

20 (2) by inserting after section 919 the following:

21 **“SEC. 920. REASONABLE FEES AND RULES FOR PAYMENT**  
22 **CARD TRANSACTIONS.**

23 **“(a) REASONABLE INTERCHANGE TRANSACTION**  
24 **FEES FOR ELECTRONIC DEBIT TRANSACTIONS.—**

1           “(1) REGULATORY AUTHORITY OVER INTER-  
2 CHANGE TRANSACTION FEES.—The Board may pre-  
3 scribe regulations, pursuant to section 553 of title 5,  
4 United States Code, regarding any interchange  
5 transaction fee that an issuer may receive or charge  
6 with respect to an electronic debit transaction, to  
7 implement this subsection (including related defini-  
8 tions), and to prevent circumvention or evasion of  
9 this subsection.

10           “(2) REASONABLE INTERCHANGE TRANSACTION  
11 FEES.—The amount of any interchange transaction  
12 fee that an issuer may receive or charge with respect  
13 to an electronic debit transaction shall be reasonable  
14 and proportional to the cost incurred by the issuer  
15 with respect to the transaction.

16           “(3) RULEMAKING REQUIRED.—

17           “(A) IN GENERAL.—The Board shall pre-  
18 scribe regulations in final form not later than  
19 9 months after the date of enactment of the  
20 Consumer Financial Protection Act of 2010, to  
21 establish standards for assessing whether the  
22 amount of any interchange transaction fee de-  
23 scribed in paragraph (2) is reasonable and pro-  
24 portional to the cost incurred by the issuer with  
25 respect to the transaction.



1           “(B) INFORMATION COLLECTION.—The  
2           Board may require any issuer (or agent of an  
3           issuer) or payment card network to provide the  
4           Board with such information as may be nec-  
5           essary to carry out the provisions of this sub-  
6           section and the Board, in issuing rules under  
7           subparagraph (A) and on at least a bi-annual  
8           basis thereafter, shall disclose such aggregate  
9           or summary information concerning the costs  
10          incurred, and interchange transaction fees  
11          charged or received, by issuers or payment card  
12          networks in connection with the authorization,  
13          clearance or settlement of electronic debit  
14          transactions as the Board considers appropriate  
15          and in the public interest.

16          “(4) CONSIDERATIONS; CONSULTATION.—In  
17          prescribing regulations under paragraph (3)(A), the  
18          Board shall—

19                 “(A) consider the functional similarity be-  
20                 tween—

21                         “(i) electronic debit transactions; and

22                         “(ii) checking transactions that are  
23                         required within the Federal Reserve bank  
24                         system to clear at par;

25                 “(B) distinguish between—

## 1890

1           “(i) the incremental cost incurred by  
2           an issuer for the role of the issuer in the  
3           authorization, clearance, or settlement of a  
4           particular electronic debit transaction,  
5           which cost shall be considered under para-  
6           graph (2); and

7           “(ii) other costs incurred by an issuer  
8           which are not specific to a particular elec-  
9           tronic debit transaction, which costs shall  
10          not be considered under paragraph (2);  
11          and

12          “(C) consult, as appropriate, with the  
13          Comptroller of the Currency, the Board of Di-  
14          rectors of the Federal Deposit Insurance Cor-  
15          poration, the Director of the Office of Thrift  
16          Supervision, the National Credit Union Admin-  
17          istration Board, the Administrator of the Small  
18          Business Administration, and the Director of  
19          the Bureau of Consumer Financial Protection.

20          “(5) ADJUSTMENTS TO INTERCHANGE TRANS-  
21          ACTION FEES FOR FRAUD PREVENTION COSTS.—

22          “(A) ADJUSTMENTS.—The Board may  
23          allow for an adjustment to the fee amount re-  
24          ceived or charged by an issuer under paragraph  
25          (2), if—

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1           “(i) such adjustment is reasonably  
2           necessary to make allowance for costs in-  
3           curred by the issuer in preventing fraud in  
4           relation to electronic debit transactions in-  
5           volving that issuer; and

6           “(ii) the issuer complies with the  
7           fraud-related standards established by the  
8           Board under subparagraph (B), which  
9           standards shall—

10                   “(I) be designed to ensure that  
11                   any fraud-related adjustment of the  
12                   issuer is limited to the amount de-  
13                   scribed in clause (i) and takes into ac-  
14                   count any fraud-related reimburse-  
15                   ments (including amounts from  
16                   charge-backs) received from con-  
17                   sumers, merchants, or payment card  
18                   networks in relation to electronic debit  
19                   transactions involving the issuer; and

20                   “(II) require issuers to take ef-  
21                   fective steps to reduce the occurrence  
22                   of, and costs from, fraud in relation  
23                   to electronic debit transactions, in-  
24                   cluding through the development and

## 1892

1 implementation of cost-effective fraud  
2 prevention technology.

3 “(B) RULEMAKING REQUIRED.—

4 “(i) IN GENERAL.—The Board shall  
5 prescribe regulations in final form not later  
6 than 9 months after the date of enactment  
7 of the Consumer Financial Protection Act  
8 of 2010, to establish standards for making  
9 adjustments under this paragraph.

10 “(ii) FACTORS FOR CONSIDER-  
11 ATION.—In issuing the standards and pre-  
12 scribing regulations under this paragraph,  
13 the Board shall consider—

14 “(I) the nature, type, and occur-  
15 rence of fraud in electronic debit  
16 transactions;

17 “(II) the extent to which the oc-  
18 currence of fraud depends on whether  
19 authorization in an electronic debit  
20 transaction is based on signature,  
21 PIN, or other means;

22 “(III) the available and economi-  
23 cal means by which fraud on elec-  
24 tronic debit transactions may be re-  
25 duced;

1893

1 “(IV) the fraud prevention and  
2 data security costs expended by each  
3 party involved in electronic debit  
4 transactions (including consumers,  
5 persons who accept debit cards as a  
6 form of payment, financial institu-  
7 tions, retailers and payment card net-  
8 works);

9 “(V) the costs of fraudulent  
10 transactions absorbed by each party  
11 involved in such transactions (includ-  
12 ing consumers, persons who accept  
13 debit cards as a form of payment, fi-  
14 nancial institutions, retailers and pay-  
15 ment card networks);

16 “(VI) the extent to which inter-  
17 change transaction fees have in the  
18 past reduced or increased incentives  
19 for parties involved in electronic debit  
20 transactions to reduce fraud on such  
21 transactions; and

22 “(VII) such other factors as the  
23 Board considers appropriate.

24 “(6) EXEMPTION FOR SMALL ISSUERS.—

1           “(A) IN GENERAL.—This subsection shall  
2 not apply to any issuer that, together with its  
3 affiliates, has assets of less than  
4 \$10,000,000,000, and the Board shall exempt  
5 such issuers from regulations prescribed under  
6 paragraph (3)(A).

7           “(B) DEFINITION.—For purposes of this  
8 paragraph, the term “issuer” shall be limited to  
9 the person holding the asset account that is  
10 debited through an electronic debit transaction.

11           “(7) EXEMPTION FOR GOVERNMENT-ADMINIS-  
12 TERED PAYMENT PROGRAMS AND RELOADABLE PRE-  
13 PAID CARDS.—

14           “(A) IN GENERAL.—This subsection shall  
15 not apply to an interchange transaction fee  
16 charged or received with respect to an electronic  
17 debit transaction in which a person uses—

18                   “(i) a debit card or general-use pre-  
19 paid card that has been provided to a per-  
20 son pursuant to a Federal, State or local  
21 government-administered payment pro-  
22 gram, in which the person may only use  
23 the debit card or general-use prepaid card  
24 to transfer or debit funds, monetary value,

1895

1 or other assets that have been provided  
2 pursuant to such program; or

3 “(ii) a plastic card, payment code, or  
4 device that is—

5 “(I) linked to funds, monetary  
6 value, or assets which are purchased  
7 or loaded on a prepaid basis;

8 “(II) not issued or approved for  
9 use to access or debit any account  
10 held by or for the benefit of the card  
11 holder (other than a subaccount or  
12 other method of recording or tracking  
13 funds purchased or loaded on the card  
14 on a prepaid basis);

15 “(III) redeemable at multiple,  
16 unaffiliated merchants or service pro-  
17 viders, or automated teller machines;

18 “(IV) used to transfer or debit  
19 funds, monetary value, or other as-  
20 sets; and

21 “(V) reloadable and not mar-  
22 keted or labeled as a gift card or gift  
23 certificate.

24 “(B) EXCEPTION.—Notwithstanding sub-  
25 paragraph (A), after the end of the 1-year pe-





## 1897

1           “(ii) any network of automated teller  
2           machines identified by the issuer that pro-  
3           vides reasonable and convenient access to  
4           the issuer’s customers.

5           “(D) REPORTING.—Beginning 12 months  
6           after the date of enactment of the Consumer  
7           Financial Protection Act of 2010, the Board  
8           shall annually provide a report to the Congress  
9           regarding —

10           “(i) the prevalence of the use of gen-  
11           eral-use prepaid cards in Federal, State or  
12           local government-administered payment  
13           programs; and

14           “(ii) the interchange transaction fees  
15           and cardholder fees charged with respect  
16           to the use of such general-use prepaid  
17           cards.

18           “(8) REGULATORY AUTHORITY OVER NETWORK  
19           FEES.—

20           “(A) IN GENERAL.—The Board may pre-  
21           scribe regulations, pursuant to section 553 of  
22           title 5, United States Code, regarding any net-  
23           work fee.

## 1898

1           “(B) LIMITATION.—The authority under  
2           subparagraph (A) to prescribe regulations shall  
3           be limited to regulations to ensure that—

4                   “(i) a network fee is not used to di-  
5                   rectly or indirectly compensate an issuer  
6                   with respect to an electronic debit trans-  
7                   action; and

8                   “(ii) a network fee is not used to cir-  
9                   cumvent or evade the restrictions of this  
10                  subsection and regulations prescribed  
11                  under such subsection.

12           “(C) RULEMAKING REQUIRED.—The  
13           Board shall prescribe regulations in final form  
14           before the end of the 9-month period beginning  
15           on the date of the enactment of the Consumer  
16           Financial Protection Act of 2010, to carry out  
17           the authorities provided under subparagraph  
18           (A).

19           “(9) EFFECTIVE DATE.—This subsection shall  
20           take effect at the end of the 12-month period begin-  
21           ning on the date of the enactment of the Consumer  
22           Financial Protection Act of 2010.

23           “(b) LIMITATION ON PAYMENT CARD NETWORK RE-  
24           STRICTIONS.—

## 1899

1           “(1) PROHIBITIONS AGAINST EXCLUSIVITY AR-  
2           RANGEMENTS.—

3           “(A) NO EXCLUSIVE NETWORK.—The  
4           Board shall, before the end of the 1-year period  
5           beginning on the date of the enactment of the  
6           Consumer Financial Protection Act of 2010,  
7           prescribe regulations providing that an issuer or  
8           payment card network shall not directly or  
9           through any agent, processor, or licensed mem-  
10          ber of a payment card network, by contract, re-  
11          quirement, condition, penalty, or otherwise, re-  
12          strict the number of payment card networks on  
13          which an electronic debit transaction may be  
14          processed to—

15                   “(i) 1 such network; or

16                   “(ii) 2 or more such networks which  
17                   are owned, controlled, or otherwise oper-  
18                   ated by —

19                           “(I) affiliated persons; or

20                           “(II) networks affiliated with  
21                           such issuer.

22           “(B) NO ROUTING RESTRICTIONS.—The  
23           Board shall, before the end of the 1-year period  
24           beginning on the date of the enactment of the  
25           Consumer Financial Protection Act of 2010,

## 1900

1           prescribe regulations providing that an issuer or  
2           payment card network shall not, directly or  
3           through any agent, processor, or licensed mem-  
4           ber of the network, by contract, requirement,  
5           condition, penalty, or otherwise, inhibit the abil-  
6           ity of any person who accepts debit cards for  
7           payments to direct the routing of electronic  
8           debit transactions for processing over any pay-  
9           ment card network that may process such  
10          transactions.

11           “(2) LIMITATION ON RESTRICTIONS ON OFFER-  
12          ING DISCOUNTS FOR USE OF A FORM OF PAY-  
13          MENT.—

14           “(A) IN GENERAL.—A payment card net-  
15          work shall not, directly or through any agent,  
16          processor, or licensed member of the network,  
17          by contract, requirement, condition, penalty, or  
18          otherwise, inhibit the ability of any person to  
19          provide a discount or in-kind incentive for pay-  
20          ment by the use of cash, checks, debit cards, or  
21          credit cards to the extent that—

22           “(i) in the case of a discount or in-  
23          kind incentive for payment by the use of  
24          debit cards, the discount or in-kind incen-

## 1901

1           tive does not differentiate on the basis of  
2           the issuer or the payment card network;

3           “(ii) in the case of a discount or in-  
4           kind incentive for payment by the use of  
5           credit cards, the discount or in-kind incen-  
6           tive does not differentiate on the basis of  
7           the issuer or the payment card network;  
8           and

9           “(iii) to the extent required by Fed-  
10          eral law and applicable State law, such dis-  
11          count or in-kind incentive is offered to all  
12          prospective buyers and disclosed clearly  
13          and conspicuously.

14          “(B) **LAWFUL DISCOUNTS.**—For purposes  
15          of this paragraph, the network may not penalize  
16          any person for the providing of a discount that  
17          is in compliance with Federal law and applica-  
18          ble State law.

19          “(3) **LIMITATION ON RESTRICTIONS ON SET-**  
20          **TING TRANSACTION MINIMUMS OR MAXIMUMS.**—

21          “(A) **IN GENERAL.**—A payment card net-  
22          work shall not, directly or through any agent,  
23          processor, or licensed member of the network,  
24          by contract, requirement, condition, penalty, or  
25          otherwise, inhibit the ability—

## 1902

1           “(i) of any person to set a minimum  
2           dollar value for the acceptance by that per-  
3           son of credit cards, to the extent that —

4                   “(I) such minimum dollar value  
5                   does not differentiate between issuers  
6                   or between payment card networks;  
7                   and

8                   “(II) such minimum dollar value  
9                   does not exceed \$10.00; or

10           “(ii) of any Federal agency or institu-  
11           tion of higher education to set a maximum  
12           dollar value for the acceptance by that  
13           Federal agency or institution of higher  
14           education of credit cards, to the extent  
15           that such maximum dollar value does not  
16           differentiate between issuers or between  
17           payment card networks.

18           “(B) INCREASE IN MINIMUM DOLLAR  
19           AMOUNT.—The Board may, by regulation pre-  
20           scribed pursuant to section 553 of title 5,  
21           United States Code, increase the amount of the  
22           dollar value listed in subparagraph (A)(i)(II).

23           “(4) RULE OF CONSTRUCTION:—No provision  
24           of this subsection shall be construed to authorize  
25           any person—

## 1903

1           “(A) to discriminate between debit cards  
2           within a payment card network on the basis of  
3           the issuer that issued the debit card; or

4           “(B) to discriminate between credit cards  
5           within a payment card network on the basis of  
6           the issuer that issued the credit card.

7           “(c) DEFINITIONS.—For purposes of this section, the  
8           following definitions shall apply:

9           “(1) AFFILIATE.—The term ‘affiliate’ means  
10          any company that controls, is controlled by, or is  
11          under common control with another company.

12          “(2) DEBIT CARD.—The term ‘debit card’—

13                 “(A) means any card, or other payment  
14                 code or device, issued or approved for use  
15                 through a payment card network to debit an  
16                 asset account (regardless of the purpose for  
17                 which the account is established), whether au-  
18                 thorization is based on signature, PIN, or other  
19                 means;

20                 “(B) includes a general-use prepaid card,  
21                 as that term is defined in section 915(a)(2)(A);  
22                 and

23                 “(C) does not include paper checks.

## 1904

1           “(3) CREDIT CARD.—The term ‘credit card’ has  
2 the same meaning as in section 103 of the Truth in  
3 Lending Act.

4           “(4) DISCOUNT.—The term ‘discount’—

5                 “(A) means a reduction made from the  
6 price that customers are informed is the regular  
7 price; and

8                 “(B) does not include any means of in-  
9 creasing the price that customers are informed  
10 is the regular price.

11           “(5) ELECTRONIC DEBIT TRANSACTION.—The  
12 term ‘electronic debit transaction’ means a trans-  
13 action in which a person uses a debit card.

14           “(6) FEDERAL AGENCY.—The term ‘Federal  
15 agency’ means—

16                 “(A) an agency (as defined in section 101  
17 of title 31, United States Code); and

18                 “(B) a Government corporation (as defined  
19 in section 103 of title 5, United States Code).

20           “(7) INSTITUTION OF HIGHER EDUCATION.—  
21 The term ‘institution of higher education’ has the  
22 same meaning as in 101 and 102 of the Higher  
23 Education Act of 1965 (20 U.S.C. 1001, 1002).

24           “(8) INTERCHANGE TRANSACTION FEE.—The  
25 term ‘interchange transaction fee’ means any fee es-



## 1905

1        established, charged or received by a payment card  
2        network for the purpose of compensating an issuer  
3        for its involvement in an electronic debit transaction.

4            “(9) ISSUER.—The term ‘issuer’ means any  
5        person who issues a debit card, or credit card, or the  
6        agent of such person with respect to such card.

7            “(10) NETWORK FEE.—The term ‘network fee’  
8        means any fee charged and received by a payment  
9        card network with respect to an electronic debit  
10       transaction, other than an interchange transaction  
11       fee.

12           “(11) PAYMENT CARD NETWORK.—The term  
13        ‘payment card network’ means an entity that di-  
14        rectly, or through licensed members, processors, or  
15        agents, provides the proprietary services, infrastruc-  
16        ture, and software that route information and data  
17        to conduct debit card or credit card transaction au-  
18        thorization, clearance, and settlement, and that a  
19        person uses in order to accept as a form of payment  
20        a brand of debit card, credit card or other device  
21        that may be used to carry out debit or credit trans-  
22        actions.

23           “(d) ENFORCEMENT.—

## 1906

1           “(1) IN GENERAL.—Compliance with the re-  
2           quirements imposed under this section shall be en-  
3           forced under section 918.

4           “(2) EXCEPTION.—Sections 916 and 917 shall  
5           not apply with respect to this section or the require-  
6           ments imposed pursuant to this section.”.

7           (b) AMENDMENT TO THE FOOD AND NUTRITION ACT  
8           OF 2008.—Section 7(h)(10) of the Food and Nutrition  
9           Act of 2008 (7 U.S.C. 2016(h)(10)) is amended to read  
10          as follows:

11           “(10) FEDERAL LAW NOT APPLICABLE.—Sec-  
12           tion 920 of the Electronic Fund Transfer Act shall  
13           not apply to electronic benefit transfer or reimburse-  
14           ment systems under this Act.”.

15           (c) AMENDMENT TO THE FARM SECURITY AND  
16           RURAL INVESTMENT ACT OF 2002.—Section 4402 of the  
17           Farm Security and Rural Investment Act of 2002 (7  
18           U.S.C. 3007) is amended by adding at the end the fol-  
19           lowing new subsection:

20           “(f) FEDERAL LAW NOT APPLICABLE.—Section 920  
21           of the Electronic Fund Transfer Act shall not apply to  
22           electronic benefit transfer systems established under this  
23           section.”.

24           (d) AMENDMENT TO THE CHILD NUTRITION ACT OF  
25           1966.—Section 11 of the Child Nutrition Act of 1966 (42

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1 U.S.C. 1780) is amended by adding at the end the fol-  
2 lowing:

3 “(c) FEDERAL LAW NOT APPLICABLE.—Section 920  
4 of the Electronic Fund Transfer Act shall not apply to  
5 electronic benefit transfer systems established under this  
6 Act or the Richard B. Russell National School Lunch Act  
7 (42 U.S.C. 1751 et seq.).”.

8 **SEC. 1076. REVERSE MORTGAGE STUDY AND REGULATIONS.**

9 (a) STUDY.—Not later than 1 year after the des-  
10 ignated transfer date, the Bureau shall conduct a study  
11 on reverse mortgage transactions.

12 (b) REGULATIONS.—

13 (1) IN GENERAL.—If the Bureau determines  
14 through the study required under subsection (a) that  
15 conditions or limitations on reverse mortgage trans-  
16 actions are necessary or appropriate for accom-  
17 plishing the purposes and objectives of this title, in-  
18 cluding protecting borrowers with respect to the ob-  
19 taining of reverse mortgage loans for the purpose of  
20 funding investments, annuities, and other investment  
21 products and the suitability of a borrower in obtain-  
22 ing a reverse mortgage for such purpose.

23 (2) IDENTIFIED PRACTICES AND INTEGRATED  
24 DISCLOSURES.—The regulations prescribed under

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1 paragraph (1) may, as the Bureau may so deter-  
2 mine—

3 (A) identify any practice as unfair, decep-  
4 tive, or abusive in connection with a reverse  
5 mortgage transaction; and

6 (B) provide for an integrated disclosure  
7 standard and model disclosures for reverse  
8 mortgage transactions, consistent with section  
9 4302(d), that combines the relevant disclosures  
10 required under the Truth in Lending Act (15  
11 U.S.C. 1601 et seq.) and the Real Estate Set-  
12 tlement Procedures Act, with the disclosures re-  
13 quired to be provided to consumers for Home  
14 Equity Conversion Mortgages under section 255  
15 of the National Housing Act.

16 (c) RULE OF CONSTRUCTION.—This section shall not  
17 be construed as limiting the authority of the Bureau to  
18 issue regulations, orders, or guidance that apply to reverse  
19 mortgages prior to the completion of the study required  
20 under subsection (a).

21 **SEC. 1077. REPORT ON PRIVATE EDUCATION LOANS AND**  
22 **PRIVATE EDUCATIONAL LENDERS.**

23 (a) REPORT.—Not later than 2 years after the date  
24 of enactment of this Act, the Director and the Secretary  
25 of Education, in consultation with the Commissioners of

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1 the Federal Trade Commission, and the Attorney General  
2 of the United States, shall submit a report to the Com-  
3 mittee on Banking, Housing, and Urban Affairs and the  
4 Committee on Health, Education, Labor, and Pensions of  
5 the Senate and the Committee on Financial Services and  
6 the Committee on Education and Labor of the House of  
7 Representatives, on private education loans (as that term  
8 is defined in section 140 of the Truth in Lending Act (15  
9 U.S.C. 1650)) and private educational lenders (as that  
10 term is defined in such section).

11 (b) CONTENT.—The report required by this section  
12 shall examine, at a minimum—

13 (1) the growth and changes of the private edu-  
14 cation loan market in the United States;

15 (2) factors influencing such growth and  
16 changes;

17 (3) the extent to which students and parents of  
18 students rely on private education loans to finance  
19 postsecondary education and the private education  
20 loan indebtedness of borrowers;

21 (4) the characteristics of private education loan  
22 borrowers, including—

23 (A) the types of institutions of higher edu-  
24 cation that they attend;

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1 (B) socioeconomic characteristics (includ-  
2 ing income and education levels, racial charac-  
3 teristics, geographical background, age, and  
4 gender);

5 (C) what other forms of financing bor-  
6 rowers use to pay for education;

7 (D) whether they exhaust their Federal  
8 loan options before taking out a private loan;

9 (E) whether such borrowers are dependent  
10 or independent students (as determined under  
11 part F of title IV of the Higher Education Act  
12 of 1965) or parents of such students;

13 (F) whether such borrowers are students  
14 enrolled in a program leading to a certificate, li-  
15 cense, or credential other than a degree, an as-  
16 sociates degree, a baccalaureate degree, or a  
17 graduate or professional degree; and

18 (G) if practicable, employment and repay-  
19 ment behaviors;

20 (5) the characteristics of private educational  
21 lenders, including whether such creditors are for-  
22 profit, non-profit, or institutions of higher education;

23 (6) the underwriting criteria used by private  
24 educational lenders, including the use of cohort de-

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1 fault rate (as such term is defined in section 435(m)  
2 of the Higher Education Act of 1965);

3 (7) the terms, conditions, and pricing of private  
4 education loans;

5 (8) the consumer protections available to pri-  
6 vate education loan borrowers, including the effec-  
7 tiveness of existing disclosures and requirements and  
8 borrowers' awareness and understanding about  
9 terms and conditions of various financial products;

10 (9) whether Federal regulators and the public  
11 have access to information sufficient to provide them  
12 with assurances that private education loans are  
13 provided in accord with the Nation's fair lending  
14 laws and that allows public officials to determine  
15 lender compliance with fair lending laws; and

16 (10) any statutory or legislative recommenda-  
17 tions necessary to improve consumer protections for  
18 private education loan borrowers and to better en-  
19 able Federal regulators and the public to ascertain  
20 private educational lender compliance with fair lend-  
21 ing laws.

22 **SEC. 1078. STUDY AND REPORT ON CREDIT SCORES.**

23 (a) STUDY.—The Bureau shall conduct a study on  
24 the nature, range, and size of variations between the credit  
25 scores sold to creditors and those sold to consumers by

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1 consumer reporting agencies that compile and maintain  
2 files on consumers on a nationwide basis (as defined in  
3 section 603(p) of the Fair Credit Reporting Act; 15  
4 U.S.C. 1681a(p)), and whether such variations disadvan-  
5 tage consumers.

6 (b) REPORT TO CONGRESS.—The Bureau shall sub-  
7 mit a report to Congress on the results of the study con-  
8 ducted under subsection (a) not later than 1 year after  
9 the date of enactment of this Act.

10 **SEC. 1079. REVIEW, REPORT, AND PROGRAM WITH RE-**  
11 **SPECT TO EXCHANGE FACILITATORS.**

12 (a) REVIEW.—The Director shall review all Federal  
13 laws and regulations relating to the protection of con-  
14 sumers who use exchange facilitators for transactions pri-  
15 marily for personal, family, or household purposes.

16 (b) REPORT.—Not later than 1 year after the des-  
17 ignated transfer date, the Director shall submit to Con-  
18 gress a report describing—

19 (1) recommendations for legislation to ensure  
20 the appropriate protection of consumers who use ex-  
21 change facilitators for transactions primarily for per-  
22 sonal, family, or household purposes;

23 (2) recommendations for updating the regula-  
24 tions of Federal departments and agencies to ensure  
25 the appropriate protection of such consumers; and



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1           (3) recommendations for regulations to ensure  
2           the appropriate protection of such consumers.

3           (c) PROGRAM.—Not later than 2 years after the date  
4 of the submission of the report under subsection (b), the  
5 Bureau shall, consistent with subtitle B, propose regula-  
6 tions or otherwise establish a program to protect con-  
7 sumers who use exchange facilitators.

8           (d) EXCHANGE FACILITATOR DEFINED.—In this sec-  
9 tion, the term “exchange facilitator” means a person  
10 that—

11           (1) facilitates, for a fee, an exchange of like  
12 kind property by entering into an agreement with a  
13 taxpayer by which the exchange facilitator acquires  
14 from the taxpayer the contractual rights to sell the  
15 taxpayer’s relinquished property and transfers a re-  
16 placement property to the taxpayer as a qualified  
17 intermediary (within the meaning of Treasury Regu-  
18 lations section 1.1031(k)–1(g)(4)) or enters into an  
19 agreement with the taxpayer to take title to a prop-  
20 erty as an exchange accommodation titleholder  
21 (within the meaning of Revenue Procedure 2000–37)  
22 or enters into an agreement with a taxpayer to act  
23 as a qualified trustee or qualified escrow holder  
24 (within the meaning of Treasury Regulations section  
25 1.1031(k)–1(g)(3));

1           (2) maintains an office for the purpose of solie-  
2           iting business to perform the services described in  
3           paragraph (1); or

4           (3) advertises any of the services described in  
5           paragraph (1) or solicits clients in printed publica-  
6           tions, direct mail, television or radio advertisements,  
7           telephone calls, facsimile transmissions, or other  
8           electronic communications directed to the general  
9           public for purposes of providing any such services.

10 **SEC. 1079A. FINANCIAL FRAUD PROVISIONS.**

11           (a) SENTENCING GUIDELINES.—

12               (1) SECURITIES FRAUD.—

13                   (A) DIRECTIVE.—Pursuant to its authority  
14                   under section 994 of title 28, United States  
15                   Code, and in accordance with this paragraph,  
16                   the United States Sentencing Commission shall  
17                   review and, if appropriate, amend the Federal  
18                   Sentencing Guidelines and policy statements  
19                   applicable to persons convicted of offenses relat-  
20                   ing to securities fraud or any other similar pro-  
21                   vision of law, in order to reflect the intent of  
22                   Congress that penalties for the offenses under  
23                   the guidelines and policy statements appro-  
24                   priately account for the potential and actual

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1           harm to the public and the financial markets  
2           from the offenses.

3           (B) REQUIREMENTS.—In making any  
4           amendments to the Federal Sentencing Guide-  
5           lines and policy statements under subparagraph  
6           (A), the United States Sentencing Commission  
7           shall—

8                   (i) ensure that the guidelines and pol-  
9                   icy statements, particularly section  
10                  2B1.1(b)(14) and section 2B1.1(b)(17)  
11                  (and any successors thereto), reflect—

12                           (I) the serious nature of the of-  
13                           fenses described in subparagraph (A);

14                           (II) the need for an effective de-  
15                           terrent and appropriate punishment  
16                           to prevent the offenses; and

17                           (III) the effectiveness of incarcer-  
18                           ation in furthering the objectives de-  
19                           scribed in subclauses (I) and (II);

20                   (ii) consider the extent to which the  
21                   guidelines appropriately account for the  
22                   potential and actual harm to the public  
23                   and the financial markets resulting from  
24                   the offenses;

## 1916

1 (iii) ensure reasonable consistency  
2 with other relevant directives and guide-  
3 lines and Federal statutes;

4 (iv) make any necessary conforming  
5 changes to guidelines; and

6 (v) ensure that the guidelines ade-  
7 quately meet the purposes of sentencing,  
8 as set forth in section 3553(a)(2) of title  
9 18, United States Code.

10 (2) FINANCIAL INSTITUTION FRAUD.—

11 (A) DIRECTIVE.—Pursuant to its authority  
12 under section 994 of title 28, United States  
13 Code, and in accordance with this paragraph,  
14 the United States Sentencing Commission shall  
15 review and, if appropriate, amend the Federal  
16 Sentencing Guidelines and policy statements  
17 applicable to persons convicted of fraud offenses  
18 relating to financial institutions or federally re-  
19 lated mortgage loans and any other similar pro-  
20 visions of law, to reflect the intent of Congress  
21 that the penalties for the offenses under the  
22 guidelines and policy statements ensure appro-  
23 priate terms of imprisonment for offenders in-  
24 volved in substantial bank frauds or other  
25 frauds relating to financial institutions.

## 1917

1 (B) REQUIREMENTS.—In making any  
2 amendments to the Federal Sentencing Guide-  
3 lines and policy statements under subparagraph  
4 (A), the United States Sentencing Commission  
5 shall—

6 (i) ensure that the guidelines and pol-  
7 icy statements reflect—

8 (I) the serious nature of the of-  
9 fenses described in subparagraph (A);

10 (II) the need for an effective de-  
11 terrent and appropriate punishment  
12 to prevent the offenses; and

13 (III) the effectiveness of incarcer-  
14 ation in furthering the objectives de-  
15 scribed in subclauses (I) and (II);

16 (ii) consider the extent to which the  
17 guidelines appropriately account for the  
18 potential and actual harm to the public  
19 and the financial markets resulting from  
20 the offenses;

21 (iii) ensure reasonable consistency  
22 with other relevant directives and guide-  
23 lines and Federal statutes;

24 (iv) make any necessary conforming  
25 changes to guidelines; and

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1 (v) ensure that the guidelines ade-  
2 quately meet the purposes of sentencing,  
3 as set forth in section 3553(a)(2) of title  
4 18, United States Code.

5 (b) EXTENSION OF STATUTE OF LIMITATIONS FOR  
6 SECURITIES FRAUD VIOLATIONS.—

7 (1) IN GENERAL.—Chapter 213 of title 18,  
8 United States Code, is amended by adding at the  
9 end the following:

10 **“§ 3301. Securities fraud offenses**

11 “(a) DEFINITION.—In this section, the term ‘securi-  
12 ties fraud offense’ means a violation of, or a conspiracy  
13 or an attempt to violate—

14 “(1) section 1348;

15 “(2) section 32(a) of the Securities Exchange  
16 Act of 1934 (15 U.S.C. 78ff(a));

17 “(3) section 24 of the Securities Act of 1933  
18 (15 U.S.C. 77x);

19 “(4) section 217 of the Investment Advisers Act  
20 of 1940 (15 U.S.C. 80b–17);

21 “(5) section 49 of the Investment Company Act  
22 of 1940 (15 U.S.C. 80a–48); or

23 “(6) section 325 of the Trust Indenture Act of  
24 1939 (15 U.S.C. 77yyy).

## 1919

1       “(b) LIMITATION.—No person shall be prosecuted,  
2 tried, or punished for a securities fraud offense, unless the  
3 indictment is found or the information is instituted within  
4 6 years after the commission of the offense.”.

5           (2) TECHNICAL AND CONFORMING AMEND-  
6       MENT.—The table of sections for chapter 213 of  
7 title 18, United States Code, is amended by adding  
8 at the end the following:

“3301. Securities fraud offenses.”.

9           (c) AMENDMENTS TO THE FALSE CLAIMS ACT RE-  
10 LATING TO LIMITATIONS ON ACTIONS.—Section 3730(h)  
11 of title 31, United States Code, is amended—

12           (1) in paragraph (1), by striking “or agent on  
13 behalf of the employee, contractor, or agent or asso-  
14 ciated others in furtherance of other efforts to stop  
15 1 or more violations of this subchapter” and insert-  
16 ing “agent or associated others in furtherance of an  
17 action under this section or other efforts to stop 1  
18 or more violations of this subchapter”; and

19           (2) by adding at the end the following:

20           “(3) LIMITATION ON BRINGING CIVIL AC-  
21 TION.—A civil action under this subsection may not  
22 be brought more than 3 years after the date when  
23 the retaliation occurred.”.

1920

1                   **Subtitle H—Conforming**  
2                   **Amendments**

3 **SEC. 1081. AMENDMENTS TO THE INSPECTOR GENERAL**  
4                   **ACT.**

5           Effective on the date of enactment of this Act, the  
6 Inspector General Act of 1978 (5 U.S.C. App. 3) is  
7 amended—

8           (1) in section 8G(a)(2), by inserting “and the  
9 Bureau of Consumer Financial Protection” after  
10 “Board of Governors of the Federal Reserve Sys-  
11 tem”;

12           (2) in section 8G(e), by adding at the end the  
13 following: “For purposes of implementing this sec-  
14 tion, the Chairman of the Board of Governors of the  
15 Federal Reserve System shall appoint the Inspector  
16 General of the Board of Governors of the Federal  
17 Reserve System and the Bureau of Consumer Finan-  
18 cial Protection. The Inspector General of the Board  
19 of Governors of the Federal Reserve System and the  
20 Bureau of Consumer Financial Protection shall have  
21 all of the authorities and responsibilities provided by  
22 this Act with respect to the Bureau of Consumer Fi-  
23 nancial Protection, as if the Bureau were part of the  
24 Board of Governors of the Federal Reserve Sys-  
25 tem.”; and



## 1921

1           (3) in section 8G(g)(3), by inserting “and the  
2 Bureau of Consumer Financial Protection” after  
3 “Board of Governors of the Federal Reserve Sys-  
4 tem” the first place that term appears.

5 **SEC. 1082. AMENDMENTS TO THE PRIVACY ACT OF 1974.**

6           Effective on the date of enactment of this Act, section  
7 552a of title 5, United States Code, is amended by adding  
8 at the end the following:

9           “(w) APPLICABILITY TO BUREAU OF CONSUMER FI-  
10 NANCIAL PROTECTION.—Except as provided in the Con-  
11 sumer Financial Protection Act of 2010, this section shall  
12 apply with respect to the Bureau of Consumer Financial  
13 Protection.”.

14 **SEC. 1083. AMENDMENTS TO THE ALTERNATIVE MORT-  
15 GAGE TRANSACTION PARITY ACT OF 1982.**

16           (a) IN GENERAL.—The Alternative Mortgage Trans-  
17 action Parity Act of 1982 (12 U.S.C. 3801 et seq.) is  
18 amended—

19           (1) in section 803 (12 U.S.C. 3802(1)), by  
20 striking “1974” and all that follows through “de-  
21 scribed and defined” and inserting the following:  
22 “1974), in which the interest rate or finance charge  
23 may be adjusted or renegotiated, described and de-  
24 fined”; and

25           (2) in section 804 (12 U.S.C. 3803)—

## 1922

1 (A) in subsection (a)—

2 (i) in each of paragraphs (1), (2), and  
3 (3), by inserting after “transactions made”  
4 each place that term appears “on or before  
5 the designated transfer date, as deter-  
6 mined under section 1062 of the Consumer  
7 Financial Protection Act of 2010,”;

8 (ii) in paragraph (2), by striking  
9 “and” at the end;

10 (iii) in paragraph (3), by striking the  
11 period at the end and inserting “; and”;  
12 and

13 (iv) by adding at the end the following  
14 new paragraph:

15 “(4) with respect to transactions made after the  
16 designated transfer date, only in accordance with  
17 regulations governing alternative mortgage trans-  
18 actions, as issued by the Bureau of Consumer Fi-  
19 nancial Protection for federally chartered housing  
20 creditors, in accordance with the rulemaking author-  
21 ity granted to the Bureau of Consumer Financial  
22 Protection with regard to federally chartered hous-  
23 ing creditors under provisions of law other than this  
24 section.”;

## 1923

1 (B) by striking subsection (c) and insert-  
2 ing the following:

3 “(c) PREEMPTION OF STATE LAW.—An alternative  
4 mortgage transaction may be made by a housing creditor  
5 in accordance with this section, notwithstanding any State  
6 constitution, law, or regulation that prohibits an alter-  
7 native mortgage transaction. For purposes of this sub-  
8 section, a State constitution, law, or regulation that pro-  
9 hibits an alternative mortgage transaction does not in-  
10 clude any State constitution, law, or regulation that regu-  
11 lates mortgage transactions generally, including any re-  
12 striction on prepayment penalties or late charges.”; and

13 (C) by adding at the end the following:

14 “(d) BUREAU ACTIONS.—The Bureau of Consumer  
15 Financial Protection shall—

16 “(1) review the regulations identified by the  
17 Comptroller of the Currency and the National Credit  
18 Union Administration, (as those rules exist on the  
19 designated transfer date), as applicable under para-  
20 graphs (1) through (3) of subsection (a);

21 “(2) determine whether such regulations are  
22 fair and not deceptive and otherwise meet the objec-  
23 tives of the Consumer Financial Protection Act of  
24 2010; and

1924

1           “(3) promulgate regulations under subsection  
2           (a)(4) after the designated transfer date.

3           “(e) DESIGNATED TRANSFER DATE.—As used in  
4 this section, the term ‘designated transfer date’ means the  
5 date determined under section 1062 of the Consumer Fi-  
6 nancial Protection Act of 2010.”.

7           (b) EFFECTIVE DATE.—This section and the amend-  
8 ments made by this section shall become effective on the  
9 designated transfer date.

10          (c) RULE OF CONSTRUCTION.—The amendments  
11 made by subsection (a) shall not affect any transaction  
12 covered by the Alternative Mortgage Transaction Parity  
13 Act of 1982 (12 U.S.C. 3801 et seq.) and entered into on  
14 or before the designated transfer date.

15 **SEC. 1084. AMENDMENTS TO THE ELECTRONIC FUND**  
16 **TRANSFER ACT.**

17          The Electronic Fund Transfer Act (15 U.S.C. 1693  
18 et seq.) is amended—

19           (1) by striking “Board” each place that term  
20 appears and inserting “Bureau”, except in sub-  
21 sections (a) and (e) of section 904 (as amended in  
22 paragraph (3) of this section) and in 918 (15 U.S.C.  
23 1693o) (as so designated by the Credit Card Act of  
24 2009) and section 920 (as added by section 1076);

25           (2) in section 903 (15 U.S.C. 1693a)—

## 1925

1 (A) by redesignating paragraphs (3)  
2 through (11) as paragraphs (4) through (12),  
3 respectively; and

4 (B) by inserting after paragraph (3) the  
5 following:

6 “(4) the term ‘Bureau’ means the Bureau of  
7 Consumer Financial Protection;”;

8 (3) in section 904 (15 U.S.C. 1693b)—

9 (A) in subsection (a), by striking “(a)  
10 PRESCRIPTION BY BOARD.—The Board shall  
11 prescribe regulations to carry out the purposes  
12 of this title.” and inserting the following:

13 “(a) PRESCRIPTION BY THE BUREAU AND THE  
14 BOARD.—

15 “(1) IN GENERAL.—Except as provided in para-  
16 graph (2), the Bureau shall prescribe rules to carry  
17 out the purposes of this title.

18 “(2) AUTHORITY OF THE BOARD.—The Board  
19 shall have sole authority to prescribe rules—

20 “(A) to carry out the purposes of this title  
21 with respect to a person described in section  
22 1029(a) of the Consumer Financial Protection  
23 Act of 2010; and

24 “(B) to carry out the purposes of section  
25 920.”; and

## 1926

1 (B) by adding at the end the following new  
2 subsection:

3 “(e) DEFERENCE.—No provision of this title may be  
4 construed as altering, limiting, or otherwise affecting the  
5 deference that a court affords to—

6 “(1) the Bureau in making determinations re-  
7 garding the meaning or interpretation of any provi-  
8 sion of this title for which the Bureau has authority  
9 to prescribe regulations; or

10 “(2) the Board in making determinations re-  
11 garding the meaning or interpretation of section  
12 920.”.

13 (4) in section 916(d) (15 U.S.C. 1693m) (as so  
14 designated by the Credit CARD Act of 2009)—

15 (A) in the subsection heading, by striking  
16 “OF BOARD OR APPROVAL OF DULY AUTHOR-  
17 IZED OFFICIAL OR EMPLOYEE OF FEDERAL  
18 RESERVE SYSTEM”;

19 (B) by inserting “Bureau or the” before  
20 “Board” each place that term appears; and

21 (C) by inserting “Bureau of Consumer Fi-  
22 nancial Protection or the” before “Federal Re-  
23 serve System”; and

24 (5) in section 918 (15 U.S.C. 1693o) (as so  
25 designated by the Credit CARD Act of 2009)—

## 1927

1 (A) in subsection (a)—

2 (i) by striking “Compliance” and in-  
3 sserting “Subject to subtitle B of the Con-  
4 sumer Financial Protection Act of 2010,  
5 compliance”;

6 (ii) by striking paragraphs (1) and  
7 (2), and inserting the following:

8 “(1) section 8 of the Federal Deposit Insurance  
9 Act, by the appropriate Federal banking agency, as  
10 defined in section 3(q) of the Federal Deposit Insur-  
11 ance Act (12 U.S.C. 1813(q)), with respect to—

12 “(A) national banks, Federal savings asso-  
13 ciations, and Federal branches and Federal  
14 agencies of foreign banks;

15 “(B) member banks of the Federal Reserve  
16 System (other than national banks), branches  
17 and agencies of foreign banks (other than Fed-  
18 eral branches, Federal agencies, and insured  
19 State branches of foreign banks), commercial  
20 lending companies owned or controlled by for-  
21 eign banks, and organizations operating under  
22 section 25 or 25A of the Federal Reserve Act;  
23 and

24 “(C) banks and State savings associations  
25 insured by the Federal Deposit Insurance Cor-

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1           poration (other than members of the Federal  
2           Reserve System), and insured State branches of  
3           foreign banks;”;

4                   (iii) by redesignating paragraphs (3)  
5                   through (5) as paragraphs (2) through (4),  
6                   respectively;

7                   (iv) in paragraph (2) (as so redesign-  
8                   ated), by striking the period at the end  
9                   and inserting a semicolon;

10                   (v) in paragraph (3) (as so redesign-  
11                   ated), by striking “and” at the end;

12                   (vi) in paragraph (4) (as so redesign-  
13                   ated), by striking the period at the end  
14                   and inserting “and”; and

15                   (vii) by adding at the end the fol-  
16                   lowing:

17                   “(5) subtitle E of the Consumer Financial Pro-  
18                   tection Act of 2010, by the Bureau, with respect to  
19                   any person subject to this title, except that the Bu-  
20                   reau shall not have authority to enforce the require-  
21                   ments of section 920 or any regulations prescribed  
22                   by the Board under section 920.”;

23                   (B) in subsection (b), by inserting “any of  
24                   paragraphs (1) through (4) of” before “sub-  
25                   section (a)” each place that term appears; and



## 1929

1 (C) by striking subsection (c) and inserting  
2 the following:

3 “(c) OVERALL ENFORCEMENT AUTHORITY OF THE  
4 FEDERAL TRADE COMMISSION.—Except to the extent  
5 that enforcement of the requirements imposed under this  
6 title is specifically committed to some other Government  
7 agency under any of paragraphs (1) through (4) of sub-  
8 section (a), and subject to subtitle B of the Consumer Fi-  
9 nancial Protection Act of 2010, the Federal Trade Com-  
10 mission shall be authorized to enforce such requirements.  
11 For the purpose of the exercise by the Federal Trade  
12 Commission of its functions and powers under the Federal  
13 Trade Commission Act, a violation of any requirement im-  
14 posed under this title shall be deemed a violation of a re-  
15 quirement imposed under that Act. All of the functions  
16 and powers of the Federal Trade Commission under the  
17 Federal Trade Commission Act are available to the Fed-  
18 eral Trade Commission to enforce compliance by any per-  
19 son subject to the jurisdiction of the Federal Trade Com-  
20 mission with the requirements imposed under this title,  
21 irrespective of whether that person is engaged in com-  
22 merce or meets any other jurisdictional tests under the  
23 Federal Trade Commission Act.”.

1930

1 **SEC. 1085. AMENDMENTS TO THE EQUAL CREDIT OPPOR-**  
2 **TUNITY ACT.**

3 The Equal Credit Opportunity Act (15 U.S.C. 1691  
4 et seq.) is amended—

5 (1) by striking “Board” each place that term  
6 appears, other than in section 703(f) (as added by  
7 this section) and section 704(a)(4) (15 U.S.C.  
8 1691e(a)(4)), and inserting “Bureau”;

9 (2) in section 702 (15 U.S.C. 1691a), by strik-  
10 ing subsection (c) and inserting the following:

11 “(c) The term ‘Bureau’ means the Bureau of Con-  
12 sumer Financial Protection.”;

13 (3) in section 703 (15 U.S.C. 1691b)—

14 (A) by striking the section heading and in-  
15 serting the following:

16 **“SEC. 703. PROMULGATION OF REGULATIONS BY THE BU-**  
17 **REAU.”;**

18 (B) by striking “(a) REGULATIONS.—”;

19 (C) by striking subsection (b);

20 (D) by redesignating paragraphs (1)  
21 through (5) as subsections (a) through (e), re-  
22 spectively;

23 (E) in subsection (c), as so redesignated,  
24 by striking “paragraph (2)” and inserting “sub-  
25 section (b)”;

26 (F) by adding at the end the following:

## 1931

1           “(f) BOARD AUTHORITY.—Notwithstanding sub-  
2 section (a), the Board shall prescribe regulations to carry  
3 out the purposes of this title with respect to a person de-  
4 scribed in section 1029(a) of the Consumer Financial Pro-  
5 tection Act of 2010. These regulations may contain but  
6 are not limited to such classifications, differentiation, or  
7 other provision, and may provide for such adjustments and  
8 exceptions for any class of transactions, as in the judg-  
9 ment of the Board are necessary or proper to effectuate  
10 the purposes of this title, to prevent circumvention or eva-  
11 sion thereof, or to facilitate or substantiate compliance  
12 therewith.

13           “(g) DEFERENCE.—Notwithstanding any power  
14 granted to any Federal agency under this title, the def-  
15 erence that a court affords to a Federal agency with re-  
16 spect to a determination made by such agency relating to  
17 the meaning or interpretation of any provision of this title  
18 that is subject to the jurisdiction of such agency shall be  
19 applied as if that agency were the only agency authorized  
20 to apply, enforce, interpret, or administer the provisions  
21 of this title”;

22                   (4) in section 704 (15 U.S.C. 1691e)—

23                           (A) in subsection (a)—

24                                   (i) by striking “Compliance” and in-  
25                                   serting “Subject to subtitle B of the Con-

1932

1                   sumer Protection Financial Protection Act  
2                   of 2010”;

3                   (ii) by striking paragraphs (1) and (2)  
4                   and inserting the following:

5                   “(1) section 8 of the Federal Deposit Insurance  
6                   Act, by the appropriate Federal banking agency, as  
7                   defined in section 3(q) of the Federal Deposit Insur-  
8                   ance Act (12 U.S.C. 1813(q)), with respect to—

9                   “(A) national banks, Federal savings asso-  
10                  ciations, and Federal branches and Federal  
11                  agencies of foreign banks;

12                  “(B) member banks of the Federal Reserve  
13                  System (other than national banks), branches  
14                  and agencies of foreign banks (other than Fed-  
15                  eral branches, Federal agencies, and insured  
16                  State branches of foreign banks), commercial  
17                  lending companies owned or controlled by for-  
18                  eign banks, and organizations operating under  
19                  section 25 or 25A of the Federal Reserve Act;  
20                  and

21                  “(C) banks and State savings associations  
22                  insured by the Federal Deposit Insurance Cor-  
23                  poration (other than members of the Federal  
24                  Reserve System), and insured State branches of  
25                  foreign banks;”;

## 1933

1 (iii) by redesignating paragraphs (3)  
2 through (9) as paragraphs (2) through (8),  
3 respectively;

4 (iv) in paragraph (7) (as so redesign-  
5 nated), by striking “and” at the end;

6 (v) in paragraph (8) (as so redesign-  
7 nated), by striking the period at the end,  
8 and inserting “; and”; and

9 (vi) by adding at the end the fol-  
10 lowing:

11 “(9) Subtitle E of the Consumer Financial Pro-  
12 tection Act of 2010, by the Bureau, with respect to  
13 any person subject to this title.”;

14 (B) by striking subsection (c) and insert-  
15 ing the following:

16 “(c) OVERALL ENFORCEMENT AUTHORITY OF FED-  
17 ERAL TRADE COMMISSION.—Except to the extent that en-  
18 forcement of the requirements imposed under this title is  
19 specifically committed to some other Government agency  
20 under any of paragraphs (1) through (8) of subsection (a),  
21 and subject to subtitle B of the Consumer Financial Pro-  
22 tection Act of 2010, the Federal Trade Commission shall  
23 be authorized to enforce such requirements. For the pur-  
24 pose of the exercise by the Federal Trade Commission of  
25 its functions and powers under the Federal Trade Com-

## 1934

1 mission Act (15 U.S.C. 41 et seq.), a violation of any re-  
2 quirement imposed under this subchapter shall be deemed  
3 a violation of a requirement imposed under that Act. All  
4 of the functions and powers of the Federal Trade Commis-  
5 sion under the Federal Trade Commission Act are avail-  
6 able to the Federal Trade Commission to enforce compli-  
7 ance by any person with the requirements imposed under  
8 this title, irrespective of whether that person is engaged  
9 in commerce or meets any other jurisdictional tests under  
10 the Federal Trade Commission Act, including the power  
11 to enforce any rule prescribed by the Bureau under this  
12 title in the same manner as if the violation had been a  
13 violation of a Federal Trade Commission trade regulation  
14 rule.”; and

15 (C) in subsection (d), by striking “Board”  
16 and inserting “Bureau”;

17 (5) in section 706(e) (15 U.S.C. 1691e(e))—

18 (A) in the subsection heading—

19 (i) by striking “BOARD” each place  
20 that term appears and inserting “BU-  
21 REAU”; and

22 (ii) by striking “FEDERAL RESERVE  
23 SYSTEM” and inserting “BUREAU OF CON-  
24 SUMER FINANCIAL PROTECTION”; and

1935

1 (B) by striking “Federal Reserve System”  
2 and inserting “Bureau of Consumer Financial  
3 Protection”;

4 (6) in section 706(g) (15 U.S.C. 1691e(g)), by  
5 striking “(3)” and inserting “(9)”; and

6 (7) in section 706(f) (15 U.S.C. 1691e(f)), by  
7 striking “two years from” each place that term ap-  
8 pears and inserting “5 years after”.

9 **SEC. 1086. AMENDMENTS TO THE EXPEDITED FUNDS**

10 **AVAILABILITY ACT.**

11 (a) AMENDMENT TO SECTION 603.—Section  
12 603(d)(1) of the Expedited Funds Availability Act (12  
13 U.S.C. 4002) is amended by inserting after “Board” the  
14 following “, jointly with the Director of the Bureau of  
15 Consumer Financial Protection,”.

16 (b) AMENDMENTS TO SECTION 604.—Section 604 of  
17 the Expedited Funds Availability Act (12 U.S.C. 4003)  
18 is amended—

19 (1) by inserting after “Board” each place that  
20 term appears, other than in subsection (f), the fol-  
21 lowing: “, jointly with the Director of the Bureau of  
22 Consumer Financial Protection,”; and

23 (2) in subsection (f), by striking “Board.” each  
24 place that term appears and inserting the following:

## 1936

1 “Board, jointly with the Director of the Bureau of  
2 Consumer Financial Protection.”.

3 (c) AMENDMENTS TO SECTION 605.—Section 605 of  
4 the Expedited Funds Availability Act (12 U.S.C. 4004)  
5 is amended—

6 (1) by inserting after “Board” each place that  
7 term appears, other than in the heading for section  
8 605(f)(1), the following: “, jointly with the Director  
9 of the Bureau of Consumer Financial Protection,”;  
10 and

11 (2) in subsection (f)(1), in the paragraph head-  
12 ing, by inserting “AND BUREAU” after “BOARD”.

13 (d) AMENDMENTS TO SECTION 609.—Section 609 of  
14 the Expedited Funds Availability Act (12 U.S.C. 4008)  
15 is amended:

16 (1) in subsection (a), by inserting after  
17 “Board” the following “, jointly with the Director of  
18 the Bureau of Consumer Financial Protection,”; and

19 (2) by striking subsection (e) and inserting the  
20 following:

21 “(e) CONSULTATIONS.—In prescribing regulations  
22 under subsections (a) and (b), the Board and the Director  
23 of the Bureau of Consumer Financial Protection, in the  
24 case of subsection (a), and the Board, in the case of sub-  
25 section (b), shall consult with the Comptroller of the Cur-



## 1937

1 rency, the Board of Directors of the Federal Deposit In-  
2 surance Corporation, and the National Credit Union Ad-  
3 ministration Board.”.

4 (e) EXPEDITED FUNDS AVAILABILITY IMPROVE-  
5 MENTS.—Section 603 of the Expedited Funds Availability  
6 Act (12 U.S.C. 4002) is amended—

7 (1) in subsection (a)(2)(D), by striking “\$100”  
8 and inserting “\$200”; and

9 (2) in subsection (b)(3)(C), in the subpara-  
10 graph heading, by striking “\$100” and inserting  
11 “\$200”; and

12 (3) in subsection (c)(1)(B)(iii), in the clause  
13 heading, by striking “\$100” and inserting “\$200”.

14 (f) REGULAR ADJUSTMENTS FOR INFLATION.—Sec-  
15 tion 607 of the Expedited Funds Availability Act (12  
16 U.S.C. 4006) is amended by adding at the end the fol-  
17 lowing:

18 “(f) ADJUSTMENTS TO DOLLAR AMOUNTS FOR IN-  
19 FLATION.—The dollar amounts under this title shall be  
20 adjusted every 5 years after December 31, 2011, by the  
21 annual percentage increase in the Consumer Price Index  
22 for Urban Wage Earners and Clerical Workers, as pub-  
23 lished by the Bureau of Labor Statistics, rounded to the  
24 nearest multiple of \$25.”.

1938

1 **SEC. 1087. AMENDMENTS TO THE FAIR CREDIT BILLING**  
2 **ACT.**

3 The Fair Credit Billing Act (15 U.S.C. 1666–1666j)  
4 is amended by striking “Board” each place that term ap-  
5 pears, other than in section 105(i) (as added by this sub-  
6 title) and inserting “Bureau”.

7 **SEC. 1088. AMENDMENTS TO THE FAIR CREDIT REPORTING**  
8 **ACT AND THE FAIR AND ACCURATE CREDIT**  
9 **TRANSACTIONS ACT OF 2003.**

10 (a) FAIR CREDIT REPORTING ACT.—The Fair Credit  
11 Reporting Act (15 U.S.C. 1681 et seq.) is amended—

12 (1) in section 603 (15 U.S.C. 1681a)—

13 (A) by redesignating subsections (w) and  
14 (x) as subsections (x) and (y), respectively; and

15 (B) by inserting after subsection (v) the  
16 following:

17 “(w) The term ‘Bureau’ means the Bureau of Con-  
18 sumer Financial Protection.”; and

19 (2) except as otherwise specifically provided in  
20 this subsection—

21 (A) by striking “Federal Trade Commis-  
22 sion” each place that term appears and insert-  
23 ing “Bureau”;

24 (B) by striking “FTC” each place that  
25 term appears and inserting “Bureau”;

## 1939

1 (C) by striking “the Commission” each  
2 place that term appears, other than sections  
3 615(e) (15 U.S.C. 1681m(e)) and 628(a)(1)  
4 (15 U.S.C. 1681w(a)(1)), and inserting “the  
5 Bureau”; and

6 (D) by striking “The Federal banking  
7 agencies, the National Credit Union Adminis-  
8 tration, and the Commission shall jointly” each  
9 place that term appears, other than section  
10 615(e)(1) (15 U.S.C. 1681m(e)) and section  
11 628(a)(1) (15 U.S.C. 1681w(a)(1)), and insert-  
12 ing “The Bureau shall”;

13 (3) in section 603(k)(2) (15 U.S.C.  
14 1681a(k)(2)), by striking “Board of Governors of  
15 the Federal Reserve System” and inserting “Bu-  
16 reau”;

17 (4) in section 604(g) (15 U.S.C. 1681b(g))—

18 (A) in paragraph (3), by striking subpara-  
19 graph (C) and inserting the following:

20 “(C) as otherwise determined to be nec-  
21 essary and appropriate, by regulation or order,  
22 by the Bureau or the applicable State insurance  
23 authority (with respect to any person engaged  
24 in providing insurance or annuities).”; and

1940

1 (B) by striking paragraph (5) and insert-  
2 ing the following:

3 “(5) REGULATIONS AND EFFECTIVE DATE FOR  
4 PARAGRAPH (2).—

5 “(A) REGULATIONS REQUIRED.—The Bu-  
6 reau may, after notice and opportunity for com-  
7 ment, prescribe regulations that permit trans-  
8 actions under paragraph (2) that are deter-  
9 mined to be necessary and appropriate to pro-  
10 tect legitimate operational, transactional, risk,  
11 consumer, and other needs (and which shall in-  
12 clude permitting actions necessary for adminis-  
13 trative verification purposes), consistent with  
14 the intent of paragraph (2) to restrict the use  
15 of medical information for inappropriate pur-  
16 poses.”;

17 (5) in section 605(h)(2)(A) (15 U.S.C.  
18 1681e(h)(2)(A)), by striking “with respect to the en-  
19 tities that are subject to their respective enforcement  
20 authority under section 621” and inserting “, in  
21 consultation with the Federal banking agencies, the  
22 National Credit Union Administration, and the Fed-  
23 eral Trade Commission,”.

## 1941

1           (6) in section 611(e)(2) (15 U.S.C. 1681i(e)),  
2           by striking paragraph (2) and inserting the fol-  
3           lowing:

4           “(2) EXCLUSION.—Complaints received or ob-  
5           tained by the Bureau pursuant to its investigative  
6           authority under the Consumer Financial Protection  
7           Act of 2010 shall not be subject to paragraph (1).”;

8           (7) in section 615(d)(2)(B) (15 U.S.C.  
9           1681m(d)(2)(B)), by striking “the Federal banking  
10          agencies” and inserting “the Federal Trade Com-  
11          mission, the Federal banking agencies,”;

12          (8) in section 615(e)(1) (15 U.S.C.  
13          1681m(e)(1)), by striking “and the Commission”  
14          and inserting “the Federal Trade Commission, the  
15          Commodity Futures Trading Commission, and the  
16          Securities and Exchange Commission”;

17          (9) in section 615(h)(6) (15 U.S.C.  
18          1681m(h)(6)), by striking subparagraph (A) and in-  
19          serting the following:

20                 “(A) RULES REQUIRED.—The Bureau  
21                 shall prescribe rules to carry out this sub-  
22                 section.”;

23          (10) in section 621 (15 U.S.C. 1681s)—

24                 (A) by striking subsection (a) and insert-  
25                 ing the following:

1942

1       “(a) ENFORCEMENT BY FEDERAL TRADE COMMIS-  
2 SION.—

3           “(1) IN GENERAL.—The Federal Trade Com-  
4 mission shall be authorized to enforce compliance  
5 with the requirements imposed by this title under  
6 the Federal Trade Commission Act (15 U.S.C. 41 et  
7 seq.), with respect to consumer reporting agencies  
8 and all other persons subject thereto, except to the  
9 extent that enforcement of the requirements imposed  
10 under this title is specifically committed to some  
11 other Government agency under any of subpara-  
12 graphs (A) through (G) of subsection (b)(1), and  
13 subject to subtitle B of the Consumer Financial Pro-  
14 tection Act of 2010, subsection (b). For the purpose  
15 of the exercise by the Federal Trade Commission of  
16 its functions and powers under the Federal Trade  
17 Commission Act, a violation of any requirement or  
18 prohibition imposed under this title shall constitute  
19 an unfair or deceptive act or practice in commerce,  
20 in violation of section 5(a) of the Federal Trade  
21 Commission Act (15 U.S.C. 45(a)), and shall be  
22 subject to enforcement by the Federal Trade Com-  
23 mission under section 5(b) of that Act with respect  
24 to any consumer reporting agency or person that is  
25 subject to enforcement by the Federal Trade Com-

## 1943

1 mission pursuant to this subsection, irrespective of  
2 whether that person is engaged in commerce or  
3 meets any other jurisdictional tests under the Fed-  
4 eral Trade Commission Act. The Federal Trade  
5 Commission shall have such procedural, investiga-  
6 tive, and enforcement powers, including the power to  
7 issue procedural rules in enforcing compliance with  
8 the requirements imposed under this title and to re-  
9 quire the filing of reports, the production of docu-  
10 ments, and the appearance of witnesses, as though  
11 the applicable terms and conditions of the Federal  
12 Trade Commission Act were part of this title. Any  
13 person violating any of the provisions of this title  
14 shall be subject to the penalties and entitled to the  
15 privileges and immunities provided in the Federal  
16 Trade Commission Act as though the applicable  
17 terms and provisions of such Act are part of this  
18 title.

19 “(2) PENALTIES.—

20 “(A) KNOWING VIOLATIONS.—Except as  
21 otherwise provided by subtitle B of the Con-  
22 sumer Financial Protection Act of 2010, in the  
23 event of a knowing violation, which constitutes  
24 a pattern or practice of violations of this title,  
25 the Federal Trade Commission may commence

## 1944

1 a civil action to recover a civil penalty in a dis-  
2 trict court of the United States against any  
3 person that violates this title. In such action,  
4 such person shall be liable for a civil penalty of  
5 not more than \$2,500 per violation.

6 “(B) DETERMINING PENALTY AMOUNT.—  
7 In determining the amount of a civil penalty  
8 under subparagraph (A), the court shall take  
9 into account the degree of culpability, any his-  
10 tory of such prior conduct, ability to pay, effect  
11 on ability to continue to do business, and such  
12 other matters as justice may require.

13 “(C) LIMITATION.—Notwithstanding para-  
14 graph (2), a court may not impose any civil  
15 penalty on a person for a violation of section  
16 623(a)(1), unless the person has been enjoined  
17 from committing the violation, or ordered not to  
18 commit the violation, in an action or proceeding  
19 brought by or on behalf of the Federal Trade  
20 Commission, and has violated the injunction or  
21 order, and the court may not impose any civil  
22 penalty for any violation occurring before the  
23 date of the violation of the injunction or  
24 order.”;



1945

1 (B) by striking subsection (b) and insert-  
2 ing the following:

3 “(b) ENFORCEMENT BY OTHER AGENCIES.—

4 “(1) IN GENERAL.—Subject to subtitle B of the  
5 Consumer Financial Protection Act of 2010, compli-  
6 ance with the requirements imposed under this title  
7 with respect to consumer reporting agencies, persons  
8 who use consumer reports from such agencies, per-  
9 sons who furnish information to such agencies, and  
10 users of information that are subject to section  
11 615(d) shall be enforced under—

12 “(A) section 8 of the Federal Deposit In-  
13 surance Act (12 U.S.C. 1818), by the appro-  
14 priate Federal banking agency, as defined in  
15 section 3(q) of the Federal Deposit Insurance  
16 Act (12 U.S.C. 1813(q)), with respect to—

17 “(i) any national bank or State sav-  
18 ings association, and any Federal branch  
19 or Federal agency of a foreign bank;

20 “(ii) any member bank of the Federal  
21 Reserve System (other than a national  
22 bank), a branch or agency of a foreign  
23 bank (other than a Federal branch, Fed-  
24 eral agency, or insured State branch of a  
25 foreign bank), a commercial lending com-

1946

1           pany owned or controlled by a foreign  
2           bank, and any organization operating  
3           under section 25 or 25A of the Federal  
4           Reserve Act; and

5                   “(iii) any bank or Federal savings as-  
6                   sociation insured by the Federal Deposit  
7                   Insurance Corporation (other than a mem-  
8                   ber of the Federal Reserve System) and  
9                   any insured State branch of a foreign  
10                  bank;

11                   “(B) the Federal Credit Union Act (12  
12                   U.S.C. 1751 et seq.), by the Administrator of  
13                   the National Credit Union Administration with  
14                   respect to any Federal credit union;

15                   “(C) subtitle IV of title 49, United States  
16                   Code, by the Secretary of Transportation, with  
17                   respect to all carriers subject to the jurisdiction  
18                   of the Surface Transportation Board;

19                   “(D) the Federal Aviation Act of 1958 (49  
20                   U.S.C. App. 1301 et seq.), by the Secretary of  
21                   Transportation, with respect to any air carrier  
22                   or foreign air carrier subject to that Act;

23                   “(E) the Packers and Stockyards Act,  
24                   1921 (7 U.S.C. 181 et seq.) (except as provided  
25                   in section 406 of that Act), by the Secretary of

1947

1 Agriculture, with respect to any activities sub-  
2 ject to that Act;

3 “(F) the Commodity Exchange Act, with  
4 respect to a person subject to the jurisdiction of  
5 the Commodity Futures Trading Commission;

6 “(G) the Federal securities laws, and any  
7 other laws that are subject to the jurisdiction of  
8 the Securities and Exchange Commission, with  
9 respect to a person that is subject to the juris-  
10 diction of the Securities and Exchange Commis-  
11 sion; and

12 “(H) subtitle E of the Consumer Financial  
13 Protection Act of 2010, by the Bureau, with re-  
14 spect to any person subject to this title.

15 “(2) INCORPORATED DEFINITIONS.—The terms  
16 used in paragraph (1) that are not defined in this  
17 title or otherwise defined in section 3(s) of the Fed-  
18 eral Deposit Insurance Act (12 U.S.C. 1813(s)) have  
19 the same meanings as in section 1(b) of the Inter-  
20 national Banking Act of 1978 (12 U.S.C. 3101).”;

21 (C) in subsection (c)(2)—

22 (i) by inserting “and the Federal  
23 Trade Commission” before “or the appro-  
24 priate”; and

1948

1 (ii) by inserting “and the Federal  
2 Trade Commission” before “or appro-  
3 priate” each place that term appears;

4 (D) in subsection (c)(4), by inserting be-  
5 fore “or the appropriate” each place that term  
6 appears the following: “, the Federal Trade  
7 Commission,”;

8 (E) by striking subsection (e) and insert-  
9 ing the following:

10 “(e) REGULATORY AUTHORITY.—

11 “(1) IN GENERAL.—The Bureau shall prescribe  
12 such regulations as are necessary to carry out the  
13 purposes of this title, except with respect to sections  
14 615(e) and 628. The Bureau may prescribe regula-  
15 tions as may be necessary or appropriate to admin-  
16 ister and carry out the purposes and objectives of  
17 this title, and to prevent evasions thereof or to facili-  
18 tate compliance therewith. Except as provided in  
19 section 1029(a) of the Consumer Financial Protec-  
20 tion Act of 2010, the regulations prescribed by the  
21 Bureau under this title shall apply to any person  
22 that is subject to this title, notwithstanding the en-  
23 forcement authorities granted to other agencies  
24 under this section.



1950

1 comply with subparagraph (A), which shall  
2 not exceed 30 words.

3 “(ii) USE OF MODEL NOT RE-  
4 QUIRED.—No provision of this paragraph  
5 may be construed to require a financial in-  
6 stitution to use any such model form pre-  
7 scribed by the Bureau.

8 “(iii) COMPLIANCE USING MODEL.—A  
9 financial institution shall be deemed to be  
10 in compliance with subparagraph (A) if the  
11 financial institution uses any model form  
12 prescribed by the Bureau under this sub-  
13 paragraph, or the financial institution uses  
14 any such model form and rearranges its  
15 format.”;

16 (B) in subsection (a)(8), by inserting “, in  
17 consultation with the Federal Trade Commis-  
18 sion, the Federal banking agencies, and the Na-  
19 tional Credit Union Administration,” before  
20 “shall jointly”; and

21 (C) by striking subsection (e) and inserting  
22 the following:

23 “(e) ACCURACY GUIDELINES AND REGULATIONS RE-  
24 QUIRED.—

## 1951

1           “(1) GUIDELINES.—The Bureau shall, with re-  
2           spect to persons or entities that are subject to the  
3           enforcement authority of the Bureau under section  
4           621—

5                   “(A) establish and maintain guidelines for  
6                   use by each person that furnishes information  
7                   to a consumer reporting agency regarding the  
8                   accuracy and integrity of the information relat-  
9                   ing to consumers that such entities furnish to  
10                  consumer reporting agencies, and update such  
11                  guidelines as often as necessary; and

12                   “(B) prescribe regulations requiring each  
13                   person that furnishes information to a con-  
14                   sumer reporting agency to establish reasonable  
15                   policies and procedures for implementing the  
16                   guidelines established pursuant to subpara-  
17                   graph (A).

18           “(2) CRITERIA.—In developing the guidelines  
19           required by paragraph (1)(A), the Bureau shall—

20                   “(A) identify patterns, practices, and spe-  
21                   cific forms of activity that can compromise the  
22                   accuracy and integrity of information furnished  
23                   to consumer reporting agencies;

24                   “(B) review the methods (including techno-  
25                   logical means) used to furnish information re-

1952

1           lating to consumers to consumer reporting  
2           agencies;

3           “(C) determine whether persons that fur-  
4           nish information to consumer reporting agen-  
5           cies maintain and enforce policies to ensure the  
6           accuracy and integrity of information furnished  
7           to consumer reporting agencies; and

8           “(D) examine the policies and processes  
9           that persons that furnish information to con-  
10          sumer reporting agencies employ to conduct re-  
11          investigations and correct inaccurate informa-  
12          tion relating to consumers that has been fur-  
13          nished to consumer reporting agencies.”;

14          (12) in section 628(a)(1) (15 U.S.C.  
15          1681w(a)(1)), by striking “Not later than” and all  
16          that follows through “Exchange Commission,” and  
17          inserting “The Federal Trade Commission, the Se-  
18          curities and Exchange Commission, the Commodity  
19          Futures Trading Commission, the Federal banking  
20          agencies, and the National Credit Union Administra-  
21          tion, with respect to the entities that are subject to  
22          their respective enforcement authority under section  
23          621,”; and

24          (13) in section 628(a)(3) (15 U.S.C.  
25          1681w(a)(3)), by striking “the Federal banking



## 1953

1 agencies, the National Credit Union Administration,  
2 the Commission, and the Securities and Exchange  
3 Commission” and inserting “the agencies identified  
4 in paragraph (1)”.

5 (b) FAIR AND ACCURATE CREDIT TRANSACTIONS  
6 ACT OF 2003.—The Fair and Accurate Credit Trans-  
7 actions Act of 2003 (Public Law 108–159) is amended—

8 (1) in section 112(b) (15 U.S.C. 1681e–1 note),  
9 by striking “Commission” and inserting “Bureau”;

10 (2) in section 211(d) (15 U.S.C. 1681j note),  
11 by striking “Commission” each place that term ap-  
12 pears and inserting “Bureau”;

13 (3) in section 214(b) (15 U.S.C. 1681s–3 note),  
14 by striking paragraph (1) and inserting the fol-  
15 lowing:

16 “(1) IN GENERAL.—Regulations to carry out  
17 section 624 of the Fair Credit Reporting Act (15  
18 U.S.C. 1681s–3), shall be prescribed, as described in  
19 paragraph (2), by—

20 “(A) the Commodity Futures Trading  
21 Commission, with respect to entities subject to  
22 its enforcement authorities;

23 “(B) the Securities and Exchange Commis-  
24 sion, with respect to entities subject to its en-  
25 forcement authorities; and

1954

1           “(C) the Bureau, with respect to other en-  
2           tities subject to this Act.”; and  
3           (4) in section 214(e)(1) (15 U.S.C. 1681s-3  
4           note), by striking “Commission” and inserting “Bu-  
5           reau”.

6 **SEC. 1089. AMENDMENTS TO THE FAIR DEBT COLLECTION**  
7 **PRACTICES ACT.**

8           The Fair Debt Collection Practices Act (15 U.S.C.  
9 1692 et seq.) is amended—

10           (1) by striking “Commission” each place that  
11           term appears and inserting “Bureau”;

12           (2) in section 803 (15 U.S.C. 1692a)—

13                   (A) by striking paragraph (1) and insert-  
14           ing the following:

15                   “(1) The term ‘Bureau’ means the Bureau of  
16           Consumer Financial Protection.”;

17           (3) in section 814 (15 U.S.C. 1692l)—

18                   (A) by striking subsection (a) and insert-  
19           ing the following:

20           “(a) FEDERAL TRADE COMMISSION.—The Federal  
21 Trade Commission shall be authorized to enforce compli-  
22 ance with this title, except to the extent that enforcement  
23 of the requirements imposed under this title is specifically  
24 committed to another Government agency under any of  
25 paragraphs (1) through (5) of subsection (b), subject to

## 1955

1 subtitle B of the Consumer Financial Protection Act of  
2 2010. For purpose of the exercise by the Federal Trade  
3 Commission of its functions and powers under the Federal  
4 Trade Commission Act (15 U.S.C. 41 et seq.), a violation  
5 of this title shall be deemed an unfair or deceptive act  
6 or practice in violation of that Act. All of the functions  
7 and powers of the Federal Trade Commission under the  
8 Federal Trade Commission Act are available to the Fed-  
9 eral Trade Commission to enforce compliance by any per-  
10 son with this title, irrespective of whether that person is  
11 engaged in commerce or meets any other jurisdictional  
12 tests under the Federal Trade Commission Act, including  
13 the power to enforce the provisions of this title, in the  
14 same manner as if the violation had been a violation of  
15 a Federal Trade Commission trade regulation rule.”; and

16 (B) in subsection (b)—

17 (i) by striking “Compliance” and in-  
18 sserting “Subject to subtitle B of the Con-  
19 sumer Financial Protection Act of 2010,  
20 compliance”;

21 (ii) by striking paragraphs (1) and (2)  
22 and inserting the following:

23 “(1) section 8 of the Federal Deposit Insurance  
24 Act, by the appropriate Federal banking agency, as

1956

1 defined in section 3(q) of the Federal Deposit Insur-  
2 ance Act (12 U.S.C. 1813(q)), with respect to—

3 “(A) national banks, Federal savings asso-  
4 ciations, and Federal branches and Federal  
5 agencies of foreign banks;

6 “(B) member banks of the Federal Reserve  
7 System (other than national banks), branches  
8 and agencies of foreign banks (other than Fed-  
9 eral branches, Federal agencies, and insured  
10 State branches of foreign banks), commercial  
11 lending companies owned or controlled by for-  
12 eign banks, and organizations operating under  
13 section 25 or 25A of the Federal Reserve Act;  
14 and

15 “(C) banks and State savings associations  
16 insured by the Federal Deposit Insurance Cor-  
17 poration (other than members of the Federal  
18 Reserve System), and insured State branches of  
19 foreign banks;”;

20 (iii) by redesignating paragraphs (3)  
21 through (6), as paragraphs (2) through  
22 (5), respectively;

23 (iv) in paragraph (4) (as so redesi-  
24 gnated), by striking “and” at the end;

1957

1 (v) in paragraph (5) (as so redesignated), by striking the period at the end  
2 and inserting “; and”; and  
3

4 (vi) by inserting before the undesignated matter at the end the following:  
5

6 “(6) subtitle E of the Consumer Financial Protection Act of 2010, by the Bureau, with respect to  
7 any person subject to this title.”  
8

9 (4) in subsection (d), by striking “Neither the  
10 Commission” and all that follows through the end of  
11 the subsection and inserting the following: “Except  
12 as provided in section 1029(a) of the Consumer Financial Protection Act of 2010, the Bureau may  
13 prescribe rules with respect to the collection of debts  
14 by debt collectors, as defined in this title.”  
15

16 **SEC. 1090. AMENDMENTS TO THE FEDERAL DEPOSIT IN-**  
17 **SURANCE ACT.**

18 The Federal Deposit Insurance Act (12 U.S.C. 1811  
19 et seq.) is amended—

20 (1) in section 8(t) (12 U.S.C. 1818(t)), by adding at the end the following:  
21

22 “(6) REFERRAL TO BUREAU OF CONSUMER FINANCIAL PROTECTION.—Subject to subtitle B of the  
23 Consumer Financial Protection Act of 2010, each  
24 appropriate Federal banking agency shall make a re-  
25

1958

1 ferral to the Bureau of Consumer Financial Protec-  
2 tion when the Federal banking agency has a reason-  
3 able belief that a violation of an enumerated con-  
4 sumer law, as defined in the Consumer Financial  
5 Protection Act of 2010, has been committed by any  
6 insured depository institution or institution-affiliated  
7 party within the jurisdiction of that appropriate  
8 Federal banking agency.”; and

9 (2) in section 43 (12 U.S.C. 1831t)—

10 (A) in subsection (c), by striking “Federal  
11 Trade Commission” and inserting “Bureau”;

12 (B) in subsection (d), by striking “Federal  
13 Trade Commission” and inserting “Bureau”;

14 (C) in subsection (e)—

15 (i) in paragraph (2), by striking  
16 “Federal Trade Commission” and insert-  
17 ing “Bureau”; and

18 (ii) by adding at the end the following  
19 new paragraph:

20 “(5) BUREAU.—The term ‘Bureau’ means the  
21 Bureau of Consumer Financial Protection.”; and

22 (D) in subsection (f)—

23 (i) by striking paragraph (1) and in-  
24 serting the following:

## 1959

1           “(1) LIMITED ENFORCEMENT AUTHORITY.—  
2           Compliance with the requirements of subsections (b),  
3           (c), and (e), and any regulation prescribed or order  
4           issued under such subsection, shall be enforced  
5           under the Consumer Financial Protection Act of  
6           2010, by the Bureau, subject to subtitle B of the  
7           Consumer Financial Protection Act of 2010, and  
8           under the Federal Trade Commission Act (15  
9           U.S.C. 41 et seq.) by the Federal Trade Commis-  
10          sion.”; and

11                       (ii) in paragraph (2), by striking sub-  
12                       paragraph (C) and inserting the following:

13                       “(C) LIMITATION ON STATE ACTION  
14                       WHILE FEDERAL ACTION PENDING.—If the Bu-  
15                       reau or Federal Trade Commission has insti-  
16                       tuted an enforcement action for a violation of  
17                       this section, no appropriate State supervisory  
18                       agency may, during the pendency of such ac-  
19                       tion, bring an action under this section against  
20                       any defendant named in the complaint of the  
21                       Bureau or Federal Trade Commission for any  
22                       violation of this section that is alleged in that  
23                       complaint.”.

1960

1 **SEC. 1091. AMENDMENT TO FEDERAL FINANCIAL INSTITU-**  
2 **TIONS EXAMINATION COUNCIL ACT OF 1978.**

3 Section 1004(a)(4) of the Federal Financial Institu-  
4 tions Examination Council Act of 1978 (12 U.S.C.  
5 3303(a)(4)) is amended by striking “Director, Office of  
6 Thrift Supervision” and inserting “Director of the Con-  
7 sumer Financial Protection Bureau”.

8 **SEC. 1092. AMENDMENTS TO THE FEDERAL TRADE COM-**  
9 **MISSION ACT.**

10 Section 18(f) of the Federal Trade Commission Act  
11 (15 U.S.C. 57a(f)) is amended—

12 (1) by striking the subsection heading and in-  
13 serting the following:

14 “(f) DEFINITIONS OF BANKS, SAVINGS AND LOAN  
15 INSTITUTIONS, AND FEDERAL CREDIT UNIONS.—”.

16 (2) by striking paragraph (1) and inserting the  
17 following:

18 “(1) [Repealed.]”;

19 (3) by striking paragraphs (5) through (7);

20 (4) in paragraph (2)—

21 (A) by striking “(2) ENFORCEMENT” and  
22 all that follows through “in the case of” and in-  
23 serting the following:

24 “(2) DEFINITION.—For purposes of this Act,  
25 the term ‘bank’ means”;



## 1961

1 (B) in subparagraph (A), by striking “, by  
2 the division” and all that follows through “Cur-  
3 rency”;

4 (C) in subparagraph (B)—

5 (i) by striking “, by the division” and  
6 all that follows through “System”; and

7 (ii) by striking “25(a)” and inserting  
8 “25A”; and

9 (D) in subparagraph (C)—

10 (i) by striking “(other” and inserting  
11 “(other than”; and

12 (ii) by striking “, by the division” and  
13 all that follows through “Corporation”;

14 (5) in paragraph (3), by striking “Compliance”  
15 and all that follows through “as defined in” and in-  
16 serting the following: “For purposes of this Act, the  
17 term “savings and loan institution” has the same  
18 meaning as in”; and

19 (6) in paragraph (4), by striking “Compliance”  
20 and all that follows through “credit unions under”  
21 and inserting the following: “For purposes of this  
22 Act, the term “Federal credit union” has the same  
23 meaning as in”.

1962

1 **SEC. 1093. AMENDMENTS TO THE GRAMM-LEACH-BLILEY**  
2 **ACT.**

3 Title V of the Gramm-Leach-Bliley Act (15 U.S.C.  
4 6801 et seq.) is amended—

5 (1) in section 501(b) (15 U.S.C. 6801(b)), by  
6 inserting “, other than the Bureau of Consumer Fi-  
7 nancial Protection,” after “505(a)”;

8 (2) in section 502(e)(5) (15 U.S.C. 6802(e)(5)),  
9 by inserting “the Bureau of Consumer Financial  
10 Protection” after “(including”;

11 (3) in section 504(a) (15 U.S.C. 6804(a))—

12 (A) by striking paragraphs (1) and (2) and  
13 inserting the following:

14 “(1) RULEMAKING.—

15 “(A) IN GENERAL.—Except as provided in  
16 subparagraph (C), the Bureau of Consumer Fi-  
17 nancial Protection and the Securities and Ex-  
18 change Commission shall have authority to pre-  
19 scribe such regulations as may be necessary to  
20 carry out the purposes of this subtitle with re-  
21 spect to financial institutions and other persons  
22 subject to their respective jurisdiction under  
23 section 505 (and notwithstanding subtitle B of  
24 the Consumer Financial Protection Act of  
25 2010), except that the Bureau of Consumer Fi-  
26 nancial Protection shall not have authority to

1963

1           prescribe regulations with respect to the stand-  
2           ards under section 501.

3           “(B) CFTC.—The Commodity Futures  
4           Trading Commission shall have authority to  
5           prescribe such regulations as may be necessary  
6           to carry out the purposes of this subtitle with  
7           respect to financial institutions and other per-  
8           sons subject to the jurisdiction of the Com-  
9           modity Futures Trading Commission under sec-  
10          tion 5g of the Commodity Exchange Act.

11          “(C) FEDERAL TRADE COMMISSION AU-  
12          THORITY.—Notwithstanding the authority of  
13          the Bureau of Consumer Financial Protection  
14          under subparagraph (A), the Federal Trade  
15          Commission shall have authority to prescribe  
16          such regulations as may be necessary to carry  
17          out the purposes of this subtitle with respect to  
18          any financial institution that is a person de-  
19          scribed in section 1029(a) of the Consumer Fi-  
20          nancial Protection Act of 2010.

21          “(D) RULE OF CONSTRUCTION.—Nothing  
22          in this paragraph shall be construed to alter,  
23          affect, or otherwise limit the authority of a  
24          State insurance authority to adopt regulations  
25          to carry out this subtitle.

1964

1           “(2) COORDINATION, CONSISTENCY, AND COM-  
2           PARABILITY.—Each of the agencies authorized  
3           under paragraph (1) to prescribe regulations shall  
4           consult and coordinate with the other such agencies  
5           and, as appropriate, and with representatives of  
6           State insurance authorities designated by the Na-  
7           tional Association of Insurance Commissioners, for  
8           the purpose of assuring, to the extent possible, that  
9           the regulations prescribed by each such agency are  
10          consistent and comparable with the regulations pre-  
11          scribed by the other such agencies.”; and

12                   (B) in paragraph (3), by striking “, and  
13                   shall be issued in final form not later than 6  
14                   months after the date of enactment of this  
15                   Act”;

16           (4) in section 505(a) (15 U.S.C. 6805(a))—

17                   (A) by striking “This subtitle” and all that  
18                   follows through “as follows:” and inserting  
19                   “Subject to subtitle B of the Consumer Finan-  
20                   cial Protection Act of 2010, this subtitle and  
21                   the regulations prescribed thereunder shall be  
22                   enforced by the Bureau of Consumer Financial  
23                   Protection, the Federal functional regulators,  
24                   the State insurance authorities, and the Federal  
25                   Trade Commission with respect to financial in-

1965

1           stitutions and other persons subject to their ju-  
2           risdiction under applicable law, as follows:”;

3                   (B) in paragraph (1)—

4                           (i) in the matter preceding subpara-  
5                           graph (A), by inserting “by the appro-  
6                           priate Federal banking agency, as defined  
7                           in section 3(q) of the Federal Deposit In-  
8                           surance Act,” after “Act,”;

9                           (ii) in subparagraph (A), by striking  
10                           “, by the Office of the Comptroller of the  
11                           Currency”;

12                           (iii) in subparagraph (B), by striking  
13                           “, by the Board of Governors of the Fed-  
14                           eral Reserve System”;

15                           (iv) in subparagraph (C), by striking  
16                           “, by the Board of Directors of the Federal  
17                           Deposit Insurance Corporation”; and

18                           (v) in subparagraph (D), by striking  
19                           “, by the Director of the Office of Thrift  
20                           Supervision”; and

21                   (C) by adding at the end the following:

22                           “(8) Under subtitle E of the Consumer Finan-  
23                           cial Protection Act of 2010, by the Bureau of Con-  
24                           sumer Financial Protection, in the case of any finan-  
25                           cial institution and other covered person or service

1966

1 provider that is subject to the jurisdiction of the Bu-  
2 reau and any person subject to this subtitle, but not  
3 with respect to the standards under section 501.”;

4 (5) in section 505(b)(1) (15 U.S.C.  
5 6805(b)(1)), by inserting “, other than the Bureau  
6 of Consumer Financial Protection,” after “sub-  
7 section (a)”;

8 (6) in section 507(b) (15 U.S.C. 6807), by  
9 striking “Federal Trade Commission” and inserting  
10 “Bureau of Consumer Financial Protection”.

11 **SEC. 1094. AMENDMENTS TO THE HOME MORTGAGE DIS-**  
12 **CLOSURE ACT OF 1975.**

13 The Home Mortgage Disclosure Act of 1975 (12  
14 U.S.C. 2801 et seq.) is amended—

15 (1) by striking “Board” each place that term  
16 appears, other than in sections 303, 304(h), 305(b)  
17 (as amended by this section), and 307(a) (as amend-  
18 ed by this section) and inserting “Bureau”.

19 (2) in section 303 (12 U.S.C. 2802)—

20 (A) by redesignating paragraphs (1)  
21 through (6) as paragraphs (2) through (7), re-  
22 spectively; and

23 (B) by inserting before paragraph (2) the  
24 following:

1967

1 “(1) the term ‘Bureau’ means the Bureau of  
2 Consumer Financial Protection;”;

3 (3) in section 304 (12 U.S.C. 2803)—

4 (A) in subsection (b)—

5 (i) in paragraph (4), by inserting  
6 “age,” before “and gender”;

7 (ii) in paragraph (3), by striking  
8 “and” at the end;

9 (iii) in paragraph (4), by striking the  
10 period at the end and inserting a semi-  
11 colon; and

12 (iv) by adding at the end the fol-  
13 lowing:

14 “(5) the number and dollar amount of mort-  
15 gage loans grouped according to measurements of—

16 “(A) the total points and fees payable at  
17 origination in connection with the mortgage as  
18 determined by the Bureau, taking into account  
19 15 U.S.C. 1602(aa)(4);

20 “(B) the difference between the annual  
21 percentage rate associated with the loan and a  
22 benchmark rate or rates for all loans;

23 “(C) the term in months of any prepay-  
24 ment penalty or other fee or charge payable on  
25 repayment of some portion of principal or the

1968

1 entire principal in advance of scheduled pay-  
2 ments; and

3 “(D) such other information as the Bureau  
4 may require; and

5 “(6) the number and dollar amount of mort-  
6 gage loans and completed applications grouped ac-  
7 cording to measurements of—

8 “(A) the value of the real property pledged  
9 or proposed to be pledged as collateral;

10 “(B) the actual or proposed term in  
11 months of any introductory period after which  
12 the rate of interest may change;

13 “(C) the presence of contractual terms or  
14 proposed contractual terms that would allow the  
15 mortgagor or applicant to make payments other  
16 than fully amortizing payments during any por-  
17 tion of the loan term;

18 “(D) the actual or proposed term in  
19 months of the mortgage loan;

20 “(E) the channel through which applica-  
21 tion was made, including retail, broker, and  
22 other relevant categories;

23 “(F) as the Bureau may determine to be  
24 appropriate, a unique identifier that identifies  
25 the loan originator as set forth in section 1503



1969

1 of the S.A.F.E. Mortgage Licensing Act of  
2 2008;

3 “(G) as the Bureau may determine to be  
4 appropriate, a universal loan identifier;

5 “(H) as the Bureau may determine to be  
6 appropriate, the parcel number that cor-  
7 responds to the real property pledged or pro-  
8 posed to be pledged as collateral;

9 “(I) the credit score of mortgage appli-  
10 cants and mortgagors, in such form as the Bu-  
11 reau may prescribe; and

12 “(J) such other information as the Bureau  
13 may require.”;

14 (B) by striking subsection (h) and insert-  
15 ing the following:

16 “(h) SUBMISSION TO AGENCIES.—

17 “(1) IN GENERAL.—The data required to be  
18 disclosed under subsection (b) shall be submitted to  
19 the Bureau or to the appropriate agency for the in-  
20 stitution reporting under this title, in accordance  
21 with rules prescribed by the Bureau. Notwith-  
22 standing the requirement of subsection (a)(2)(A) for  
23 disclosure by census tract, the Bureau, in consulta-  
24 tion with other appropriate agencies described in

1970

1 paragraph (2) and, after notice and comment, shall  
2 develop regulations that—

3 “(A) prescribe the format for such disclo-  
4 sures, the method for submission of the data to  
5 the appropriate agency, and the procedures for  
6 disclosing the information to the public;

7 “(B) require the collection of data required  
8 to be disclosed under subsection (b) with re-  
9 spect to loans sold by each institution reporting  
10 under this title;

11 “(C) require disclosure of the class of the  
12 purchaser of such loans;

13 “(D) permit any reporting institution to  
14 submit in writing to the Bureau or to the ap-  
15 propriate agency such additional data or expla-  
16 nations as it deems relevant to the decision to  
17 originate or purchase mortgage loans; and

18 “(E) modify or require modification of  
19 itemized information, for the purpose of pro-  
20 tecting the privacy interests of the mortgage  
21 applicants or mortgagors, that is or will be  
22 available to the public.

23 “(2) OTHER APPROPRIATE AGENCIES.—The ap-  
24 propriate agencies described in this paragraph are—

1971

1           “(A) the appropriate Federal banking  
2 agencies, as defined in section 3(q) of the Fed-  
3 eral Deposit Insurance Act (12 U.S.C.  
4 1813(q)), with respect to the entities that are  
5 subject to the jurisdiction of each such agency,  
6 respectively;

7           “(B) the Federal Deposit Insurance Cor-  
8 poration for banks insured by the Federal De-  
9 posit Insurance Corporation (other than mem-  
10 bers of the Federal Reserve System), mutual  
11 savings banks, insured State branches of for-  
12 eign banks, and any other depository institution  
13 described in section 303(2)(A) which is not oth-  
14 erwise referred to in this paragraph;

15           “(C) the National Credit Union Adminis-  
16 tration Board with respect to credit unions; and

17           “(D) the Secretary of Housing and Urban  
18 Development with respect to other lending insti-  
19 tutions not regulated by the agencies referred  
20 to in subparagraph (A) or (B).

21           “(3) RULES FOR MODIFICATIONS UNDER PARA-  
22 GRAPH (1).—

23           “(A) APPLICATION.—A modification under  
24 paragraph (1)(E) shall apply to information  
25 concerning—

1972

1           “(i) credit score data described in  
2           subsection (b)(6)(I), in a manner that is  
3           consistent with the purpose described in  
4           paragraph (1)(E); and

5           “(ii) age or any other category of data  
6           described in paragraph (5) or (6) of sub-  
7           section (b), as the Bureau determines to be  
8           necessary to satisfy the purpose described  
9           in paragraph (1)(E), and in a manner con-  
10          sistent with that purpose.

11          “(B) STANDARDS.—The Bureau shall pre-  
12          scribe standards for any modification under  
13          paragraph (1)(E) to effectuate the purposes of  
14          this title, in light of the privacy interests of  
15          mortgage applicants or mortgagors. Where nec-  
16          essary to protect the privacy interests of mort-  
17          gage applicants or mortgagors, the Bureau  
18          shall provide for the disclosure of information  
19          described in subparagraph (A) in aggregate or  
20          other reasonably modified form, in order to ef-  
21          fectuate the purposes of this title.”;

22          (C) in subsection (i), by striking “sub-  
23          section (b)(4)” and inserting “subsections  
24          (b)(4), (b)(5), and (b)(6)”;

25          (D) in subsection (j)—

## 1973

1 (i) by striking paragraph (3) and in-  
2 serting the following:

3 “(3) CHANGE OF FORM NOT REQUIRED.—A de-  
4 pository institution meets the disclosure requirement  
5 of paragraph (1) if the institution provides the infor-  
6 mation required under such paragraph in such for-  
7 mats as the Bureau may require”; and

8 (ii) in paragraph (2)(A), by striking  
9 “in the format in which such information  
10 is maintained by the institution” and in-  
11 serting “in such formats as the Bureau  
12 may require”;

13 (E) in subsection (m), by striking para-  
14 graph (2) and inserting the following:

15 “(2) FORM OF INFORMATION.—In complying  
16 with paragraph (1), a depository institution shall  
17 provide the person requesting the information with  
18 a copy of the information requested in such formats  
19 as the Bureau may require.”; and

20 (F) by adding at the end the following:

21 “(n) TIMING OF CERTAIN DISCLOSURES.—The data  
22 required to be disclosed under subsection (b) shall be sub-  
23 mitted to the Bureau or to the appropriate agency for any  
24 institution reporting under this title, in accordance with  
25 regulations prescribed by the Bureau. Institutions shall

1974

1 not be required to report new data under paragraph (5)  
2 or (6) of subsection (b) before the first January 1 that  
3 occurs after the end of the 9-month period beginning on  
4 the date on which regulations are issued by the Bureau  
5 in final form with respect to such disclosures.”;

6 (4) in section 305 (12 U.S.C. 2804)—

7 (A) by striking subsection (b) and insert-  
8 ing the following:

9 “(b) POWERS OF CERTAIN OTHER AGENCIES.—

10 “(1) IN GENERAL.—Subject to subtitle B of the  
11 Consumer Financial Protection Act of 2010, compli-  
12 ance with the requirements of this title shall be en-  
13 forced—

14 “(A) under section 8 of the Federal De-  
15 posit Insurance Act, the appropriate Federal  
16 banking agency, as defined in section 3(q) of  
17 the Federal Deposit Insurance Act (12 U.S.C.  
18 1813(q)), with respect to—

19 “(i) any national bank or Federal sav-  
20 ings association, and any Federal branch  
21 or Federal agency of a foreign bank;

22 “(ii) any member bank of the Federal  
23 Reserve System (other than a national  
24 bank), branch or agency of a foreign bank  
25 (other than a Federal branch, Federal

1975

1 agency, and insured State branch of a for-  
2 eign bank), commercial lending company  
3 owned or controlled by a foreign bank, and  
4 any organization operating under section  
5 25 or 25A of the Federal Reserve Act; and

6 “(iii) any bank or State savings asso-  
7 ciation insured by the Federal Deposit In-  
8 surance Corporation (other than a member  
9 of the Federal Reserve System), any mu-  
10 tual savings bank as, defined in section  
11 3(f) of the Federal Deposit Insurance Act  
12 (12 U.S.C. 1813(f)), any insured State  
13 branch of a foreign bank, and any other  
14 depository institution not referred to in  
15 this paragraph or subparagraph (B) or  
16 (C);

17 “(B) under subtitle E of the Consumer Fi-  
18 nancial Protection Act of 2010, by the Bureau,  
19 with respect to any person subject to this sub-  
20 title;

21 “(C) under the Federal Credit Union Act,  
22 by the Administrator of the National Credit  
23 Union Administration with respect to any in-  
24 sured credit union; and

1976

1           “(D) with respect to other lending institu-  
2           tions, by the Secretary of Housing and Urban  
3           Development.

4           “(2) INCORPORATED DEFINITIONS.—The terms  
5           used in paragraph (1) that are not defined in this  
6           title or otherwise defined in section 3(s) of the Fed-  
7           eral Deposit Insurance Act (12 U.S.C. 1813(s))  
8           shall have the same meanings as in section 1(b) of  
9           the International Banking Act of 1978 (12 U.S.C.  
10          3101).”; and

11           (B) by adding at the end the following:

12          “(d) OVERALL ENFORCEMENT AUTHORITY OF THE  
13 BUREAU OF CONSUMER FINANCIAL PROTECTION.—Sub-  
14 ject to subtitle B of the Consumer Financial Protection  
15 Act of 2010, enforcement of the requirements imposed  
16 under this title is committed to each of the agencies under  
17 subsection (b). To facilitate research, examinations, and  
18 enforcement, all data collected pursuant to section 304  
19 shall be available to the entities listed under subsection  
20 (b). The Bureau may exercise its authorities under the  
21 Consumer Financial Protection Act of 2010 to exercise  
22 principal authority to examine and enforce compliance by  
23 any person with the requirements of this title.”;

24          (5) in section 306 (12 U.S.C. 2805(b)), by  
25          striking subsection (b) and inserting the following:



1977

1       “(b) EXEMPTION AUTHORITY.—The Bureau may, by  
2 regulation, exempt from the requirements of this title any  
3 State-chartered depository institution within any State or  
4 subdivision thereof, if the agency determines that, under  
5 the law of such State or subdivision, that institution is  
6 subject to requirements that are substantially similar to  
7 those imposed under this title, and that such law contains  
8 adequate provisions for enforcement. Notwithstanding any  
9 other provision of this subsection, compliance with the re-  
10 quirements imposed under this subsection shall be en-  
11 forced by the Office of the Comptroller of the Currency  
12 under section 8 of the Federal Deposit Insurance Act, in  
13 the case of national banks and Federal savings associa-  
14 tions, the deposits of which are insured by the Federal  
15 Deposit Insurance Corporation.”; and

16               (6) by striking section 307 (12 U.S.C. 2806)  
17       and inserting the following:

18       **“SEC. 307. COMPLIANCE IMPROVEMENT METHODS.**

19       “(a) IN GENERAL.—

20               “(1) CONSULTATION REQUIRED.—The Director  
21       of the Bureau of Consumer Financial Protection,  
22       with the assistance of the Secretary, the Director of  
23       the Bureau of the Census, the Board of Governors  
24       of the Federal Reserve System, the Federal Deposit  
25       Insurance Corporation, and such other persons as

1978

1 the Bureau deems appropriate, shall develop or as-  
2 sist in the improvement of, methods of matching ad-  
3 dresses and census tracts to facilitate compliance by  
4 depository institutions in as economical a manner as  
5 possible with the requirements of this title.

6 “(2) AUTHORIZATION OF APPROPRIATIONS.—  
7 There are authorized to be appropriated, such sums  
8 as may be necessary to carry out this subsection.

9 “(3) CONTRACTING AUTHORITY.—The Director  
10 of the Bureau of Consumer Financial Protection is  
11 authorized to utilize, contract with, act through, or  
12 compensate any person or agency in order to carry  
13 out this subsection.

14 “(b) RECOMMENDATIONS TO CONGRESS.—The Di-  
15 rector of the Bureau of Consumer Financial Protection  
16 shall recommend to the Committee on Banking, Housing,  
17 and Urban Affairs of the Senate and the Committee on  
18 Financial Services of the House of Representatives, such  
19 additional legislation as the Director of the Bureau of  
20 Consumer Financial Protection deems appropriate to  
21 carry out the purpose of this title.”.

22 **SEC. 1095. AMENDMENTS TO THE HOMEOWNERS PROTEC-**  
23 **TION ACT OF 1998.**

24 Section 10 of the Homeowners Protection Act of  
25 1998 (12 U.S.C. 4909) is amended—

1979

1 (1) in subsection (a)—

2 (A) by striking “Compliance” and all that  
3 follows through the end of paragraph (1) and  
4 inserting the following: “Subject to subtitle B  
5 of the Consumer Financial Protection Act of  
6 2010, compliance with the requirements im-  
7 posed under this Act shall be enforced under—

8 “(1) section 8 of the Federal Deposit Insurance  
9 Act, by the appropriate Federal banking agency (as  
10 defined in section 3(q) of that Act), with respect  
11 to—

12 “(A) insured depository institutions (as de-  
13 fined in section 3(c)(2) of that Act);

14 “(B) depository institutions described in  
15 clause (i), (ii), or (iii) of section 19(b)(1)(A) of  
16 the Federal Reserve Act which are not insured  
17 depository institutions (as defined in section  
18 3(c)(2) of the Federal Deposit Insurance Act);  
19 and

20 “(C) depository institutions described in  
21 clause (v) or (vi) of section 19(b)(1)(A) of the  
22 Federal Reserve Act which are not insured de-  
23 pository institutions (as defined in section  
24 3(c)(2) of the Federal Deposit Insurance  
25 Act);”;

1980

1 (B) in paragraph (2), by striking “and” at  
2 the end;

3 (C) in paragraph (3), by striking the pe-  
4 riod at the end and inserting “; and”; and

5 (D) by adding at the end the following:

6 “(4) subtitle E of the Consumer Financial Pro-  
7 tection Act of 2010, by the Bureau of Consumer Fi-  
8 nancial Protection, with respect to any person sub-  
9 ject to this Act.”; and

10 (2) in subsection (b)(2), by inserting before the  
11 period at the end the following: “, subject to subtitle  
12 B of the Consumer Financial Protection Act of  
13 2010”.

14 **SEC. 1096. AMENDMENTS TO THE HOME OWNERSHIP AND**  
15 **EQUITY PROTECTION ACT OF 1994.**

16 The Home Ownership and Equity Protection Act of  
17 1994 (15 U.S.C. 1601 note) is amended—

18 (1) in section 158(a), by striking “Board of  
19 Governors of the Federal Reserve System, in con-  
20 sultation with the Consumer Advisory Council of the  
21 Board” and inserting “Bureau, in consultation with  
22 the Advisory Board to the Bureau”; and

23 (2) in section 158(b), by striking “Board of  
24 Governors of the Federal Reserve System” and in-  
25 serting “Bureau”.

1981

1 **SEC. 1097. AMENDMENTS TO THE OMNIBUS APPROPRIA-**  
2 **TIONS ACT, 2009.**

3 Section 626 of the Omnibus Appropriations Act,  
4 2009 (15 U.S.C. 1638 note) is amended—

5 (1) by striking subsection (a) and inserting the  
6 following:

7 “(a)(1) The Bureau of Consumer Financial Protec-  
8 tion shall have authority to prescribe rules with respect  
9 to mortgage loans in accordance with section 553 of title  
10 5, United States Code. Such rulemaking shall relate to  
11 unfair or deceptive acts or practices regarding mortgage  
12 loans, which may include unfair or deceptive acts or prac-  
13 tices involving loan modification and foreclosure rescue  
14 services. Any violation of a rule prescribed under this  
15 paragraph shall be treated as a violation of a rule prohib-  
16 iting unfair, deceptive, or abusive acts or practices under  
17 the Consumer Financial Protection Act of 2010 and a vio-  
18 lation of a rule under section 18 of the Federal Trade  
19 Commission Act (15 U.S.C. 57a) regarding unfair or de-  
20 ceptive acts or practices.

21 “(2) The Bureau of Consumer Financial Protection  
22 shall enforce the rules issued under paragraph (1) in the  
23 same manner, by the same means, and with the same ju-  
24 risdiction, powers, and duties, as though all applicable  
25 terms and provisions of the Consumer Financial Protec-

1982

1 tion Act of 2010 were incorporated into and made part  
2 of this subsection.

3 “(3) Subject to subtitle B of the Consumer Financial  
4 Protection Act of 2010, the Federal Trade Commission  
5 shall enforce the rules issued under paragraph (1), in the  
6 same manner, by the same means, and with the same ju-  
7 risdiction, as though all applicable terms and provisions  
8 of the Federal Trade Commission Act were incorporated  
9 into and made part of this section.”; and

10 (2) in subsection (b)—

11 (A) by striking paragraph (1) and insert-  
12 ing the following:

13 “(1) Except as provided in paragraph (6), in  
14 any case in which the attorney general of a State  
15 has reason to believe that an interest of the resi-  
16 dents of the State has been or is threatened or ad-  
17 versely affected by the engagement of any person  
18 subject to a rule prescribed under subsection (a) in  
19 practices that violate such rule, the State, as *parens*  
20 *patriae*, may bring a civil action on behalf of its resi-  
21 dents in an appropriate district court of the United  
22 States or other court of competent jurisdiction—

23 “(A) to enjoin that practice;

24 “(B) to enforce compliance with the rule;

1983

1           “(C) to obtain damages, restitution, or  
2 other compensation on behalf of the residents of  
3 the State; or

4           “(D) to obtain penalties and relief provided  
5 under the Consumer Financial Protection Act  
6 of 2010, the Federal Trade Commission Act,  
7 and such other relief as the court deems appro-  
8 priate.”;

9           (B) in paragraphs (2) and (3), by striking  
10 “the primary Federal regulator” each time the  
11 term appears and inserting “the Bureau of  
12 Consumer Financial Protection or the Commis-  
13 sion, as appropriate”;

14           (C) in paragraph (3), by inserting “and  
15 subject to subtitle B of the Consumer Financial  
16 Protection Act of 2010,” after “paragraph  
17 (2),”; and

18           (D) in paragraph (6), by striking “the pri-  
19 mary Federal regulator” each place that term  
20 appears and inserting “the Bureau of Con-  
21 sumer Financial Protection or the Commis-  
22 sion”.

1984

1 **SEC. 1098. AMENDMENTS TO THE REAL ESTATE SETTLE-**  
2 **MENT PROCEDURES ACT OF 1974.**

3 The Real Estate Settlement Procedures Act of 1974  
4 (12 U.S.C. 2601 et seq.) is amended—

5 (1) in section 3 (12 U.S.C. 2602)—

6 (A) in paragraph (7), by striking “and” at  
7 the end;

8 (B) in paragraph (8), by striking the pe-  
9 riod at the end and inserting “; and”; and

10 (C) by adding at the end the following:

11 “(9) the term ‘Bureau’ means the Bureau of  
12 Consumer Financial Protection.”;

13 (2) in section 4 (12 U.S.C. 2603)—

14 (A) in subsection (a), by striking the first  
15 sentence and inserting the following: “The Bu-  
16 reau shall publish a single, integrated disclosure  
17 for mortgage loan transactions (including real  
18 estate settlement cost statements) which in-  
19 cludes the disclosure requirements of this sec-  
20 tion and section 5, in conjunction with the dis-  
21 closure requirements of the Truth in Lending  
22 Act that, taken together, may apply to a trans-  
23 action that is subject to both or either provi-  
24 sions of law. The purpose of such model disclo-  
25 sure shall be to facilitate compliance with the  
26 disclosure requirements of this title and the



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1 Truth in Lending Act, and to aid the borrower  
2 or lessee in understanding the transaction by  
3 utilizing readily understandable language to  
4 simplify the technical nature of the disclo-  
5 sures.”;

6 (B) by striking “Secretary” each place  
7 that term appears and inserting “Bureau”; and

8 (C) by striking “form” each place that  
9 term appears and inserting “forms”;

10 (3) in section 5 (12 U.S.C. 2604)—

11 (A) by striking “Secretary” each place that  
12 term appears and inserting “Bureau”; and

13 (B) in subsection (a), by striking the first  
14 sentence and inserting the following: “The Bu-  
15 reau shall prepare and distribute booklets joint-  
16 ly addressing compliance with the requirements  
17 of the Truth in Lending Act and the provisions  
18 of this title, in order to help persons borrowing  
19 money to finance the purchase of residential  
20 real estate better to understand the nature and  
21 costs of real estate settlement services.”;

22 (4) in section 6(j)(3) (12 U.S.C. 2605(j)(3))—

23 (A) by striking “Secretary” and inserting  
24 “Bureau”; and

1986

1 (B) by striking “, by regulations that shall  
2 take effect not later than April 20, 1991,”;

3 (5) in section 7(b) (12 U.S.C. 2606(b)) by  
4 striking “Secretary” and inserting “Bureau”;

5 (6) in section 8(c)(5) (12 U.S.C. 2607(c)(5)),  
6 by striking “Secretary” and inserting “Bureau”;

7 (7) in section 8(d) (12 U.S.C. 2607(d))—

8 (A) in the subsection heading, by inserting  
9 “BUREAU AND” before “SECRETARY”; and

10 (B) by striking paragraph (4), and insert-  
11 ing the following:

12 “(4) The Bureau, the Secretary, or the attorney  
13 general or the insurance commissioner of any State  
14 may bring an action to enjoin violations of this sec-  
15 tion. Except, to the extent that a person is subject  
16 to the jurisdiction of the Bureau, the Secretary, or  
17 the attorney general or the insurance commissioner  
18 of any State, the Bureau shall have primary author-  
19 ity to enforce or administer this section, subject to  
20 subtitle B of the Consumer Financial Protection Act  
21 of 2010.”;

22 (8) in section 10(c) (12 U.S.C. 2609(c) and  
23 (d)), by striking “Secretary” and inserting “Bu-  
24 reau”;

1987

1 (9) in section 16 (12 U.S.C. 2614), by inserting  
2 “the Bureau,” before “the Secretary”;

3 (10) in section 18 (12 U.S.C. 2616), by striking  
4 “Secretary” each place that term appears and in-  
5 serting “Bureau”; and

6 (11) in section 19 (12 U.S.C. 2617)—

7 (A) in the section heading by striking  
8 “**SECRETARY**” and inserting “**BUREAU**”;

9 (B) in subsection (a), by striking “Sec-  
10 retary” each place that term appears and in-  
11 serting “Bureau”; and

12 (C) in subsections (b) and (c), by striking  
13 “the Secretary” each place that term appears  
14 and inserting “the Bureau”.

15 **SEC. 1098A. AMENDMENTS TO THE INTERSTATE LAND**  
16 **SALES FULL DISCLOSURE ACT.**

17 The Interstate Land Sales Full Disclosure Act (15  
18 U.S.C. 1701 et seq.) is amended—

19 (1) by striking “Secretary” each place that  
20 term appears and inserting “Director”;

21 (2) by striking “Department of Housing and  
22 Urban Development” each place that term appears  
23 and inserting “Bureau of Consumer Financial Pro-  
24 tection”;

1988

1 (3) by striking “Department” each place that  
2 term appears and inserting “Bureau”;

3 (4) in section 1402 (15 U.S.C. 1701)—

4 (A) by striking paragraph (1) and insert-  
5 ing the following:

6 “(1) ‘Director’ means the Director of the Bu-  
7 reau of Consumer Financial Protection;”;

8 (B) in paragraph (10), by striking “and”  
9 at the end;

10 (C) in paragraph (11), by striking the pe-  
11 riod at the end and inserting “; and”; and

12 (D) by adding at the end the following:

13 “(12) ‘Bureau’ means the Bureau of Consumer  
14 Financial Protection.”; and

15 (5) in section 1416(a) (15 U.S.C. 1715(a)), by  
16 striking “Secretary of Housing and Urban Develop-  
17 ment” and inserting “Director of the Bureau of  
18 Consumer Financial Protection”.

19 **SEC. 1099. AMENDMENTS TO THE RIGHT TO FINANCIAL**  
20 **PRIVACY ACT OF 1978.**

21 The Right to Financial Privacy Act of 1978 (12  
22 U.S.C. 3401 et seq.) is amended—

23 (1) in section 1101—

24 (A) in paragraph (6)—

1989

1 (i) in subparagraph (A), by inserting  
2 “and” after the semicolon;

3 (ii) in subparagraph (B), by striking  
4 “and” at the end; and

5 (iii) by striking subparagraph (C);  
6 and

7 (B) in paragraph (7), by striking subpara-  
8 graph (B), and inserting the following:

9 “(B) the Bureau of Consumer Financial  
10 Protection;”;

11 (2) in section 1112(e) (12 U.S.C. 3412(e)), by  
12 striking “and the Commodity Futures Trading Com-  
13 mission is permitted” and inserting “the Commodity  
14 Futures Trading Commission, and the Bureau of  
15 Consumer Financial Protection is permitted”; and

16 (3) in section 1113 (12 U.S.C. 3413), by add-  
17 ing at the end the following new subsection:

18 “(r) DISCLOSURE TO THE BUREAU OF CONSUMER  
19 FINANCIAL PROTECTION.—Nothing in this title shall  
20 apply to the examination by or disclosure to the Bureau  
21 of Consumer Financial Protection of financial records or  
22 information in the exercise of its authority with respect  
23 to a financial institution.”.

1990

1 **SEC. 1100. AMENDMENTS TO THE SECURE AND FAIR EN-**  
2 **FORCEMENT FOR MORTGAGE LICENSING ACT**  
3 **OF 2008.**

4 The S.A.F.E. Mortgage Licensing Act of 2008 (12  
5 U.S.C. 5101 et seq.) is amended—

6 (1) by striking “a Federal banking agency”  
7 each place that term appears, other than in para-  
8 graphs (7) and (11) of section 1503 and section  
9 1507(a)(1), and inserting “the Bureau”;

10 (2) by striking “Federal banking agencies”  
11 each place that term appears and inserting “Bu-  
12 reau”; and

13 (3) by striking “Secretary” each place that  
14 term appears and inserting “Director”;

15 (4) in section 1503 (12 U.S.C. 5102)—

16 (A) by redesignating paragraphs (2)  
17 through (12) as (3) through (13), respectively;

18 (B) by striking paragraph (1) and insert-  
19 ing the following:

20 “(1) BUREAU.—The term ‘Bureau’ means the  
21 Bureau of Consumer Financial Protection.

22 “(2) FEDERAL BANKING AGENCY.—The term  
23 ‘Federal banking agency’ means the Board of Gov-  
24 ernors of the Federal Reserve System, the Office of  
25 the Comptroller of the Currency, the National Credit

## 1991

1 Union Administration, and the Federal Deposit In-  
2 surance Corporation.”; and

3 (C) by striking paragraph (10), as so des-  
4 ignated by this section, and inserting the fol-  
5 lowing:

6 “(10) DIRECTOR.—The term ‘Director’ means  
7 the Director of the Bureau of Consumer Financial  
8 Protection.”; and

9 (5) in section 1507 (12 U.S.C. 5106)—

10 (A) in subsection (a)—

11 (i) by striking paragraph (1) and in-  
12 serting the following:

13 “(1) IN GENERAL.—The Bureau shall develop  
14 and maintain a system for registering employees of  
15 a depository institution, employees of a subsidiary  
16 that is owned and controlled by a depository institu-  
17 tion and regulated by a Federal banking agency, or  
18 employees of an institution regulated by the Farm  
19 Credit Administration, as registered loan originators  
20 with the Nationwide Mortgage Licensing System and  
21 Registry. The system shall be implemented before  
22 the end of the 1-year period beginning on the date  
23 of enactment of the Consumer Financial Protection  
24 Act of 2010.”; and

25 (ii) in paragraph (2)—

1992

1 (I) by striking “appropriate Fed-  
2 eral banking agency and the Farm  
3 Credit Administration” and inserting  
4 “Bureau”; and

5 (II) by striking “employees’s  
6 identity” and inserting “identity of  
7 the employee”; and

8 (B) in subsection (b), by striking “through  
9 the Financial Institutions Examination Council,  
10 and the Farm Credit Administration”, and in-  
11 serting “and the Bureau of Consumer Financial  
12 Protection”;

13 (6) in section 1508 (12 U.S.C. 5107)—

14 (A) by striking the section heading and in-  
15 serting the following: “**SEC. 1508. BUREAU OF**  
16 **CONSUMER FINANCIAL PROTECTION**  
17 **BACKUP AUTHORITY TO ESTABLISH LOAN**  
18 **ORIGINATOR LICENSING SYSTEM.**”; and

19 (B) by adding at the end the following:

20 “(f) REGULATION AUTHORITY.—

21 “(1) IN GENERAL.—The Bureau is authorized  
22 to promulgate regulations setting minimum net  
23 worth or surety bond requirements for residential  
24 mortgage loan originators and minimum require-



## 1993

1       ments for recovery funds paid into by loan origina-  
2       tors.

3               “(2) CONSIDERATIONS.—In issuing regulations  
4       under paragraph (1), the Bureau shall take into ac-  
5       count the need to provide originators adequate in-  
6       centives to originate affordable and sustainable  
7       mortgage loans, as well as the need to ensure a com-  
8       petitive origination market that maximizes consumer  
9       access to affordable and sustainable mortgage  
10      loans.”;

11              (7) by striking section 1510 (12 U.S.C. 5109)  
12      and inserting the following:

13      **“SEC. 1510. FEES.**

14              “The Bureau, the Farm Credit Administration, and  
15      the Nationwide Mortgage Licensing System and Registry  
16      may charge reasonable fees to cover the costs of maintain-  
17      ing and providing access to information from the Nation-  
18      wide Mortgage Licensing System and Registry, to the ex-  
19      tent that such fees are not charged to consumers for ac-  
20      cess to such system and registry.”;

21              (8) by striking section 1513 (12 U.S.C. 5112)  
22      and inserting the following:

23      **“SEC. 1513. LIABILITY PROVISIONS.**

24              “The Bureau, any State official or agency, or any or-  
25      ganization serving as the administrator of the Nationwide

1994

1 Mortgage Licensing System and Registry or a system es-  
2 tablished by the Director under section 1509, or any offi-  
3 cer or employee of any such entity, shall not be subject  
4 to any civil action or proceeding for monetary damages  
5 by reason of the good faith action or omission of any offi-  
6 cer or employee of any such entity, while acting within  
7 the scope of office or employment, relating to the collec-  
8 tion, furnishing, or dissemination of information con-  
9 cerning persons who are loan originators or are applying  
10 for licensing or registration as loan originators.”; and

11 (9) in section 1514 (12 U.S.C. 5113) in the  
12 section heading, by striking “**UNDER HUD BACKUP**  
13 **LICENSING SYSTEM**” and inserting “**BY THE BU-**  
14 **REAU**”.

15 **SEC. 1100A. AMENDMENTS TO THE TRUTH IN LENDING ACT.**

16 The Truth in Lending Act (15 U.S.C. 1601 et seq.)  
17 is amended—

18 (1) in section 103 (15 U.S.C. 1602)—

19 (A) by redesignating subsections (b)  
20 through (bb) as subsections (c) through (cc),  
21 respectively; and

22 (B) by inserting after subsection (a) the  
23 following:

24 “(b) BUREAU.—The term ‘Bureau’ means the Bu-  
25 reau of Consumer Financial Protection.”;

## 1995

1           (2) by striking “Board” each place that term  
2 appears, other than in section 140(d) and sections  
3 105(i) and 108(a), as amended by this section, and  
4 inserting “Bureau”;

5           (3) by striking “Federal Trade Commission”  
6 each place that term appears, other than in section  
7 108(c) and section 129(m), as amended by this Act,  
8 and other than in the context of a reference to the  
9 Federal Trade Commission Act, and inserting “Bu-  
10 reau”;

11           (4) in section 105(a) (15 U.S.C. 1604(a)), in  
12 the second sentence—

13           (A) by striking “Except in the case of a  
14 mortgage referred to in section 103(aa), these  
15 regulations may contain such” and inserting  
16 “Except with respect to the provisions of sec-  
17 tion 129 that apply to a mortgage referred to  
18 in section 103(aa), such regulations may con-  
19 tain such additional requirements,”; and

20           (B) by inserting “all or” after “exceptions  
21 for”;

22           (5) in section 105(b) (15 U.S.C. 1604(b)), by  
23 striking the first sentence and inserting the fol-  
24 lowing: “The Bureau shall publish a single, inte-  
25 grated disclosure for mortgage loan transactions (in-

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1 including real estate settlement cost statements) which  
2 includes the disclosure requirements of this title in  
3 conjunction with the disclosure requirements of the  
4 Real Estate Settlement Procedures Act of 1974  
5 that, taken together, may apply to a transaction that  
6 is subject to both or either provisions of law. The  
7 purpose of such model disclosure shall be to facili-  
8 tate compliance with the disclosure requirements of  
9 this title and the Real Estate Settlement Procedures  
10 Act of 1974, and to aid the borrower or lessee in un-  
11 derstanding the transaction by utilizing readily un-  
12 derstandable language to simplify the technical na-  
13 ture of the disclosures.”;

14 (6) in section 105(f)(1) (15 U.S.C. 1604(f)(1)),  
15 by inserting “all or” after “from all or part of this  
16 title”;

17 (7) in section 105 (15 U.S.C. 1604), by adding  
18 at the end the following:

19 “(i) AUTHORITY OF THE BOARD TO  
20 PRESCRIBE RULES.—Notwithstanding sub-  
21 section (a), the Board shall have authority  
22 to prescribe rules under this title with re-  
23 spect to a person described in section  
24 1029(a) of the Consumer Financial Protec-  
25 tion Act of 2010. Regulations prescribed

1997

1 under this subsection may contain such  
2 classifications, differentiations, or other  
3 provisions, as in the judgment of the  
4 Board are necessary or proper to effec-  
5 tuate the purposes of this title, to prevent  
6 circumvention or evasion thereof, or to fa-  
7 cilitate compliance therewith.”;

8 (8) in section 108 (15 U.S.C. 1604), by adding  
9 at the end the following:

10 (A) by striking subsection (a) and insert-  
11 ing the following:

12 “(a) ENFORCING AGENCIES.—Subject to subtitle B  
13 of the Consumer Financial Protection Act of 2010, compli-  
14 ance with the requirements imposed under this title shall  
15 be enforced under—

16 “(1) section 8 of the Federal Deposit Insurance  
17 Act, by the appropriate Federal banking agency, as  
18 defined in section 3(q) of the Federal Deposit Insur-  
19 ance Act (12 U.S.C. 1813(q)), with respect to—

20 “(A) national banks, Federal savings asso-  
21 ciations, and Federal branches and Federal  
22 agencies of foreign banks;

23 “(B) member banks of the Federal Reserve  
24 System (other than national banks), branches  
25 and agencies of foreign banks (other than Fed-

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1           eral branches, Federal agencies, and insured  
2           State branches of foreign banks), commercial  
3           lending companies owned or controlled by for-  
4           eign banks, and organizations operating under  
5           section 25 or 25A of the Federal Reserve Act;  
6           and

7           “(C) banks and State savings associations  
8           insured by the Federal Deposit Insurance Cor-  
9           poration (other than members of the Federal  
10          Reserve System), and insured State branches of  
11          foreign banks;

12          “(2) the Federal Credit Union Act, by the Di-  
13          rector of the National Credit Union Administration,  
14          with respect to any Federal credit union;

15          “(3) the Federal Aviation Act of 1958, by the  
16          Secretary of Transportation, with respect to any air  
17          carrier or foreign air carrier subject to that Act;

18          “(4) the Packers and Stockyards Act, 1921 (ex-  
19          cept as provided in section 406 of that Act), by the  
20          Secretary of Agriculture, with respect to any activi-  
21          ties subject to that Act;

22          “(5) the Farm Credit Act of 1971, by the Farm  
23          Credit Administration with respect to any Federal  
24          land bank, Federal land bank association, Federal

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1 intermediate credit bank, or production credit asso-  
2 ciation; and

3 “(6) subtitle E of the Consumer Financial Pro-  
4 tection Act of 2010, by the Bureau, with respect to  
5 any person subject to this title.”; and

6 (B) by striking subsection (c) and insert-  
7 ing the following:

8 “(c) OVERALL ENFORCEMENT AUTHORITY OF THE  
9 FEDERAL TRADE COMMISSION.—Except to the extent  
10 that enforcement of the requirements imposed under this  
11 title is specifically committed to some other Government  
12 agency under any of paragraphs (1) through (5) of sub-  
13 section (a), and subject to subtitle B of the Consumer Fi-  
14 nancial Protection Act of 2010, the Federal Trade Com-  
15 mission shall be authorized to enforce such requirements.  
16 For the purpose of the exercise by the Federal Trade  
17 Commission of its functions and powers under the Federal  
18 Trade Commission Act, a violation of any requirement im-  
19 posed under this title shall be deemed a violation of a re-  
20 quirement imposed under that Act. All of the functions  
21 and powers of the Federal Trade Commission under the  
22 Federal Trade Commission Act are available to the Fed-  
23 eral Trade Commission to enforce compliance by any per-  
24 son with the requirements under this title, irrespective of  
25 whether that person is engaged in commerce or meets any

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1 other jurisdictional tests under the Federal Trade Com-  
2 mission Act.”; and

3 (9) in section 129 (15 U.S.C. 1639), by striking  
4 subsection (m) and inserting the following:

5 “(m) CIVIL PENALTIES IN FEDERAL TRADE COM-  
6 MISSION ENFORCEMENT ACTIONS.—For purposes of en-  
7 forcement by the Federal Trade Commission, any violation  
8 of a regulation issued by the Bureau pursuant to sub-  
9 section (l)(2) shall be treated as a violation of a rule pro-  
10 mulgated under section 18 of the Federal Trade Commis-  
11 sion Act (15 U.S.C. 57a) regarding unfair or deceptive  
12 acts or practices.”; and

13 (10) in chapter 5 (15 U.S.C. 1667 et seq.)—

14 (A) by striking “the Board” each place  
15 that term appears and inserting “the Bureau”;  
16 and

17 (B) by striking “The Board” each place  
18 that term appears and inserting “The Bureau”.

19 **SEC. 1100B. AMENDMENTS TO THE TRUTH IN SAVINGS ACT.**

20 The Truth in Savings Act (12 U.S.C. 4301 et seq.)  
21 is amended—

22 (1) by striking “Board” each place that term  
23 appears, other than in section 272(b) (12 U.S.C.  
24 4311), and inserting “Bureau”;

25 (2) in section 270(a) (12 U.S.C. 4309)—



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1 (A) by striking “Compliance” and all that  
2 follows through the end of paragraph (1) and  
3 inserting: “Subject to subtitle B of the Con-  
4 sumer Financial Protection Act of 2010, com-  
5 pliance with the requirements imposed under  
6 this subtitle shall be enforced under—

7 “(1) section 8 of the Federal Deposit Insurance  
8 Act by the appropriate Federal banking agency (as  
9 defined in section 3(q) of that Act), with respect  
10 to—

11 “(A) insured depository institutions (as de-  
12 fined in section 3(c)(2) of that Act);

13 “(B) depository institutions described in  
14 clause (i), (ii), or (iii) of section 19(b)(1)(A) of  
15 the Federal Reserve Act which are not insured  
16 depository institutions (as defined in section  
17 3(e)(2) of the Federal Deposit Insurance Act);  
18 and

19 “(C) depository institutions described in  
20 clause (v) or (vi) of section 19(b)(1)(A) of the  
21 Federal Reserve Act which are not insured de-  
22 pository institutions (as defined in section  
23 3(e)(2) of the Federal Deposit Insurance  
24 Act);”;

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1 (B) in paragraph (2), by striking the pe-  
2 riod at the end and inserting “; and”; and

3 (C) by adding at the end the following:

4 “(3) subtitle E of the Consumer Financial Pro-  
5 tection Act of 2010, by the Bureau, with respect to  
6 any person subject to this subtitle.”;

7 (3) in section 272(b) (12 U.S.C. 4311(b)), by  
8 striking “regulation prescribed by the Board” each  
9 place that term appears and inserting “regulation  
10 prescribed by the Bureau”; and

11 (4) in section 274 (12 U.S.C. 4313), by striking  
12 paragraph (4) and inserting the following:

13 “(4) BUREAU.—The term ‘Bureau’ means the  
14 Bureau of Consumer Financial Protection.”.

15 **SEC. 1100C. AMENDMENTS TO THE TELEMARKETING AND**  
16 **CONSUMER FRAUD AND ABUSE PREVENTION**  
17 **ACT.**

18 (a) AMENDMENTS TO SECTION 3.—Section 3 of the  
19 Telemarketing and Consumer Fraud and Abuse Preven-  
20 tion Act (15 U.S.C. 6102) is amended by striking sub-  
21 sections (b) and (c) and inserting the following:

22 “(b) RULEMAKING AUTHORITY.—The Commission  
23 shall have authority to prescribe rules under subsection  
24 (a), in accordance with section 553 of title 5, United  
25 States Code. In prescribing a rule under this section that

## 2003

1 relates to the provision of a consumer financial product  
2 or service that is subject to the Consumer Financial Pro-  
3 tection Act of 2010, including any enumerated consumer  
4 law thereunder, the Commission shall consult with the Bu-  
5 reau of Consumer Financial Protection regarding the con-  
6 sistency of a proposed rule with standards, purposes, or  
7 objectives administered by the Bureau of Consumer Fi-  
8 nancial Protection.

9 “(c) VIOLATIONS.—Any violation of any rule pre-  
10 scribed under subsection (a)—

11 “(1) shall be treated as a violation of a rule  
12 under section 18 of the Federal Trade Commission  
13 Act regarding unfair or deceptive acts or practices;  
14 and

15 “(2) that is committed by a person subject to  
16 the Consumer Financial Protection Act of 2010  
17 shall be treated as a violation of a rule under section  
18 1031 of that Act regarding unfair, deceptive, or abu-  
19 sive acts or practices.”.

20 (b) AMENDMENTS TO SECTION 4.—Section 4(d) of  
21 the Telemarketing and Consumer Fraud and Abuse Pre-  
22 vention Act (15 U.S.C. 6103(d)) is amended by inserting  
23 after “Commission” each place that term appears the fol-  
24 lowing: “or the Bureau of Consumer Financial Protec-  
25 tion”.

## 2004

1 (c) AMENDMENTS TO SECTION 5.—Section 5(c) of  
2 the Telemarketing and Consumer Fraud and Abuse Pre-  
3 vention Act (15 U.S.C. 6104(c)) is amended by inserting  
4 after “Commission” each place that term appears the fol-  
5 lowing: “or the Bureau of Consumer Financial Protec-  
6 tion”.

7 (d) AMENDMENT TO SECTION 6.—Section 6 of the  
8 Telemarketing and Consumer Fraud and Abuse Preven-  
9 tion Act (15 U.S.C. 6105) is amended by adding at the  
10 end the following:

11 “(d) ENFORCEMENT BY BUREAU OF CONSUMER FI-  
12 NANCIAL PROTECTION.—Except as otherwise provided in  
13 sections 3(d), 3(e), 4, and 5, and subject to subtitle B  
14 of the Consumer Financial Protection Act of 2010, this  
15 Act shall be enforced by the Bureau of Consumer Finan-  
16 cial Protection under subtitle E of the Consumer Finan-  
17 cial Protection Act of 2010, with respect to the offering  
18 or provision of a consumer financial product or service  
19 subject to that Act.”.

20 **SEC. 1100D. AMENDMENTS TO THE PAPERWORK REDUC-**  
21 **TION ACT.**

22 (a) DESIGNATION AS AN INDEPENDENT AGENCY.—  
23 Section 2(5) of the Paperwork Reduction Act (44 U.S.C.  
24 3502(5)) is amended by inserting “the Bureau of Con-  
25 sumer Financial Protection, the Office of Financial Re-

2005

1 search,” after “the Securities and Exchange Commis-  
2 sion,”.

3 (b) COMPARABLE TREATMENT.—Section 3513 of  
4 title 44, United States Code, is amended by adding at the  
5 end the following:

6 “(c) COMPARABLE TREATMENT.—Notwithstanding  
7 any other provision of law, the Director shall treat or re-  
8 view a rule or order prescribed or proposed by the Director  
9 of the Bureau of Consumer Financial Protection on the  
10 same terms and conditions as apply to any rule or order  
11 prescribed or proposed by the Board of Governors of the  
12 Federal Reserve System.”.

13 **SEC. 1100E. ADJUSTMENTS FOR INFLATION IN THE TRUTH**  
14 **IN LENDING ACT.**

15 (a) CAPS.—

16 (1) CREDIT TRANSACTIONS.—Section 104(3) of  
17 the Truth in Lending Act (15 U.S.C. 1603(3)) is  
18 amended by striking “\$25,000” and inserting  
19 “\$50,000”.

20 (2) CONSUMER LEASES.—Section 181(1) of the  
21 Truth in Lending Act (15 U.S.C. 1667(1)) is  
22 amended by striking “\$25,000” and inserting  
23 “\$50,000”.

24 (b) ADJUSTMENTS FOR INFLATION.—On and after  
25 December 31, 2011, the Bureau shall adjust annually the

2006

1 dollar amounts described in sections 104(3) and 181(1)  
2 of the Truth in Lending Act (as amended by this section),  
3 by the annual percentage increase in the Consumer Price  
4 Index for Urban Wage Earners and Clerical Workers, as  
5 published by the Bureau of Labor Statistics, rounded to  
6 the nearest multiple of \$100, or \$1,000, as applicable.

7 **SEC. 1100F. USE OF CONSUMER REPORTS.**

8 Section 615 of the Fair Credit Reporting Act (15  
9 U.S.C. 1681m) is amended—

10 (1) in subsection (a)—

11 (A) by redesignating paragraphs (2) and  
12 (3) as paragraphs (3) and (4), respectively;

13 (B) by inserting after paragraph (1) the  
14 following:

15 “(2) provide to the consumer written or elec-  
16 tronic disclosure—

17 “(A) of a numerical credit score as defined  
18 in section 609(f)(2)(A) used by such person in  
19 taking any adverse action based in whole or in  
20 part on any information in a consumer report;  
21 and

22 “(B) of the information set forth in sub-  
23 paragraphs (B) through (E) of section  
24 609(f)(1);” and

2007

1 (C) in paragraph (4) (as so redesignated),  
2 by striking “paragraph (2)” and inserting  
3 “paragraph (3)”; and  
4 (2) in subsection (h)(5)—

5 (A) in subparagraph (C), by striking “;  
6 and” and inserting a semicolon;

7 (B) in subparagraph (D), by striking the  
8 period and inserting “; and”; and

9 (C) by inserting at the end the following:  
10 “(E) include a statement informing the  
11 consumer of—

12 “(i) a numerical credit score as de-  
13 fined in section 609(f)(2)(A), used by such  
14 person in making the credit decision de-  
15 scribed in paragraph (1) based in whole or  
16 in part on any information in a consumer  
17 report; and

18 “(ii) the information set forth in sub-  
19 paragraphs (B) through (E) of section  
20 609(f)(1).”.

21 **SEC. 1100G. SMALL BUSINESS FAIRNESS AND REGULATORY**  
22 **TRANSPARENCY.**

23 (a) PANEL REQUIREMENT.—Section 609(d) of title  
24 5, United States Code, is amended by striking “means

2008

1 the” and all that follows and inserting the following:

2 “means—

3 “(1) the Environmental Protection Agency;

4 “(2) the Consumer Financial Protection Bureau  
5 of the Federal Reserve System; and

6 “(3) the Occupational Safety and Health Ad-  
7 ministration of the Department of Labor.”.

8 (b) INITIAL REGULATORY FLEXIBILITY ANALYSIS.—

9 Section 603 of title 5, United States Code, is amended  
10 by adding at the end the following:

11 “(d)(1) For a covered agency, as defined in section  
12 609(d)(2), each initial regulatory flexibility analysis shall  
13 include a description of—

14 “(A) any projected increase in the cost of credit  
15 for small entities;

16 “(B) any significant alternatives to the pro-  
17 posed rule which accomplish the stated objectives of  
18 applicable statutes and which minimize any increase  
19 in the cost of credit for small entities; and

20 “(C) advice and recommendations of represent-  
21 atives of small entities relating to issues described in  
22 subparagraphs (A) and (B) and subsection (b).

23 “(2) A covered agency, as defined in section  
24 609(d)(2), shall, for purposes of complying with para-  
25 graph (1)(C)—



2009

1           “(A) identify representatives of small entities in  
2           consultation with the Chief Counsel for Advocacy of  
3           the Small Business Administration; and

4           “(B) collect advice and recommendations from  
5           the representatives identified under subparagraph  
6           (A) relating to issues described in subparagraphs  
7           (A) and (B) of paragraph (1) and subsection (b).”.

8           (c) FINAL REGULATORY FLEXIBILITY ANALYSIS.—  
9           Section 604(a) of title 5, United States Code, is amend-  
10          ed—

11           (1) in paragraph (4), by striking “and” at the  
12          end;

13           (2) in paragraph (5), by striking the period at  
14          the end and inserting “; and”; and

15           (3) by adding at the end the following:

16           “(6) for a covered agency, as defined in section  
17          609(d)(2), a description of the steps the agency has  
18          taken to minimize any additional cost of credit for  
19          small entities.”.

20          **SEC. 1100H. EFFECTIVE DATE.**

21          Except as otherwise provided in this subtitle and the  
22          amendments made by this subtitle, this subtitle and the  
23          amendments made by this subtitle, other than sections  
24          1081 and 1082, shall become effective on the designated  
25          transfer date.

2010

1     **TITLE XI—FEDERAL RESERVE**  
2             **SYSTEM PROVISIONS**

3     **SEC. 1101. FEDERAL RESERVE ACT AMENDMENTS ON**  
4             **EMERGENCY LENDING AUTHORITY.**

5             (a) FEDERAL RESERVE ACT.—The third undesig-  
6 nated paragraph of section 13 of the Federal Reserve Act  
7 (12 U.S.C. 343) (relating to emergency lending authority)  
8 is amended—

9                 (1) by inserting “(3)(A)” before “In unusual”;

10                (2) by striking “individual, partnership, or cor-  
11 poration” the first place that term appears and in-  
12 serting the following: “participant in any program or  
13 facility with broad-based eligibility”;

14                (3) by striking “exchange for an individual or  
15 a partnership or corporation” and inserting “ex-  
16 change,”;

17                (4) by striking “such individual, partnership, or  
18 corporation” and inserting the following: “such par-  
19 ticipant in any program or facility with broad-based  
20 eligibility”;

21                (5) by striking “for individuals, partnerships,  
22 corporations” and inserting “for any participant in  
23 any program or facility with broad-based eligibility”;  
24 and

2011

1           (6) by striking “may prescribe.” and inserting  
2           the following: “may prescribe.

3                   “(B)(i) As soon as is practicable after the  
4           date of enactment of this subparagraph, the  
5           Board shall establish, by regulation, in con-  
6           sultation with the Secretary of the Treasury,  
7           the policies and procedures governing emer-  
8           gency lending under this paragraph. Such poli-  
9           cies and procedures shall be designed to ensure  
10          that any emergency lending program or facility  
11          is for the purpose of providing liquidity to the  
12          financial system, and not to aid a failing finan-  
13          cial company, and that the security for emer-  
14          gency loans is sufficient to protect taxpayers  
15          from losses and that any such program is ter-  
16          minated in a timely and orderly fashion. The  
17          policies and procedures established by the  
18          Board shall require that a Federal reserve bank  
19          assign, consistent with sound risk management  
20          practices and to ensure protection for the tax-  
21          payer, a lendable value to all collateral for a  
22          loan executed by a Federal reserve bank under  
23          this paragraph in determining whether the loan  
24          is secured satisfactorily for purposes of this  
25          paragraph.

## 2012

1           “(ii) The Board shall establish procedures  
2           to prohibit borrowing from programs and facili-  
3           ties by borrowers that are insolvent. Such pro-  
4           cedures may include a certification from the  
5           chief executive officer (or other authorized offi-  
6           cer) of the borrower, at the time the borrower  
7           initially borrows under the program or facility  
8           (with a duty by the borrower to update the cer-  
9           tification if the information in the certification  
10          materially changes), that the borrower is not in-  
11          solvent. A borrower shall be considered insol-  
12          vent for purposes of this subparagraph, if the  
13          borrower is in bankruptcy, resolution under title  
14          II of the Dodd-Frank Wall Street Reform and  
15          Consumer Protection Act, or any other Federal  
16          or State insolvency proceeding.

17          “(iii) A program or facility that is struc-  
18          tured to remove assets from the balance sheet  
19          of a single and specific company, or that is es-  
20          tablished for the purpose of assisting a single  
21          and specific company avoid bankruptcy, resolu-  
22          tion under title II of the Dodd-Frank Wall  
23          Street Reform and Consumer Protection Act, or  
24          any other Federal or State insolvency pro-

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1           ceeding, shall not be considered a program or  
2           facility with broad-based eligibility.

3           “(iv) The Board may not establish any  
4           program or facility under this paragraph with-  
5           out the prior approval of the Secretary of the  
6           Treasury.

7           “(C) The Board shall provide to the Com-  
8           mittee on Banking, Housing, and Urban Affairs  
9           of the Senate and the Committee on Financial  
10          Services of the House of Representatives—

11           “(i) not later than 7 days after the  
12          Board authorizes any loan or other finan-  
13          cial assistance under this paragraph, a re-  
14          port that includes—

15           “(I) the justification for the exer-  
16          cise of authority to provide such as-  
17          sistance;

18           “(II) the identity of the recipi-  
19          ents of such assistance;

20           “(III) the date and amount of  
21          the assistance, and form in which the  
22          assistance was provided; and

23           “(IV) the material terms of the  
24          assistance, including—

25           “(aa) duration;

2014

1                   “(bb) collateral pledged and  
2                   the value thereof;

3                   “(cc) all interest, fees, and  
4                   other revenue or items of value to  
5                   be received in exchange for the  
6                   assistance;

7                   “(dd) any requirements im-  
8                   posed on the recipient with re-  
9                   spect to employee compensation,  
10                  distribution of dividends, or any  
11                  other corporate decision in ex-  
12                  change for the assistance; and

13                  “(ee) the expected costs to  
14                  the taxpayers of such assistance;  
15                  and

16                  “(ii) once every 30 days, with respect  
17                  to any outstanding loan or other financial  
18                  assistance under this paragraph, written  
19                  updates on—

20                         “(I) the value of collateral;

21                         “(II) the amount of interest,  
22                         fees, and other revenue or items of  
23                         value received in exchange for the as-  
24                         sistance; and

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1                   “(III) the expected or final cost  
2                   to the taxpayers of such assistance.

3                   “(D) The information required to be sub-  
4                   mitted to Congress under subparagraph (C) re-  
5                   lated to—

6                   “(i) the identity of the participants in  
7                   an emergency lending program or facility  
8                   commenced under this paragraph;

9                   “(ii) the amounts borrowed by each  
10                  participant in any such program or facility;

11                  “(iii) identifying details concerning  
12                  the assets or collateral held by, under, or  
13                  in connection with such a program or facil-  
14                  ity,

15                  shall be kept confidential, upon the written re-  
16                  quest of the Chairman of the Board, in which  
17                  case such information shall be made available  
18                  only to the Chairpersons or Ranking Members  
19                  of the Committees described in subparagraph  
20                  (C).

21                  “(E) If an entity to which a Federal re-  
22                  serve bank has provided a loan under this para-  
23                  graph becomes a covered financial company, as  
24                  defined in section 201 of the Dodd-Frank Wall  
25                  Street Reform and Consumer Protection Act, at

## 2016

1 any time while such loan is outstanding, and  
2 the Federal reserve bank incurs a realized net  
3 loss on the loan, then the Federal reserve bank  
4 shall have a claim equal to the amount of the  
5 net realized loss against the covered entity, with  
6 the same priority as an obligation to the Sec-  
7 retary of the Treasury under section 210(b) of  
8 the Dodd-Frank Wall Street Reform and Con-  
9 sumer Protection Act.”.

10 (b) CONFORMING AMENDMENT.—Section 507(a)(2)  
11 of title 11, United States Code, is amended by inserting  
12 “unsecured claims of any Federal reserve bank related to  
13 loans made through programs or facilities authorized  
14 under section 13(3) of the Federal Reserve Act (12 U.S.C.  
15 343),” after “this title,”.

16 (c) REFERENCES.—On and after the date of enact-  
17 ment of this Act, any reference in any provision of Federal  
18 law to the third undesignated paragraph of section 13 of  
19 the Federal Reserve Act (12 U.S.C. 343) shall be deemed  
20 to be a reference to section 13(3) of the Federal Reserve  
21 Act, as so designated by this section.

22 **SEC. 1102. AUDITS OF SPECIAL FEDERAL RESERVE CREDIT**  
23 **FACILITIES.**

24 (a) AUDITS.—Section 714 of title 31, United States  
25 Code, is amended by adding at the end the following:



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1           “(f) AUDITS OF CREDIT FACILITIES OF THE FED-  
2 ERAL RESERVE SYSTEM.—

3           “(1) DEFINITIONS.—In this subsection, the fol-  
4 lowing definitions shall apply:

5           “(A) CREDIT FACILITY.—The term ‘credit  
6 facility’ means a program or facility, including  
7 any special purpose vehicle or other entity es-  
8 tablished by or on behalf of the Board of Gov-  
9 ernors of the Federal Reserve System or a Fed-  
10 eral reserve bank, authorized by the Board of  
11 Governors under section 13(3) of the Federal  
12 Reserve Act (12 U.S.C. 343), that is not sub-  
13 ject to audit under subsection (e).

14           “(B) COVERED TRANSACTION.—The term  
15 ‘covered transaction’ means any open market  
16 transaction or discount window advance that  
17 meets the definition of ‘covered transaction’ in  
18 section 11(s) of the Federal Reserve Act.

19           “(2) AUTHORITY FOR AUDITS AND EXAMINA-  
20 TIONS.—Subject to paragraph (3), and notwith-  
21 standing any limitation in subsection (b) on the au-  
22 diting and oversight of certain functions of the  
23 Board of Governors of the Federal Reserve System  
24 or any Federal reserve bank, the Comptroller Gen-  
25 eral of the United States may conduct audits, in-

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1 including onsite examinations, of the Board of Gov-  
2 ernors, a Federal reserve bank, or a credit facility,  
3 if the Comptroller General determines that such au-  
4 dits are appropriate, solely for the purposes of as-  
5 sessing, with respect to a credit facility or a covered  
6 transaction—

7 “(A) the operational integrity, accounting,  
8 financial reporting, and internal controls gov-  
9 erning the credit facility or covered transaction;

10 “(B) the effectiveness of the security and  
11 collateral policies established for the facility or  
12 covered transaction in mitigating risk to the rel-  
13 evant Federal reserve bank and taxpayers;

14 “(C) whether the credit facility or the con-  
15 duct of a covered transaction inappropriately  
16 favors one or more specific participants over  
17 other institutions eligible to utilize the facility;  
18 and

19 “(D) the policies governing the use, selec-  
20 tion, or payment of third-party contractors by  
21 or for any credit facility or to conduct any cov-  
22 ered transaction.

23 “(3) REPORTS AND DELAYED DISCLOSURE.—

24 “(A) REPORTS REQUIRED.—A report on  
25 each audit conducted under paragraph (2) shall

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1 be submitted by the Comptroller General to the  
2 Congress before the end of the 90-day period  
3 beginning on the date on which such audit is  
4 completed.

5 “(B) CONTENTS.—The report under sub-  
6 paragraph (A) shall include a detailed descrip-  
7 tion of the findings and conclusions of the  
8 Comptroller General with respect to the matters  
9 described in paragraph (2) that were audited  
10 and are the subject of the report, together with  
11 such recommendations for legislative or admin-  
12 istrative action relating to such matters as the  
13 Comptroller General may determine to be ap-  
14 propriate.

15 “(C) DELAYED RELEASE OF CERTAIN IN-  
16 FORMATION.—

17 “(i) IN GENERAL.—The Comptroller  
18 General shall not disclose to any person or  
19 entity, including to Congress, the names or  
20 identifying details of specific participants  
21 in any credit facility or covered trans-  
22 action, the amounts borrowed by or trans-  
23 ferred by or to specific participants in any  
24 credit facility or covered transaction, or  
25 identifying details regarding assets or col-

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1 lateral held or transferred by, under, or in  
2 connection with any credit facility or cov-  
3 ered transaction, and any report provided  
4 under subparagraph (A) shall be redacted  
5 to ensure that such names and details are  
6 not disclosed.

7 “(ii) DELAYED RELEASE.—The non-  
8 disclosure obligation under clause (i) shall  
9 expire with respect to any participant on  
10 the date on which the Board of Governors,  
11 directly or through a Federal reserve bank,  
12 publicly discloses the identity of the subject  
13 participant or the identifying details of the  
14 subject assets, collateral, or transaction.

15 “(iii) GENERAL RELEASE.—The  
16 Comptroller General shall release a non-  
17 redacted version of any report on a credit  
18 facility 1 year after the effective date of  
19 the termination by the Board of Governors  
20 of the authorization for the credit facility.  
21 For purposes of this clause, a credit facil-  
22 ity shall be deemed to have terminated 24  
23 months after the date on which the credit  
24 facility ceases to make extensions of credit  
25 and loans, unless the credit facility is oth-

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1 erwise terminated by the Board of Gov-  
2 ernors.

3 “(iv) EXCEPTIONS.—The nondislo-  
4 sure obligation under clause (i) shall not  
5 apply to the credit facilities Maiden Lane,  
6 Maiden Lane II, and Maiden Lane III.

7 “(v) RELEASE OF COVERED TRANS-  
8 ACTION INFORMATION.—The Comptroller  
9 General shall release a nonredacted version  
10 of any report regarding covered trans-  
11 actions upon the release of the information  
12 regarding such covered transactions by the  
13 Board of Governors of the Federal Reserve  
14 System, as provided in section 11(s) of the  
15 Federal Reserve Act.”.

16 (b) ACCESS TO RECORDS.—Section 714(d) of title  
17 31, United States Code, is amended—

18 (1) in paragraph (2), by inserting “or any per-  
19 son or entity described in paragraph (3)(A)” after  
20 “used by an agency”;

21 (2) in paragraph (3), by inserting “or (f)” after  
22 “subsection (e)” each place that term appears;

23 (3) in clauses (i) and (ii) of paragraph (3)(A),  
24 by inserting “or the Federal Reserve banks” after  
25 “by the Board” each place that term appears;

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1 (4) in paragraph (3)(A)(ii), by inserting “participating in or” after “any entity”; and

2  
3 (5) in paragraph (3)(B), by adding at the end  
4 the following: “The Comptroller General may make  
5 and retain copies of books, accounts, and other  
6 records provided under subparagraph (A) as the  
7 Comptroller General deems appropriate. The Comptroller General shall provide to any person or entity  
8 described in subparagraph (A) a current list of officers and employees to whom, with proper identification,  
9 records and property may be made available,  
10 and who may make notes or copies necessary to carry out a audit or examination under this subsection.”.

11  
12  
13  
14  
15 **SEC. 1103. PUBLIC ACCESS TO INFORMATION.**

16 (a) IN GENERAL.—Section 2B of the Federal Reserve  
17 Act (12 U.S.C. 225b) is amended by adding at the end  
18 the following:

19 “(c) PUBLIC ACCESS TO INFORMATION.—The Board  
20 shall place on its home Internet website, a link entitled  
21 ‘Audit’, which shall link to a webpage that shall serve as  
22 a repository of information made available to the public  
23 for a reasonable period of time, not less than 6 months  
24 following the date of release of the relevant information,  
25 including—

## 2023

1           “(1) the reports prepared by the Comptroller  
2           General under section 714 of title 31, United States  
3           Code;

4           “(2) the annual financial statements prepared  
5           by an independent auditor for the Board in accord-  
6           ance with section 11B;

7           “(3) the reports to the Committee on Banking,  
8           Housing, and Urban Affairs of the Senate required  
9           under section 13(3) (relating to emergency lending  
10          authority); and

11          “(4) such other information as the Board rea-  
12          sonably believes is necessary or helpful to the public  
13          in understanding the accounting, financial reporting,  
14          and internal controls of the Board and the Federal  
15          reserve banks.”.

16          (b) FEDERAL RESERVE TRANSPARENCY AND RE-  
17          LEASE OF INFORMATION.—Section 11 of the Federal Re-  
18          serve Act (12 U.S.C. 248) is amended by adding at the  
19          end the following new subsection:

20          “(s) FEDERAL RESERVE TRANSPARENCY AND RE-  
21          LEASE OF INFORMATION.—

22                 “(1) IN GENERAL.—In order to ensure the dis-  
23                 closure in a timely manner consistent with the pur-  
24                 poses of this Act of information concerning the bor-  
25                 rowers and counterparties participating in emer-

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1 agency credit facilities, discount window lending pro-  
2 grams, and open market operations authorized or  
3 conducted by the Board or a Federal reserve bank,  
4 the Board of Governors shall disclose, as provided in  
5 paragraph (2)—

6 “(A) the names and identifying details of  
7 each borrower, participant, or counterparty in  
8 any credit facility or covered transaction;

9 “(B) the amount borrowed by or trans-  
10 ferred by or to a specific borrower, participant,  
11 or counterparty in any credit facility or covered  
12 transaction;

13 “(C) the interest rate or discount paid by  
14 each borrower, participant, or counterparty in  
15 any credit facility or covered transaction; and

16 “(D) information identifying the types and  
17 amounts of collateral pledged or assets trans-  
18 ferred in connection with participation in any  
19 credit facility or covered transaction.

20 “(2) MANDATORY RELEASE DATE.—In the case  
21 of—

22 “(A) a credit facility, the Board shall dis-  
23 close the information described in paragraph  
24 (1) on the date that is 1 year after the effective



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1 date of the termination by the Board of the au-  
2 thorization of the credit facility; and

3 “(B) a covered transaction, the Board  
4 shall disclose the information described in para-  
5 graph (1) on the last day of the eighth calendar  
6 quarter following the calendar quarter in which  
7 the covered transaction was conducted.

8 “(3) EARLIER RELEASE DATE AUTHORIZED.—  
9 The Chairman of the Board may publicly release the  
10 information described in paragraph (1) before the  
11 relevant date specified in paragraph (2), if the  
12 Chairman determines that such disclosure would be  
13 in the public interest and would not harm the effec-  
14 tiveness of the relevant credit facility or the purpose  
15 or conduct of covered transactions.

16 “(4) DEFINITIONS.—For purposes of this sub-  
17 section, the following definitions shall apply:

18 “(A) CREDIT FACILITY.—The term ‘credit  
19 facility’ has the same meaning as in section  
20 714(f)(1)(A) of title 31, United States Code.

21 “(B) COVERED TRANSACTION.—The term  
22 ‘covered transaction’ means—

23 “(i) any open market transaction with  
24 a nongovernmental third party conducted  
25 under the first undesignated paragraph of

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1 section 14 or subparagraph (a), (b), or (c)  
2 of the 2nd undesignated paragraph of such  
3 section, after the date of enactment of the  
4 Dodd-Frank Wall Street Reform and Con-  
5 sumer Protection Act; and

6 “(ii) any advance made under section  
7 10B after the date of enactment of that  
8 Act.

9 “(5) TERMINATION OF CREDIT FACILITY BY OP-  
10 ERATION OF LAW.—A credit facility shall be deemed  
11 to have terminated as of the end of the 24-month  
12 period beginning on the date on which the credit fa-  
13 cility ceases to make extensions of credit and loans,  
14 unless the credit facility is otherwise terminated by  
15 the Board before such date.

16 “(6) CONSISTENT TREATMENT OF INFORMA-  
17 TION.—Except as provided in this subsection or sec-  
18 tion 13(3)(D), or in section 714(f)(3)(C) of title 31,  
19 United States Code, the information described in  
20 paragraph (1) and information concerning the trans-  
21 actions described in section 714(f) of such title, shall  
22 be confidential, including for purposes of section  
23 552(b)(3) of title 5 of such Code, until the relevant  
24 mandatory release date described in paragraph (2),  
25 unless the Chairman of the Board determines that

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1 earlier disclosure of such information would be in  
2 the public interest and would not harm the effective-  
3 ness of the relevant credit facility or the purpose of  
4 conduct of the relevant transactions.

5 “(7) PROTECTION OF PERSONAL PRIVACY.—  
6 This subsection and section 13(3)(C), section  
7 714(f)(3)(C) of title 31, United States Code, and  
8 subsection (a) or (c) of section 1109 of the Dodd-  
9 Frank Wall Street Reform and Consumer Protection  
10 Act shall not be construed as requiring any disclo-  
11 sure of nonpublic personal information (as defined  
12 for purposes of section 502 of the Gramm-Leach-  
13 Bliley Act (12 U.S.C. 6802)) concerning any indi-  
14 vidual who is referenced in collateral pledged or as-  
15 sets transferred in connection with a credit facility  
16 or covered transaction, unless the person is a bor-  
17 rower, participant, or counterparty under the credit  
18 facility or covered transaction.

19 “(8) STUDY OF FOIA EXEMPTION IMPACT.—

20 “(A) STUDY.—The Inspector General of  
21 the Board of Governors of the Federal Reserve  
22 System shall—

23 “(i) conduct a study on the impact  
24 that the exemption from section 552(b)(3)  
25 of title 5 (known as the Freedom of Infor-

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1                   mation Act) established under paragraph  
2                   (6) has had on the ability of the public to  
3                   access information about the administra-  
4                   tion by the Board of Governors of emer-  
5                   gency credit facilities, discount window  
6                   lending programs, and open market oper-  
7                   ations; and

8                   “(ii) make any recommendations on  
9                   whether the exemption described in clause  
10                  (i) should remain in effect.

11                  “(B) REPORT.—Not later than 30 months  
12                  after the date of enactment of this section, the  
13                  Inspector General of the Board of Governors of  
14                  the Federal Reserve System shall submit a re-  
15                  port on the findings of the study required under  
16                  subparagraph (A) to the Committee on Bank-  
17                  ing, Housing, and Urban Affairs of the Senate  
18                  and the Committee on Financial Services of the  
19                  House of Representatives, and publish the re-  
20                  port on the website of the Board.

21                  “(9) RULE OF CONSTRUCTION.—Nothing in  
22                  this section is meant to affect any pending litigation  
23                  or lawsuit filed under section 552 of title 5, United  
24                  States Code (popularly known as the Freedom of In-  
25                  formation Act), on or before the date of enactment

2029

1 of the Dodd-Frank Wall Street Reform and Con-  
2 sumer Protection Act.”.

3 **SEC. 1104. LIQUIDITY EVENT DETERMINATION.**

4 (a) DETERMINATION AND WRITTEN RECOMMENDA-  
5 TION.—

6 (1) DETERMINATION REQUEST.—The Secretary  
7 may request the Corporation and the Board of Gov-  
8 ernors to determine whether a liquidity event exists  
9 that warrants use of the guarantee program author-  
10 ized under section 1105.

11 (2) REQUIREMENTS OF DETERMINATION.—Any  
12 determination pursuant to paragraph (1) shall—

13 (A) be written; and

14 (B) contain an evaluation of the evidence  
15 that—

16 (i) a liquidity event exists;

17 (ii) failure to take action would have  
18 serious adverse effects on financial stability  
19 or economic conditions in the United  
20 States; and

21 (iii) actions authorized under section  
22 1105 are needed to avoid or mitigate po-  
23 tential adverse effects on the United States  
24 financial system or economic conditions.

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1 (b) PROCEDURES.—Notwithstanding any other provi-  
2 sion of Federal or State law, upon the determination of  
3 both the Corporation (upon a vote of not fewer than  $\frac{2}{3}$   
4 of the members of the Corporation then serving) and the  
5 Board of Governors (upon a vote of not fewer than  $\frac{2}{3}$   
6 of the members of the Board of Governors then serving)  
7 under subsection (a) that a liquidity event exists that war-  
8 rants use of the guarantee program authorized under sec-  
9 tion 1105, and with the written consent of the Secretary—

10 (1) the Corporation shall take action in accord-  
11 ance with section 1105(a); and

12 (2) the Secretary (in consultation with the  
13 President) shall take action in accordance with sec-  
14 tion 1105(c).

15 (c) DOCUMENTATION AND REVIEW.—

16 (1) DOCUMENTATION.—The Secretary shall—

17 (A) maintain the written documentation of  
18 each determination of the Corporation and the  
19 Board of Governors under this section; and

20 (B) provide the documentation for review  
21 under paragraph (2).

22 (2) GAO REVIEW.—The Comptroller General of  
23 the United States shall review and report to Con-  
24 gress on any determination of the Corporation and

## 2031

1 the Board of Governors under subsection (a), includ-  
2 ing—

3 (A) the basis for the determination; and

4 (B) the likely effect of the actions taken.

5 (d) REPORT TO CONGRESS.—On the earlier of the  
6 date of a submission made to Congress under section  
7 1105(c), or within 30 days of the date of a determination  
8 under subsection (a), the Secretary shall provide written  
9 notice of the determination of the Corporation and the  
10 Board of Governors to the Committee on Banking, Hous-  
11 ing, and Urban Affairs of the Senate and the Committee  
12 on Financial Services of the House of Representatives, in-  
13 cluding a description of the basis for the determination.

14 **SEC. 1105. EMERGENCY FINANCIAL STABILIZATION.**

15 (a) IN GENERAL.—Upon the written determination  
16 of the Corporation and the Board of Governors under sec-  
17 tion 1104, the Corporation shall create a widely available  
18 program to guarantee obligations of solvent insured depos-  
19 itory institutions or solvent depository institution holding  
20 companies (including any affiliates thereof) during times  
21 of severe economic distress, except that a guarantee of ob-  
22 ligations under this section may not include the provision  
23 of equity in any form.

24 (b) RULEMAKING AND TERMS AND CONDITIONS.—

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1           (1) POLICIES AND PROCEDURES.—As soon as is  
2           practicable after the date of enactment of this Act,  
3           the Corporation shall establish, by regulation, and in  
4           consultation with the Secretary, policies and proce-  
5           dures governing the issuance of guarantees author-  
6           ized by this section. Such policies and procedures  
7           may include a requirement of collateral as a condi-  
8           tion of any such guarantee.

9           (2) TERMS AND CONDITIONS.—The terms and  
10          conditions of any guarantee program shall be estab-  
11          lished by the Corporation, with the concurrence of  
12          the Secretary.

13          (c) DETERMINATION OF GUARANTEED AMOUNT.—

14           (1) IN GENERAL.—In connection with any pro-  
15          gram established pursuant to subsection (a) and  
16          subject to paragraph (2) of this subsection, the Sec-  
17          retary (in consultation with the President) shall de-  
18          termine the maximum amount of debt outstanding  
19          that the Corporation may guarantee under this sec-  
20          tion, and the President may transmit to Congress a  
21          written report on the plan of the Corporation to ex-  
22          ercise the authority under this section to issue guar-  
23          antees up to that maximum amount and a request  
24          for approval of such plan. The Corporation shall ex-  
25          ercise the authority under this section to issue guar-



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1        antees up to that specified maximum amount upon  
2        passage of the joint resolution of approval, as pro-  
3        vided in subsection (d). Absent such approval, the  
4        Corporation shall issue no such guarantees.

5            (2) ADDITIONAL DEBT GUARANTEE AUTHOR-  
6        ITY.—If the Secretary (in consultation with the  
7        President) determines, after a submission to Con-  
8        gress under paragraph (1), that the maximum guar-  
9        antee amount should be raised, and the Council con-  
10       curs with that determination, the President may  
11       transmit to Congress a written report on the plan of  
12       the Corporation to exercise the authority under this  
13       section to issue guarantees up to the increased max-  
14       imum debt guarantee amount. The Corporation shall  
15       exercise the authority under this section to issue  
16       guarantees up to that specified maximum amount  
17       upon passage of the joint resolution of approval, as  
18       provided in subsection (d). Absent such approval,  
19       the Corporation shall issue no such guarantees.

20        (d) RESOLUTION OF APPROVAL.—

21            (1) ADDITIONAL DEBT GUARANTEE AUTHOR-  
22        ITY.—A request by the President under this section  
23        shall be considered granted by Congress upon adop-  
24        tion of a joint resolution approving such request.

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1       Such joint resolution shall be considered in the Sen-  
2       ate under expedited procedures.

3               (2) FAST TRACK CONSIDERATION IN SENATE.—

4               (A) RECONVENING.—Upon receipt of a re-  
5       quest under subsection (c), if the Senate has  
6       adjourned or recessed for more than 2 days, the  
7       majority leader of the Senate, after consultation  
8       with the minority leader of the Senate, shall no-  
9       tify the Members of the Senate that, pursuant  
10      to this section, the Senate shall convene not  
11      later than the second calendar day after receipt  
12      of such message.

13              (B) PLACEMENT ON CALENDAR.—Upon in-  
14      troduction in the Senate, the joint resolution  
15      shall be placed immediately on the calendar.

16              (C) FLOOR CONSIDERATION.—

17              (i) IN GENERAL.—Notwithstanding  
18      Rule XXII of the Standing Rules of the  
19      Senate, it is in order at any time during  
20      the period beginning on the 4th day after  
21      the date on which Congress receives a re-  
22      quest under subsection (c), and ending on  
23      the 7th day after that date (even though a  
24      previous motion to the same effect has  
25      been disagreed to) to move to proceed to

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1 the consideration of the joint resolution,  
2 and all points of order against the joint  
3 resolution (and against consideration of  
4 the joint resolution) are waived. The mo-  
5 tion to proceed is not debatable. The mo-  
6 tion is not subject to a motion to postpone.  
7 A motion to reconsider the vote by which  
8 the motion is agreed to or disagreed to  
9 shall not be in order. If a motion to pro-  
10 ceed to the consideration of the resolution  
11 is agreed to, the joint resolution shall re-  
12 main the unfinished business until dis-  
13 posed of.

14 (ii) DEBATE.—Debate on the joint  
15 resolution, and on all debatable motions  
16 and appeals in connection therewith, shall  
17 be limited to not more than 10 hours,  
18 which shall be divided equally between the  
19 majority and minority leaders or their des-  
20 ignees. A motion further to limit debate is  
21 in order and not debatable. An amendment  
22 to, or a motion to postpone, or a motion to  
23 proceed to the consideration of other busi-  
24 ness, or a motion to recommit the joint  
25 resolution is not in order.

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1 (iii) VOTE ON PASSAGE.—The vote on  
2 passage shall occur immediately following  
3 the conclusion of the debate on the joint  
4 resolution, and a single quorum call at the  
5 conclusion of the debate if requested in ac-  
6 cordance with the rules of the Senate.

7 (iv) RULINGS OF THE CHAIR ON PRO-  
8 CEDURE.—Appeals from the decisions of  
9 the Chair relating to the application of the  
10 rules of the Senate, as the case may be, to  
11 the procedure relating to a joint resolution  
12 shall be decided without debate.

13 (3) RULES.—

14 (A) COORDINATION WITH ACTION BY  
15 HOUSE OF REPRESENTATIVES.—If, before the  
16 passage by the Senate of a joint resolution of  
17 the Senate, the Senate receives a joint resolu-  
18 tion, from the House of Representatives, then  
19 the following procedures shall apply:

20 (i) The joint resolution of the House  
21 of Representatives shall not be referred to  
22 a committee.

23 (ii) With respect to a joint resolution  
24 of the Senate—

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1 (I) the procedure in the Senate  
2 shall be the same as if no joint resolu-  
3 tion had been received from the other  
4 House; but

5 (II) the vote on passage shall be  
6 on the joint resolution of the House of  
7 Representatives.

8 (B) TREATMENT OF JOINT RESOLUTION  
9 OF HOUSE OF REPRESENTATIVES.—If the Sen-  
10 ate fails to introduce or consider a joint resolu-  
11 tion under this section, the joint resolution of  
12 the House of Representatives shall be entitled  
13 to expedited floor procedures under this sub-  
14 section.

15 (C) TREATMENT OF COMPANION MEAS-  
16 URES.—If, following passage of the joint resolu-  
17 tion in the Senate, the Senate then receives the  
18 companion measure from the House of Rep-  
19 resentatives, the companion measure shall not  
20 be debatable.

21 (D) RULES OF THE SENATE.—This sub-  
22 section is enacted by Congress—

23 (i) as an exercise of the rulemaking  
24 power of the Senate, and as such it is  
25 deemed a part of the rules of the Senate,

1 but applicable only with respect to the pro-  
2 cedure to be followed in the Senate in the  
3 case of a joint resolution, and it supersedes  
4 other rules, only to the extent that it is in-  
5 consistent with such rules; and

6 (ii) with full recognition of the con-  
7 stitutional right of the Senate to change  
8 the rules (so far as relating to the proce-  
9 dure of the Senate) at any time, in the  
10 same manner, and to the same extent as in  
11 the case of any other rule of the Senate.

12 (4) DEFINITION.—As used in this subsection,  
13 the term “joint resolution” means only a joint reso-  
14 lution—

15 (A) that is introduced not later than 3 cal-  
16 endar days after the date on which the request  
17 referred to in subsection (c) is received by Con-  
18 gress;

19 (B) that does not have a preamble;

20 (C) the title of which is as follows: “Joint  
21 resolution relating to the approval of a plan to  
22 guarantee obligations under section 1105 of the  
23 Dodd-Frank Wall Street Reform and Consumer  
24 Protection Act”; and

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1 (D) the matter after the resolving clause of  
2 which is as follows: “That Congress approves  
3 the obligation of any amount described in sec-  
4 tion 1105(c) of the Dodd-Frank Wall Street  
5 Reform and Consumer Protection Act.”.

6 (e) FUNDING.—

7 (1) FEES AND OTHER CHARGES.—The Corpora-  
8 tion shall charge fees and other assessments to all  
9 participants in the program established pursuant to  
10 this section, in such amounts as are necessary to off-  
11 set projected losses and administrative expenses, in-  
12 cluding amounts borrowed pursuant to paragraph  
13 (3), and such amounts shall be available to the Cor-  
14 poration.

15 (2) EXCESS FUNDS.—If, at the conclusion of  
16 the program established under this section, there are  
17 any excess funds collected from the fees associated  
18 with such program, the funds shall be deposited in  
19 the General Fund of the Treasury.

20 (3) AUTHORITY OF CORPORATION.—The Cor-  
21 poration—

22 (A) may borrow funds from the Secretary  
23 of the Treasury and issue obligations of the  
24 Corporation to the Secretary for amounts bor-  
25 rowed, and the amounts borrowed shall be

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1 available to the Corporation for purposes of car-  
2 rying out a program established pursuant to  
3 this section, including the payment of reason-  
4 able costs of administering the program, and  
5 the obligations issued shall be repaid in full  
6 with interest through fees and charges paid by  
7 participants in accordance with paragraphs (1)  
8 and (4), as applicable; and

9 (B) may not borrow funds from the De-  
10 posit Insurance Fund established pursuant to  
11 section 11(a)(4) of the Federal Deposit Insur-  
12 ance Act.

13 (4) BACKUP SPECIAL ASSESSMENTS.—To the  
14 extent that the funds collected pursuant to para-  
15 graph (1) are insufficient to cover any losses or ex-  
16 penses, including amounts borrowed pursuant to  
17 paragraph (3), arising from a program established  
18 pursuant to this section, the Corporation shall im-  
19 pose a special assessment solely on participants in  
20 the program, in amounts necessary to address such  
21 insufficiency, and which shall be available to the  
22 Corporation to cover such losses or expenses.

23 (5) AUTHORITY OF THE SECRETARY.—The Sec-  
24 retary may purchase any obligations issued under  
25 paragraph (3)(A). For such purpose, the Secretary



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1        may use the proceeds of the sale of any securities  
2        issued under chapter 31 of title 31, United States  
3        Code, and the purposes for which securities may be  
4        issued under that chapter 31 are extended to include  
5        such purchases, and the amount of any securities  
6        issued under that chapter 31 for such purpose shall  
7        be treated in the same manner as securities issued  
8        under section 208(n)(5)(E).

9        (f) RULE OF CONSTRUCTION.—For purposes of this  
10       section, a guarantee of deposits held by insured depository  
11       institutions shall not be treated as a debt guarantee pro-  
12       gram.

13       (g) DEFINITIONS.—For purposes of this section, the  
14       following definitions shall apply:

15            (1) COMPANY.—The term “company” means  
16       any entity other than a natural person that is incor-  
17       porated or organized under Federal law or the laws  
18       of any State.

19            (2) DEPOSITORY INSTITUTION HOLDING COM-  
20       PANY.—The term “depository institution holding  
21       company” has the same meaning as in section 3 of  
22       the Federal Deposit Insurance Act (12 U.S.C.  
23       1813).

24            (3) LIQUIDITY EVENT.—The term “liquidity  
25       event” means—

1 (A) an exceptional and broad reduction in  
2 the general ability of financial market partici-  
3 pants—

4 (i) to sell financial assets without an  
5 unusual and significant discount; or

6 (ii) to borrow using financial assets as  
7 collateral without an unusual and signifi-  
8 cant increase in margin; or

9 (B) an unusual and significant reduction  
10 in the ability of financial market participants to  
11 obtain unsecured credit.

12 (4) SOLVENT.—The term “solvent” means that  
13 the value of the assets of an entity exceed its obliga-  
14 tions to creditors.

15 **SEC. 1106. ADDITIONAL RELATED AMENDMENTS.**

16 (a) SUSPENSION OF PARALLEL FEDERAL DEPOSIT  
17 INSURANCE ACT AUTHORITY.—Effective upon the date of  
18 enactment of this section, the Corporation may not exer-  
19 cise its authority under section 13(c)(4)(G)(i) of the Fed-  
20 eral Deposit Insurance Act (12 U.S.C. 1823(c)(4)(G)(i))  
21 to establish any widely available debt guarantee program  
22 for which section 1105 would provide authority.

23 (b) FEDERAL DEPOSIT INSURANCE ACT.—Section  
24 13(c)(4)(G) of the Federal Deposit Insurance Act (12  
25 U.S.C. 1823(c)(4)(G)) is amended—

1 (1) in clause (i)—

2 (A) in subclause (I), by inserting “for  
3 which the Corporation has been appointed re-  
4 ceiver” before “would have serious”; and

5 (B) in the undesignated matter following  
6 subclause (II), by inserting “for the purpose of  
7 winding up the insured depository institution  
8 for which the Corporation has been appointed  
9 receiver” after “provide assistance under this  
10 section”; and

11 (2) in clause (v)(I), by striking “The” and in-  
12 serting “Not later than 3 days after making a deter-  
13 mination under clause (i), the”.

14 (c) EFFECT OF DEFAULT ON AN FDIC GUAR-  
15 ANTEE.—If an insured depository institution or depository  
16 institution holding company (as those terms are defined  
17 in section 3 of the Federal Deposit Insurance Act) partici-  
18 pating in a program under section 1105, or any partici-  
19 pant in a debt guarantee program established pursuant  
20 to section 13(c)(4)(G)(i) of the Federal Deposit Insurance  
21 Act defaults on any obligation guaranteed by the Corpora-  
22 tion after the date of enactment of this Act, the Corpora-  
23 tion shall—

24 (1) appoint itself as receiver for the insured de-  
25 pository institution that defaults; and

1           (2) with respect to any other participating com-  
2           pany that is not an insured depository institution  
3           that defaults—

4                   (A) require—

5                           (i) consideration of whether a deter-  
6                           mination shall be made, as provided in sec-  
7                           tion 203 to resolve the company under sec-  
8                           tion 202; and

9                           (ii) the company to file a petition for  
10                          bankruptcy under section 301 of title 11,  
11                          United States Code, if the Corporation is  
12                          not appointed receiver pursuant to section  
13                          202 within 30 days of the date of default;  
14                          or

15                          (B) file a petition for involuntary bank-  
16                          ruptcy on behalf of the company under section  
17                          303 of title 11, United States Code.

18 **SEC. 1107. FEDERAL RESERVE ACT AMENDMENTS ON FED-**  
19 **ERAL RESERVE BANK GOVERNANCE.**

20           The 5th subparagraph of the 4th undesignated para-  
21           graph of section 4 of the Federal Reserve Act (12 U.S.C.  
22           341) is amended by striking the 2nd sentence and insert-  
23           ing the following: “The president shall be the chief execu-  
24           tive officer of the bank and shall be appointed by the Class  
25           B and Class C directors of the bank, with the approval

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1 of the Board of Governors of the Federal Reserve System,  
2 for a term of 5 years; and all other executive officers and  
3 all employees of the bank shall be directly responsible to  
4 the president.”.

5 **SEC. 1108. FEDERAL RESERVE ACT AMENDMENTS ON SU-**  
6 **PERVISION AND REGULATION POLICY.**

7 (a) ESTABLISHMENT OF THE POSITION OF VICE  
8 CHAIRMAN FOR SUPERVISION.—

9 (1) POSITION ESTABLISHED.—The second un-  
10 designated paragraph of section 10 of the Federal  
11 Reserve Act (12 U.S.C. 242) (relating to the Chair-  
12 man and Vice Chairman of the Board) is amended  
13 by striking the third sentence and inserting the fol-  
14 lowing: “Of the persons thus appointed, 1 shall be  
15 designated by the President, by and with the advice  
16 and consent of the Senate, to serve as Chairman of  
17 the Board for a term of 4 years, and 2 shall be des-  
18 ignated by the President, by and with the advice and  
19 consent of the Senate, to serve as Vice Chairmen of  
20 the Board, each for a term of 4 years, 1 of whom  
21 shall serve in the absence of the Chairman, as pro-  
22 vided in the fourth undesignated paragraph of this  
23 section, and 1 of whom shall be designated Vice  
24 Chairman for Supervision. The Vice Chairman for  
25 Supervision shall develop policy recommendations for

1 the Board regarding supervision and regulation of  
2 depository institution holding companies and other  
3 financial firms supervised by the Board, and shall  
4 oversee the supervision and regulation of such  
5 firms.”.

6 (2) EFFECTIVE DATE.—The amendment made  
7 by subsection (a) takes effect on the date of enact-  
8 ment of this title and applies to individuals who are  
9 designated by the President on or after that date to  
10 serve as Vice Chairman of Supervision.

11 (b) APPEARANCES BEFORE CONGRESS.—Section 10  
12 of the Federal Reserve Act (12 U.S.C. 241 et seq.) is  
13 amended by adding at the end the following:

14 “(12) APPEARANCES BEFORE CONGRESS.—The  
15 Vice Chairman for Supervision shall appear before  
16 the Committee on Banking, Housing, and Urban Af-  
17 fairs of the Senate and the Committee on Financial  
18 Services of the House of Representatives and at  
19 semi-annual hearings regarding the efforts, activi-  
20 ties, objectives, and plans of the Board with respect  
21 to the conduct of supervision and regulation of de-  
22 pository institution holding companies and other fi-  
23 nancial firms supervised by the Board.”.

24 (c) BOARD RESPONSIBILITY TO SET SUPERVISION  
25 AND REGULATORY POLICY.—Section 11 of the Federal

1 Reserve Act (12 U.S.C. 248) (relating to enumerated pow-  
2 ers of the Board) is amended by adding at the end of sub-  
3 section (k) (relating to delegation) the following: “The  
4 Board of Governors may not delegate to a Federal reserve  
5 bank its functions for the establishment of policies for the  
6 supervision and regulation of depository institution hold-  
7 ing companies and other financial firms supervised by the  
8 Board of Governors.”.

9 (d) EXERCISE OF FEDERAL RESERVE AUTHORITY.—

10 (1) NO DECISIONS BY FEDERAL RESERVE BANK  
11 PRESIDENTS.—No provision of title I relating to the  
12 authority of the Board of Governors shall be con-  
13 strued as conferring any decision-making authority  
14 on presidents of Federal reserve banks.

15 (2) VOTING DECISIONS BY BOARD.—The Board  
16 of Governors shall not delegate the authority to  
17 make any voting decision that the Board of Gov-  
18 ernors is authorized or required to make under title  
19 I of this Act in contravention of section 11(k) of the  
20 Federal Reserve Act.

21 **SEC. 1109. GAO AUDIT OF THE FEDERAL RESERVE FACILI-**  
22 **TIES; PUBLICATION OF BOARD ACTIONS.**

23 (a) GAO AUDIT.—

24 (1) IN GENERAL.—Notwithstanding section  
25 714(b) of title 31, United States Code, or any other

1 provision of law, the Comptroller General of the  
2 United States (in this subsection referred to as the  
3 “Comptroller General”) shall conduct a one-time  
4 audit of all loans and other financial assistance pro-  
5 vided during the period beginning on December 1,  
6 2007 and ending on the date of enactment of this  
7 Act by the Board of Governors or a Federal reserve  
8 bank under the Asset-Backed Commercial Paper  
9 Money Market Mutual Fund Liquidity Facility, the  
10 Term Asset-Backed Securities Loan Facility, the  
11 Primary Dealer Credit Facility, the Commercial  
12 Paper Funding Facility, the Term Securities Lend-  
13 ing Facility, the Term Auction Facility, Maiden  
14 Lane, Maiden Lane II, Maiden Lane III, the agency  
15 Mortgage-Backed Securities program, foreign cur-  
16 rency liquidity swap lines, and any other program  
17 created as a result of section 13(3) of the Federal  
18 Reserve Act (as so designated by this title).

19 (2) ASSESSMENTS.—In conducting the audit  
20 under paragraph (1), the Comptroller General shall  
21 assess—

22 (A) the operational integrity, accounting,  
23 financial reporting, and internal controls of the  
24 credit facility;



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1 (B) the effectiveness of the security and  
2 collateral policies established for the facility in  
3 mitigating risk to the relevant Federal reserve  
4 bank and taxpayers;

5 (C) whether the credit facility inappropri-  
6 ately favors one or more specific participants  
7 over other institutions eligible to utilize the fa-  
8 cility;

9 (D) the policies governing the use, selec-  
10 tion, or payment of third-party contractors by  
11 or for any credit facility; and

12 (E) whether there were conflicts of interest  
13 with respect to the manner in which such facil-  
14 ity was established or operated.

15 (3) TIMING.—The audit required by this sub-  
16 section shall be commenced not later than 30 days  
17 after the date of enactment of this Act, and shall be  
18 completed not later than 12 months after that date  
19 of enactment.

20 (4) REPORT REQUIRED.—The Comptroller Gen-  
21 eral shall submit a report on the audit conducted  
22 under paragraph (1) to the Congress not later than  
23 12 months after the date of enactment of this Act,  
24 and such report shall be made available to—

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1 (A) the Speaker of the House of Rep-  
2 resentatives;

3 (B) the majority and minority leaders of  
4 the House of Representatives;

5 (C) the majority and minority leaders of  
6 the Senate;

7 (D) the Chairman and Ranking Member of  
8 the Committee on Banking, Housing, and  
9 Urban Affairs of the Senate and of the Com-  
10 mittee on Financial Services of the House of  
11 Representatives; and

12 (E) any member of Congress who requests  
13 it.

14 (b) AUDIT OF FEDERAL RESERVE BANK GOVERN-  
15 ANCE.—

16 (1) AUDIT.—

17 (A) IN GENERAL.—Not later than 1 year  
18 after the date of enactment of this Act, the  
19 Comptroller General shall complete an audit of  
20 the governance of the Federal reserve bank sys-  
21 tem.

22 (B) REQUIRED EXAMINATIONS.—The audit  
23 required under subparagraph (A) shall—

24 (i) examine the extent to which the  
25 current system of appointing Federal re-

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1           serve bank directors effectively represents  
2           “the public, without discrimination on the  
3           basis of race, creed, color, sex or national  
4           origin, and with due but not exclusive con-  
5           sideration to the interests of agriculture,  
6           commerce, industry, services, labor, and  
7           consumers” in the selection of bank direc-  
8           tors, as such requirement is set forth  
9           under section 4 of the Federal Reserve  
10          Act;

11           (ii) examine whether there are actual  
12           or potential conflicts of interest created  
13           when the directors of Federal reserve  
14           banks, which execute the supervisory func-  
15           tions of the Board of Governors of the  
16           Federal Reserve System, are elected by  
17           member banks;

18           (iii) examine the establishment and  
19           operations of each facility described in sub-  
20           section (a)(1) and each Federal reserve  
21           bank involved in the establishment and op-  
22           erations thereof; and

23           (iv) identify changes to selection pro-  
24           cedures for Federal reserve bank directors,

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1 or to other aspects of Federal reserve bank  
2 governance, that would—

3 (I) improve how the public is rep-  
4 resented;

5 (II) eliminate actual or potential  
6 conflicts of interest in bank super-  
7 vision;

8 (III) increase the availability of  
9 information useful for the formation  
10 and execution of monetary policy; or

11 (IV) in other ways increase the  
12 effectiveness or efficiency of reserve  
13 banks.

14 (2) REPORT REQUIRED.—A report on the audit  
15 conducted under paragraph (1) shall be submitted  
16 by the Comptroller General to the Congress before  
17 the end of the 90-day period beginning on the date  
18 on which such audit is completed, and such report  
19 shall be made available to—

20 (A) the Speaker of the House of Rep-  
21 resentatives;

22 (B) the majority and minority leaders of  
23 the House of Representatives;

24 (C) the majority and minority leaders of  
25 the Senate;

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1 (D) the Chairman and Ranking Member of  
2 the Committee on Banking, Housing, and  
3 Urban Affairs of the Senate and of the Com-  
4 mittee on Financial Services of the House of  
5 Representatives; and

6 (E) any member of Congress who requests  
7 it.

8 (c) PUBLICATION OF BOARD ACTIONS.—Notwith-  
9 standing any other provision of law, the Board of Gov-  
10 ernors shall publish on its website, not later than Decem-  
11 ber 1, 2010, with respect to all loans and other financial  
12 assistance provided during the period beginning on De-  
13 cember 1, 2007 and ending on the date of enactment of  
14 this Act under the Asset-Backed Commercial Paper  
15 Money Market Mutual Fund Liquidity Facility, the Term  
16 Asset-Backed Securities Loan Facility, the Primary Deal-  
17 er Credit Facility, the Commercial Paper Funding Facil-  
18 ity, the Term Securities Lending Facility, the Term Auc-  
19 tion Facility, Maiden Lane, Maiden Lane II, Maiden Lane  
20 III, the agency Mortgage-Backed Securities program, for-  
21 eign currency liquidity swap lines, and any other program  
22 created as a result of section 13(3) of the Federal Reserve  
23 Act (as so designated by this title)—

24 (1) the identity of each business, individual, en-  
25 tity, or foreign central bank to which the Board of

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1       Governors or a Federal reserve bank has provided  
2       such assistance;

3           (2) the type of financial assistance provided to  
4       that business, individual, entity, or foreign central  
5       bank;

6           (3) the value or amount of that financial assist-  
7       ance;

8           (4) the date on which the financial assistance  
9       was provided;

10          (5) the specific terms of any repayment ex-  
11       pected, including the repayment time period, interest  
12       charges, collateral, limitations on executive com-  
13       pensation or dividends, and other material terms;  
14       and

15          (6) the specific rationale for each such facility  
16       or program.

17 **TITLE XII—IMPROVING ACCESS**  
18 **TO MAINSTREAM FINANCIAL**  
19 **INSTITUTIONS**

20 **SEC. 1201. SHORT TITLE.**

21       This title may be cited as the “Improving Access to  
22 Mainstream Financial Institutions Act of 2010”.

23 **SEC. 1202. PURPOSE.**

24       The purpose of this title is to encourage initiatives  
25 for financial products and services that are appropriate

1 and accessible for millions of Americans who are not fully  
2 incorporated into the financial mainstream.

3 **SEC. 1203. DEFINITIONS.**

4 In this title, the following definitions shall apply:

5 (1) ACCOUNT.—The term “account” means an  
6 agreement between an individual and an eligible en-  
7 tity under which the individual obtains from or  
8 through the entity 1 or more banking products and  
9 services, and includes a deposit account, a savings  
10 account (including a money market savings ac-  
11 count), an account for a closed-end loan, and other  
12 products or services, as the Secretary deems appro-  
13 priate.

14 (2) COMMUNITY DEVELOPMENT FINANCIAL IN-  
15 STITUTION.—The term “community development fi-  
16 nancial institution” has the same meaning as in sec-  
17 tion 103(5) of the Community Development Banking  
18 and Financial Institutions Act of 1994 (12 U.S.C.  
19 4702(5)).

20 (3) ELIGIBLE ENTITY.—The term “eligible enti-  
21 ty” means—

22 (A) an organization described in section  
23 501(c)(3) of the Internal Revenue Code of  
24 1986, and exempt from tax under section  
25 501(a) of such Code;

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1 (B) a federally insured depository institu-  
2 tion;

3 (C) a community development financial in-  
4 stitution;

5 (D) a State, local, or tribal government en-  
6 tity; or

7 (E) a partnership or other joint venture  
8 comprised of 1 or more of the entities described  
9 in subparagraphs (A) through (D), in accord-  
10 ance with regulations prescribed by the Sec-  
11 retary under this title.

12 (4) **FEDERALLY INSURED DEPOSITORY INSTI-**  
13 **TUTION.**—The term “federally insured depository in-  
14 stitution” means any insured depository institution  
15 (as that term is defined in section 3 of the Federal  
16 Deposit Insurance Act (12 U.S.C. 1813)) and any  
17 insured credit union (as that term is defined in sec-  
18 tion 101 of the Federal Credit Union Act (12 U.S.C.  
19 1752)).

20 **SEC. 1204. EXPANDED ACCESS TO MAINSTREAM FINANCIAL**  
21 **INSTITUTIONS.**

22 (a) **IN GENERAL.**—The Secretary is authorized to es-  
23 tablish a multiyear program of grants, cooperative agree-  
24 ments, financial agency agreements, and similar contracts  
25 or undertakings to promote initiatives designed—



1           (1) to enable low- and moderate-income individ-  
2           uals to establish one or more accounts in a federally  
3           insured depository institution that are appropriate to  
4           meet the financial needs of such individuals; and

5           (2) to improve access to the provision of ac-  
6           counts, on reasonable terms, for low- and moderate-  
7           income individuals.

8           (b) PROGRAM ELIGIBILITY AND ACTIVITIES.—

9           (1) IN GENERAL.—The Secretary shall restrict  
10          participation in any program established under sub-  
11          section (a) to an eligible entity. Subject to regula-  
12          tions prescribed by the Secretary under this title, 1  
13          or more eligible entities may participate in 1 or sev-  
14          eral programs established under subsection (a).

15          (2) ACCOUNT ACTIVITIES.—Subject to regula-  
16          tions prescribed by the Secretary, an eligible entity  
17          may, in participating in a program established under  
18          subsection (a), offer or provide to low- and mod-  
19          erate-income individuals products and services relat-  
20          ing to accounts, including—

21                 (A) small-dollar value loans; and

22                 (B) financial education and counseling re-  
23          lating to conducting transactions in and man-  
24          aging accounts.

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1 **SEC. 1205. LOW-COST ALTERNATIVES TO SMALL DOLLAR**  
2 **LOANS.**

3 (a) GRANTS AUTHORIZED.—The Secretary is author-  
4 ized to establish multiyear demonstration programs by  
5 means of grants, cooperative agreements, financial agency  
6 agreements, and similar contracts or undertakings, with  
7 eligible entities to provide low-cost, small loans to con-  
8 sumers that will provide alternatives to more costly small  
9 dollar loans.

10 (b) TERMS AND CONDITIONS.—

11 (1) IN GENERAL.—Loans under this section  
12 shall be made on terms and conditions, and pursu-  
13 ant to lending practices, that are reasonable for con-  
14 sumers.

15 (2) FINANCIAL LITERACY AND EDUCATION OP-  
16 PORTUNITIES.—

17 (A) IN GENERAL.—Each eligible entity  
18 awarded a grant under this section shall pro-  
19 mote and take appropriate steps to ensure the  
20 provision of financial literacy and education op-  
21 portunities, such as relevant counseling services,  
22 educational courses, or wealth building pro-  
23 grams, to each consumer provided with a loan  
24 pursuant to this section.

25 (B) AUTHORITY TO EXPAND ACCESS.—As  
26 part of the grants, agreements, and under-

1           takings established under this section, the Sec-  
2           retary may implement reasonable measures or  
3           programs designed to expand access to financial  
4           literacy and education opportunities, including  
5           relevant counseling services, educational  
6           courses, or wealth building programs to be pro-  
7           vided to individuals who obtain loans from eligi-  
8           ble entities under this section.

9   **SEC. 1206. GRANTS TO ESTABLISH LOAN-LOSS RESERVE**  
10                           **FUNDS.**

11           The Community Development Banking and Financial  
12   Institutions Act of 1994 (12 U.S.C. 4701 et seq.) is  
13   amended by adding at the end the following:

14   **“SEC. 122. GRANTS TO ESTABLISH LOAN-LOSS RESERVE**  
15                           **FUNDS.**

16           “(a) PURPOSES.—The purposes of this section are—  
17                   “(1) to make financial assistance available from  
18           the Fund in order to help community development  
19           financial institutions defray the costs of operating  
20           small dollar loan programs, by providing the  
21           amounts necessary for such institutions to establish  
22           their own loan loss reserve funds to mitigate some  
23           of the losses on such small dollar loan programs;  
24           and

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1           “(2) to encourage community development fi-  
2           nancial institutions to establish and maintain small  
3           dollar loan programs that would help give consumers  
4           access to mainstream financial institutions and com-  
5           bat high cost small dollar lending.

6           “(b) GRANTS.—

7           “(1) LOAN-LOSS RESERVE FUND GRANTS.—The  
8           Fund shall make grants to community development  
9           financial institutions or to any partnership between  
10          such community development financial institutions  
11          and any other federally insured depository institu-  
12          tion with a primary mission to serve targeted invest-  
13          ment areas, as such areas are defined under section  
14          103(16), to enable such institutions or any partner-  
15          ship of such institutions to establish a loan-loss re-  
16          serve fund in order to defray the costs of a small  
17          dollar loan program established or maintained by  
18          such institution.

19          “(2) MATCHING REQUIREMENT.—A community  
20          development financial institution or any partnership  
21          of institutions established pursuant to paragraph (1)  
22          shall provide non-Federal matching funds in an  
23          amount equal to 50 percent of the amount of any  
24          grant received under this section.

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1           “(3) USE OF FUNDS.—Any grant amounts re-  
2           ceived by a community development financial institu-  
3           tion or any partnership between or among such in-  
4           stitutions under paragraph (1)—

5                   “(A) may not be used by such institution  
6           to provide direct loans to consumers;

7                   “(B) may be used by such institution to  
8           help recapture a portion or all of a defaulted  
9           loan made under the small dollar loan program  
10          of such institution; and

11                   “(C) may be used to designate and utilize  
12          a fiscal agent for services normally provided by  
13          such an agent.

14           “(4) TECHNICAL ASSISTANCE GRANTS.—The  
15          Fund shall make technical assistance grants to com-  
16          munity development financial institutions or any  
17          partnership between or among such institutions to  
18          support and maintain a small dollar loan program.  
19          Any grant amounts received under this paragraph  
20          may be used for technology, staff support, and other  
21          costs associated with establishing a small dollar loan  
22          program.

23          “(c) DEFINITIONS.—For purposes of this section—

24                   “(1) the term ‘consumer reporting agency that  
25          compiles and maintains files on consumers on a na-

1       tionwide basis’ has the same meaning given such  
2       term in section 603(p) of the Fair Credit Reporting  
3       Act (15 U.S.C. 1681a(p)); and

4               “(2) the term ‘small dollar loan program’  
5       means a loan program wherein a community devel-  
6       opment financial institution or any partnership be-  
7       tween or among such institutions offers loans to con-  
8       sumers that—

9               “(A) are made in amounts not exceeding  
10       \$2,500;

11              “(B) must be repaid in installments;

12              “(C) have no pre-payment penalty;

13              “(D) the institution has to report pay-  
14       ments regarding the loan to at least 1 of the  
15       consumer reporting agencies that compiles and  
16       maintains files on consumers on a nationwide  
17       basis; and

18              “(E) meet any other affordability require-  
19       ments as may be established by the Adminis-  
20       trator.”.

21       **SEC. 1207. PROCEDURAL PROVISIONS.**

22       An eligible entity desiring to participate in a program  
23       or obtain a grant under this title shall submit an applica-  
24       tion to the Secretary, in such form and containing such  
25       information as the Secretary may require.

1 **SEC. 1208. AUTHORIZATION OF APPROPRIATIONS.**

2 (a) AUTHORIZATION TO THE SECRETARY.—There  
3 are authorized to be appropriated to the Secretary, such  
4 sums as are necessary to both administer and fund the  
5 programs and projects authorized by this title, to remain  
6 available until expended.

7 (b) AUTHORIZATION TO THE FUND.—There is au-  
8 thorized to be appropriated to the Fund for each fiscal  
9 year beginning in fiscal year 2010, an amount equal to  
10 the amount of the administrative costs of the Fund for  
11 the operation of the grant program established under this  
12 title.

13 **SEC. 1209. REGULATIONS.**

14 (a) IN GENERAL.—The Secretary is authorized to  
15 promulgate regulations to implement and administer the  
16 grant programs and undertakings authorized by this title.

17 (b) REGULATORY AUTHORITY.—Regulations pre-  
18 scribed under this section may contain such classifications,  
19 differentiations, or other provisions, and may provide for  
20 such adjustments and exceptions for any class of grant  
21 programs, undertakings, or eligible entities, as, in the  
22 judgment of the Secretary, are necessary or proper to ef-  
23 fectuate the purposes of this title, to prevent circumven-  
24 tion or evasion of this title, or to facilitate compliance with  
25 this title.

1 **SEC. 1210. EVALUATION AND REPORTS TO CONGRESS.**

2 For each fiscal year in which a program or project  
3 is carried out under this title, the Secretary shall submit  
4 a report to the Committee on Banking, Housing, and  
5 Urban Affairs of the Senate and the Committee on Finan-  
6 cial Services of the House of Representatives containing  
7 a description of the activities funded, amounts distributed,  
8 and measurable results, as appropriate and available.

9 **TITLE XIII—PAY IT BACK ACT**

10 **SEC. 1301. SHORT TITLE.**

11 This title may be cited as the “Pay It Back Act”.

12 **SEC. 1302. AMENDMENT TO REDUCE TARP AUTHORIZA-**  
13 **TION.**

14 Section 115(a) of the Emergency Economic Stabiliza-  
15 tion Act of 2008 (12 U.S.C. 5225(a)) is amended—

16 (1) in paragraph (3)—

17 (A) by striking “If” and inserting “Except  
18 as provided in paragraph (4), if”;

19 (B) by striking “, \$700,000,000,000, as  
20 such amount is reduced by \$1,259,000,000, as  
21 such amount is reduced by \$1,244,000,000”  
22 and inserting “\$550,000,000,000”; and

23 (C) by striking “outstanding at any one  
24 time”; and

25 (2) by adding at the end the following:



1           “(4) If the Secretary, with the concurrence of  
2           the Chairman of the Board of Governors of the Fed-  
3           eral Reserve System, determines that there is an im-  
4           mediate and substantial threat to the economy aris-  
5           ing from financial instability, the Secretary is au-  
6           thorized to purchase troubled assets under this Act  
7           in an amount equal to amounts received by the Sec-  
8           retary before, on, or after the date of enactment of  
9           the Pay It Back Act for repayment of the principal  
10          of financial assistance by an entity that has received  
11          financial assistance under the TARP or any other  
12          program enacted by the Secretary under the authori-  
13          ties granted to the Secretary under this Act, but  
14          only—

15                   “(A) to the extent necessary to address the  
16                   threat; and

17                   “(B) upon transmittal of such determina-  
18                   tion, in writing, to the appropriate committees  
19                   of Congress.”.

20   **SEC. 1303. REPORT.**

21          Section 106 of the Emergency Economic Stabilization  
22   Act of 2008 (12 U.S.C. 5216) is amended by inserting  
23   at the end the following:

24          “(f) **REPORT.**—The Secretary of the Treasury shall  
25   report to Congress every 6 months on amounts received

1 and transferred to the general fund under subsection  
2 (d).”.

3 **SEC. 1304. AMENDMENTS TO HOUSING AND ECONOMIC RE-**  
4 **COVERY ACT OF 2008.**

5 (a) SALE OF FANNIE MAE OBLIGATIONS AND SECURITIES BY THE TREASURY; DEFICIT REDUCTION.—Sec-  
6 tion 304(g)(2) of the Federal National Mortgage Associa-  
7 tion Charter Act (12 U.S.C. 1719(g)(2)) is amended—  
8

9 (1) by redesignating subparagraph (C) as sub-  
10 paragraph (D); and

11 (2) by inserting after subparagraph (B) the fol-  
12 lowing:

13 “(C) DEFICIT REDUCTION.—The Secretary  
14 of the Treasury shall deposit in the General  
15 Fund of the Treasury any amounts received by  
16 the Secretary from the sale of any obligation  
17 acquired by the Secretary under this subsection,  
18 where such amounts shall be—

19 “(i) dedicated for the sole purpose of  
20 deficit reduction; and

21 “(ii) prohibited from use as an offset  
22 for other spending increases or revenue re-  
23 ductions.”.

24 (b) SALE OF FREDDIE MAC OBLIGATIONS AND SE-  
25 CURITIES BY THE TREASURY; DEFICIT REDUCTION.—

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1 Section 306(l)(2) of the Federal Home Loan Mortgage  
2 Corporation Act (12 U.S.C. 1455(l)(2)) is amended—

3 (1) by redesignating subparagraph (C) as sub-  
4 paragraph (D); and

5 (2) by inserting after subparagraph (B) the fol-  
6 lowing:

7 “(C) DEFICIT REDUCTION.—The Secretary  
8 of the Treasury shall deposit in the General  
9 Fund of the Treasury any amounts received by  
10 the Secretary from the sale of any obligation  
11 acquired by the Secretary under this subsection,  
12 where such amounts shall be—

13 “(i) dedicated for the sole purpose of  
14 deficit reduction; and

15 “(ii) prohibited from use as an offset  
16 for other spending increases or revenue re-  
17 ductions.”.

18 (c) SALE OF FEDERAL HOME LOAN BANKS OBLIGA-  
19 TIONS BY THE TREASURY; DEFICIT REDUCTION.—Sec-  
20 tion 11(l)(2) of the Federal Home Loan Bank Act (12  
21 U.S.C. 1431(l)(2)) is amended—

22 (1) by redesignating subparagraph (C) as sub-  
23 paragraph (D); and

24 (2) by inserting after subparagraph (B) the fol-  
25 lowing:

1           “(C) DEFICIT REDUCTION.—The Secretary  
2           of the Treasury shall deposit in the General  
3           Fund of the Treasury any amounts received by  
4           the Secretary from the sale of any obligation  
5           acquired by the Secretary under this subsection,  
6           where such amounts shall be—

7                     “(i) dedicated for the sole purpose of  
8                     deficit reduction; and

9                     “(ii) prohibited from use as an offset  
10           for other spending increases or revenue re-  
11           ductions.”.

12       (d) REPAYMENT OF FEES.—Any periodic commit-  
13       ment fee or any other fee or assessment paid by the Fed-  
14       eral National Mortgage Association or Federal Home  
15       Loan Mortgage Corporation to the Secretary of the Treas-  
16       ury as a result of any preferred stock purchase agreement,  
17       mortgage-backed security purchase program, or any other  
18       program or activity authorized or carried out pursuant to  
19       the authorities granted to the Secretary of the Treasury  
20       under section 1117 of the Housing and Economic Recov-  
21       ery Act of 2008 (Public Law 110–289; 122 Stat. 2683),  
22       including any fee agreed to by contract between the Sec-  
23       retary and the Association or Corporation, shall be depos-  
24       ited in the General Fund of the Treasury where such  
25       amounts shall be—

1           (1) dedicated for the sole purpose of deficit re-  
2           duction; and

3           (2) prohibited from use as an offset for other  
4           spending increases or revenue reductions.

5 **SEC. 1305. FEDERAL HOUSING FINANCE AGENCY REPORT.**

6           The Director of the Federal Housing Finance Agency  
7 shall submit to Congress a report on the plans of the  
8 Agency to continue to support and maintain the Nation's  
9 vital housing industry, while at the same time guaran-  
10 teeing that the American taxpayer will not suffer unneces-  
11 sary losses.

12 **SEC. 1306. REPAYMENT OF UNOBLIGATED ARRA FUNDS.**

13           (a) REJECTION OF ARRA FUNDS BY STATE.—Sec-  
14 tion 1607 of the American Recovery and Reinvestment Act  
15 of 2009 (Public Law 111–5; 123 Stat. 305) is amended  
16 by adding at the end the following:

17           “(d) STATEWIDE REJECTION OF FUNDS.—If funds  
18 provided to any State in any division of this Act are not  
19 accepted for use by the Governor of the State pursuant  
20 to subsection (a) or by the State legislature pursuant to  
21 subsection (b), then all such funds shall be—

22           “(1) rescinded; and

23           “(2) deposited in the General Fund of the  
24 Treasury where such amounts shall be—

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1 “(A) dedicated for the sole purpose of def-  
2 icit reduction; and

3 “(B) prohibited from use as an offset for  
4 other spending increases or revenue reduc-  
5 tions.”.

6 (b) WITHDRAWAL OR RECAPTURE OF UNOBLIGATED  
7 FUNDS.—Title XVI of the American Recovery and Rein-  
8 vestment Act of 2009 (Public Law 111–5; 123 Stat. 302)  
9 is amended by adding at the end the following:

10 **“SEC. 1613. WITHDRAWAL OR RECAPTURE OF UNOBLI-  
11 GATED FUNDS.**

12 “Notwithstanding any other provision of this Act, if  
13 the head of any executive agency withdraws or recaptures  
14 for any reason funds appropriated or otherwise made  
15 available under this division, and such funds have not been  
16 obligated by a State to a local government or for a specific  
17 project, such recaptured funds shall be—

18 “(1) rescinded; and

19 “(2) deposited in the General Fund of the  
20 Treasury where such amounts shall be—

21 “(A) dedicated for the sole purpose of def-  
22 icit reduction; and

23 “(B) prohibited from use as an offset for  
24 other spending increases or revenue reduc-  
25 tions.”.

## 2071

1           (c) RETURN OF UNOBLIGATED FUNDS BY END OF  
2 2012.—Section 1603 of the American Recovery and Rein-  
3 vestment Act of 2009 (Public Law 111–5; 123 Stat. 302)  
4 is amended by—

5           (1) striking “All funds” and inserting “(a) IN  
6 GENERAL.—All funds”; and

7           (2) adding at the end the following:

8           “(b) REPAYMENT OF UNOBLIGATED FUNDS.—Any  
9 discretionary appropriations made available in this divi-  
10 sion that have not been obligated as of December 31,  
11 2012, are hereby rescinded, and such amounts shall be  
12 deposited in the General Fund of the Treasury where such  
13 amounts shall be—

14           “(1) dedicated for the sole purpose of deficit re-  
15 duction; and

16           “(2) prohibited from use as an offset for other  
17 spending increases or revenue reductions.

18           “(c) PRESIDENTIAL WAIVER AUTHORITY.—

19           “(1) IN GENERAL.—The President may waive  
20 the requirements under subsection (b), if the Presi-  
21 dent determines that it is not in the best interest of  
22 the Nation to rescind a specific unobligated amount  
23 after December 31, 2012.

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1           “(2) REQUESTS.—The head of an executive  
2           agency may also apply to the President for a waiver  
3           from the requirements under subsection (b).”.

4       **TITLE XIV—MORTGAGE REFORM**  
5           **AND ANTI-PREDATORY LEND-**  
6           **ING ACT**

7       **SEC. 1400. SHORT TITLE; DESIGNATION AS ENUMERATED**  
8           **CONSUMER LAW.**

9           (a) SHORT TITLE.—This title may be cited as the  
10          “Mortgage Reform and Anti-Predatory Lending Act”.

11          (b) DESIGNATION AS ENUMERATED CONSUMER LAW  
12          UNDER THE PURVIEW OF THE BUREAU OF CONSUMER  
13          FINANCIAL PROTECTION.—Subtitles A, B, C, and E and  
14          sections 1471, 1472, 1475, and 1476, and the amend-  
15          ments made by such subtitles and sections, shall be enu-  
16          merated consumer laws, as defined in section 1002, and  
17          come under the purview of the Bureau of Consumer Fi-  
18          nancial Protection for purposes of title X, including the  
19          transfer of functions and personnel under subtitle F of  
20          title X and the savings provisions of such subtitle.

21          (c) REGULATIONS; EFFECTIVE DATE.—

22                  (1) REGULATIONS.—The regulations required  
23                  to be prescribed under this title or the amendments  
24                  made by this title shall—



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1 (A) be prescribed in final form before the  
2 end of the 18-month period beginning on the  
3 designated transfer date; and

4 (B) take effect not later than 12 months  
5 after the date of issuance of the regulations in  
6 final form.

7 (2) EFFECTIVE DATE ESTABLISHED BY  
8 RULE.—Except as provided in paragraph (3), a sec-  
9 tion, or provision thereof, of this title shall take ef-  
10 fect on the date on which the final regulations imple-  
11 menting such section, or provision, take effect.

12 (3) EFFECTIVE DATE.—A section of this title  
13 for which regulations have not been issued on the  
14 date that is 18 months after the designated transfer  
15 date shall take effect on such date.

## 16 **Subtitle A—Residential Mortgage** 17 **Loan Origination Standards**

### 18 **SEC. 1401. DEFINITIONS.**

19 Section 103 of the Truth in Lending Act (15 U.S.C.  
20 1602) is amended by adding at the end the following new  
21 subsection:

22 “(cc) DEFINITIONS RELATING TO MORTGAGE ORIGI-  
23 NATION AND RESIDENTIAL MORTGAGE LOANS.—

## 2074

1           “(1) COMMISSION.—Unless otherwise specified,  
2           the term ‘Commission’ means the Federal Trade  
3           Commission.

4           “(2) MORTGAGE ORIGINATOR.—The term  
5           ‘mortgage originator’—

6                   “(A) means any person who, for direct or  
7                   indirect compensation or gain, or in the expect-  
8                   tation of direct or indirect compensation or  
9                   gain—

10                           “(i) takes a residential mortgage loan  
11                           application;

12                                   “(ii) assists a consumer in obtaining  
13                                   or applying to obtain a residential mort-  
14                                   gage loan; or

15                                   “(iii) offers or negotiates terms of a  
16                                   residential mortgage loan;

17                           “(B) includes any person who represents  
18                           to the public, through advertising or other  
19                           means of communicating or providing informa-  
20                           tion (including the use of business cards, sta-  
21                           tionery, brochures, signs, rate lists, or other  
22                           promotional items), that such person can or will  
23                           provide any of the services or perform any of  
24                           the activities described in subparagraph (A);

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1           “(C) does not include any person who is (i)  
2           not otherwise described in subparagraph (A) or  
3           (B) and who performs purely administrative or  
4           clerical tasks on behalf of a person who is de-  
5           scribed in any such subparagraph, or (ii) an  
6           employee of a retailer of manufactured homes  
7           who is not described in clause (i) or (iii) of sub-  
8           paragraph (A) and who does not advise a con-  
9           sumer on loan terms (including rates, fees, and  
10          other costs);

11          “(D) does not include a person or entity  
12          that only performs real estate brokerage activi-  
13          ties and is licensed or registered in accordance  
14          with applicable State law, unless such person or  
15          entity is compensated by a lender, a mortgage  
16          broker, or other mortgage originator or by any  
17          agent of such lender, mortgage broker, or other  
18          mortgage originator;

19          “(E) does not include, with respect to a  
20          residential mortgage loan, a person, estate, or  
21          trust that provides mortgage financing for the  
22          sale of 3 properties in any 12-month period to  
23          purchasers of such properties, each of which is  
24          owned by such person, estate, or trust and

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1 serves as security for the loan, provided that  
2 such loan—

3 “(i) is not made by a person, estate,  
4 or trust that has constructed, or acted as  
5 a contractor for the construction of, a resi-  
6 dence on the property in the ordinary  
7 course of business of such person, estate,  
8 or trust;

9 “(ii) is fully amortizing;

10 “(iii) is with respect to a sale for  
11 which the seller determines in good faith  
12 and documents that the buyer has a rea-  
13 sonable ability to repay the loan;

14 “(iv) has a fixed rate or an adjustable  
15 rate that is adjustable after 5 or more  
16 years, subject to reasonable annual and  
17 lifetime limitations on interest rate in-  
18 creases; and

19 “(v) meets any other criteria the  
20 Board may prescribe;

21 “(F) does not include the creditor (except  
22 the creditor in a table-funded transaction)  
23 under paragraph (1), (2), or (4) of section  
24 129B(c); and

1           “(G) does not include a servicer or servicer  
2 employees, agents and contractors, including  
3 but not limited to those who offer or negotiate  
4 terms of a residential mortgage loan for pur-  
5 poses of renegotiating, modifying, replacing and  
6 subordinating principal of existing mortgages  
7 where borrowers are behind in their payments,  
8 in default or have a reasonable likelihood of  
9 being in default or falling behind.

10           “(3) NATIONWIDE MORTGAGE LICENSING SYS-  
11 TEM AND REGISTRY.—The term ‘Nationwide Mort-  
12 gage Licensing System and Registry’ has the same  
13 meaning as in the Secure and Fair Enforcement for  
14 Mortgage Licensing Act of 2008.

15           “(4) OTHER DEFINITIONS RELATING TO MORT-  
16 GAGE ORIGINATOR.—For purposes of this sub-  
17 section, a person ‘assists a consumer in obtaining or  
18 applying to obtain a residential mortgage loan’ by,  
19 among other things, advising on residential mort-  
20 gage loan terms (including rates, fees, and other  
21 costs), preparing residential mortgage loan packages,  
22 or collecting information on behalf of the consumer  
23 with regard to a residential mortgage loan.

24           “(5) RESIDENTIAL MORTGAGE LOAN.—The  
25 term ‘residential mortgage loan’ means any con-

1       sumer credit transaction that is secured by a mort-  
2       gage, deed of trust, or other equivalent consensual  
3       security interest on a dwelling or on residential real  
4       property that includes a dwelling, other than a con-  
5       sumer credit transaction under an open end credit  
6       plan or, for purposes of sections 129B and 129C  
7       and section 128(a) (16), (17), (18), and (19), and  
8       sections 128(f) and 130(k), and any regulations pro-  
9       mulgated thereunder, an extension of credit relating  
10      to a plan described in section 101(53D) of title 11,  
11      United States Code.

12           “(6) SECRETARY.—The term ‘Secretary’, when  
13      used in connection with any transaction or person  
14      involved with a residential mortgage loan, means the  
15      Secretary of Housing and Urban Development.

16           “(7) SERVICER.—The term ‘servicer’ has the  
17      same meaning as in section 6(i)(2) of the Real Es-  
18      tate Settlement Procedures Act of 1974 (12 U.S.C.  
19      2605(i)(2)).”.

20      **SEC. 1402. RESIDENTIAL MORTGAGE LOAN ORIGINATION.**

21           (a) IN GENERAL.—Chapter 2 of the Truth in Lend-  
22      ing Act (15 U.S.C. 1631 et seq.) is amended—

23           (1) by redesignating the 2nd of the 2 sections  
24      designated as section 129 (15 U.S.C. 1639a) (relat-

1 ing to duty of servicers of residential mortgages) as  
2 section 129A; and

3 (2) by inserting after section 129A (as so reded-  
4 igned) the following new section:

5 **“§ 129B. Residential mortgage loan origination**

6 “(a) FINDING AND PURPOSE.—

7 “(1) FINDING.—The Congress finds that eco-  
8 nomic stabilization would be enhanced by the protec-  
9 tion, limitation, and regulation of the terms of resi-  
10 dential mortgage credit and the practices related to  
11 such credit, while ensuring that responsible, afford-  
12 able mortgage credit remains available to consumers.

13 “(2) PURPOSE.—It is the purpose of this sec-  
14 tion and section 129C to assure that consumers are  
15 offered and receive residential mortgage loans on  
16 terms that reasonably reflect their ability to repay  
17 the loans and that are understandable and not un-  
18 fair, deceptive or abusive.

19 “(b) DUTY OF CARE.—

20 “(1) STANDARD.—Subject to regulations pre-  
21 scribed under this subsection, each mortgage origi-  
22 nator shall, in addition to the duties imposed by oth-  
23 erwise applicable provisions of State or Federal  
24 law—

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1           “(A) be qualified and, when required, reg-  
2           istered and licensed as a mortgage originator in  
3           accordance with applicable State or Federal  
4           law, including the Secure and Fair Enforcement  
5           for Mortgage Licensing Act of 2008; and

6           “(B) include on all loan documents any  
7           unique identifier of the mortgage originator  
8           provided by the Nationwide Mortgage Licensing  
9           System and Registry.

10          “(2) COMPLIANCE PROCEDURES REQUIRED.—

11          The Board shall prescribe regulations requiring de-  
12          pository institutions to establish and maintain proce-  
13          dures reasonably designed to assure and monitor the  
14          compliance of such depository institutions, the sub-  
15          sidiaries of such institutions, and the employees of  
16          such institutions or subsidiaries with the require-  
17          ments of this section and the registration procedures  
18          established under section 1507 of the Secure and  
19          Fair Enforcement for Mortgage Licensing Act of  
20          2008.”.

21          (b) CLERICAL AMENDMENT.—The table of sections  
22          for chapter 2 of the Truth in Lending Act is amended  
23          by inserting after the item relating to section 129 the fol-  
24          lowing new items:

“129A. Fiduciary duty of servicers of pooled residential mortgages.

“129B. Residential mortgage loan origination.”.



1 **SEC. 1403. PROHIBITION ON STEERING INCENTIVES.**

2 Section 129B of the Truth in Lending Act (as added  
3 by section 1402(a)) is amended by inserting after sub-  
4 section (b) the following new subsection:

5 “(c) PROHIBITION ON STEERING INCENTIVES.—

6 “(1) IN GENERAL.—For any residential mort-  
7 gage loan, no mortgage originator shall receive from  
8 any person and no person shall pay to a mortgage  
9 originator, directly or indirectly, compensation that  
10 varies based on the terms of the loan (other than the  
11 amount of the principal).

12 “(2) RESTRUCTURING OF FINANCING ORIGINA-  
13 TION FEE.—

14 “(A) IN GENERAL.—For any mortgage  
15 loan, a mortgage originator may not receive  
16 from any person other than the consumer and  
17 no person, other than the consumer, who knows  
18 or has reason to know that a consumer has di-  
19 rectly compensated or will directly compensate  
20 a mortgage originator may pay a mortgage  
21 originator any origination fee or charge except  
22 bona fide third party charges not retained by  
23 the creditor, mortgage originator, or an affiliate  
24 of the creditor or mortgage originator .

25 “(B) EXCEPTION.—Notwithstanding sub-  
26 paragraph (A), a mortgage originator may re-

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1           ceive from a person other than the consumer an  
2           origination fee or charge, and a person other  
3           than the consumer may pay a mortgage origi-  
4           nator an origination fee or charge, if—

5                   “(i) the mortgage originator does not  
6                   receive any compensation directly from the  
7                   consumer; and

8                   “(ii) the consumer does not make an  
9                   upfront payment of discount points, origi-  
10                  nation points, or fees, however denomi-  
11                  nated (other than bona fide third party  
12                  charges not retained by the mortgage origi-  
13                  nator, creditor, or an affiliate of the cred-  
14                  itor or originator), except that the Board  
15                  may, by rule, waive or provide exemptions  
16                  to this clause if the Board determines that  
17                  such waiver or exemption is in the interest  
18                  of consumers and in the public interest.

19                  “(3) REGULATIONS.—The Board shall prescribe  
20                  regulations to prohibit—

21                   “(A) mortgage originators from steering  
22                   any consumer to a residential mortgage loan  
23                   that—

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1                   “(i) the consumer lacks a reasonable  
2                   ability to repay (in accordance with regula-  
3                   tions prescribed under section 129C(a)); or

4                   “(ii) has predatory characteristics or  
5                   effects (such as equity stripping, excessive  
6                   fees, or abusive terms);

7                   “(B) mortgage originators from steering  
8                   any consumer from a residential mortgage loan  
9                   for which the consumer is qualified that is a  
10                  qualified mortgage (as defined in section  
11                  129C(b)(2)) to a residential mortgage loan that  
12                  is not a qualified mortgage;

13                  “(C) abusive or unfair lending practices  
14                  that promote disparities among consumers of  
15                  equal credit worthiness but of different race,  
16                  ethnicity, gender, or age; and

17                  “(D) mortgage originators from—

18                         “(i) mischaracterizing the credit his-  
19                         tory of a consumer or the residential mort-  
20                         gage loans available to a consumer;

21                         “(ii) mischaracterizing or suborning  
22                         the mischaracterization of the appraised  
23                         value of the property securing the exten-  
24                         sion of credit; or

1                   “(iii) if unable to suggest, offer, or  
2                   recommend to a consumer a loan that is  
3                   not more expensive than a loan for which  
4                   the consumer qualifies, discouraging a con-  
5                   sumer from seeking a residential mortgage  
6                   loan secured by a consumer’s principal  
7                   dwelling from another mortgage originator.

8                   “(4) RULES OF CONSTRUCTION.—No provision  
9                   of this subsection shall be construed as—

10                   “(A) permitting any yield spread premium  
11                   or other similar compensation that would, for  
12                   any residential mortgage loan, permit the total  
13                   amount of direct and indirect compensation  
14                   from all sources permitted to a mortgage origi-  
15                   nator to vary based on the terms of the loan  
16                   (other than the amount of the principal);

17                   “(B) limiting or affecting the amount of  
18                   compensation received by a creditor upon the  
19                   sale of a consummated loan to a subsequent  
20                   purchaser;

21                   “(C) restricting a consumer’s ability to fi-  
22                   nance, at the option of the consumer, including  
23                   through principal or rate, any origination fees  
24                   or costs permitted under this subsection, or the  
25                   mortgage originator’s right to receive such fees

1 or costs (including compensation) from any per-  
2 son, subject to paragraph (2)(B), so long as  
3 such fees or costs do not vary based on the  
4 terms of the loan (other than the amount of the  
5 principal) or the consumer's decision about  
6 whether to finance such fees or costs; or

7 “(D) prohibiting incentive payments to a  
8 mortgage originator based on the number of  
9 residential mortgage loans originated within a  
10 specified period of time.”.

11 **SEC. 1404. LIABILITY.**

12 Section 129B of the Truth in Lending Act is amend-  
13 ed by inserting after subsection (c) (as added by section  
14 1403) the following new subsection:

15 “(d) LIABILITY FOR VIOLATIONS.—

16 “(1) IN GENERAL.—For purposes of providing  
17 a cause of action for any failure by a mortgage origi-  
18 nator, other than a creditor, to comply with any re-  
19 quirement imposed under this section and any regu-  
20 lation prescribed under this section, section 130  
21 shall be applied with respect to any such failure by  
22 substituting ‘mortgage originator’ for ‘creditor’ each  
23 place such term appears in each such subsection.

24 “(2) MAXIMUM.—The maximum amount of any  
25 liability of a mortgage originator under paragraph

1 (1) to a consumer for any violation of this section  
2 shall not exceed the greater of actual damages or an  
3 amount equal to 3 times the total amount of direct  
4 and indirect compensation or gain accruing to the  
5 mortgage originator in connection with the residen-  
6 tial mortgage loan involved in the violation, plus the  
7 costs to the consumer of the action, including a rea-  
8 sonable attorney's fee.”.

9 **SEC. 1405. REGULATIONS.**

10 (a) DISCRETIONARY REGULATORY AUTHORITY.—  
11 Section 129B of the Truth in Lending Act is amended  
12 by inserting after subsection (d) (as added by section  
13 1404) the following new subsection:

14 “(e) DISCRETIONARY REGULATORY AUTHORITY.—

15 “(1) IN GENERAL.—The Board shall, by regula-  
16 tions, prohibit or condition terms, acts or practices  
17 relating to residential mortgage loans that the Board  
18 finds to be abusive, unfair, deceptive, predatory, nec-  
19 essary or proper to ensure that responsible, afford-  
20 able mortgage credit remains available to consumers  
21 in a manner consistent with the purposes of this sec-  
22 tion and section 129C, necessary or proper to effec-  
23 tuate the purposes of this section and section 129C,  
24 to prevent circumvention or evasion thereof, or to fa-

1 cilitate compliance with such sections, or are not in  
2 the interest of the borrower.

3 “(2) APPLICATION.—The regulations prescribed  
4 under paragraph (1) shall be applicable to all resi-  
5 dential mortgage loans and shall be applied in the  
6 same manner as regulations prescribed under section  
7 105.

8 “(f) Section 129B and any regulations promulgated  
9 thereunder do not apply to an extension of credit relating  
10 to a plan described in section 101(53D) of title 11, United  
11 States Code.”.

12 (b) DISCLOSURES.—Notwithstanding any other pro-  
13 vision of this title, in order to improve consumer aware-  
14 ness and understanding of transactions involving residen-  
15 tial mortgage loans through the use of disclosures, the  
16 Board may, by rule, exempt from or modify disclosure re-  
17 quirements, in whole or in part, for any class of residential  
18 mortgage loans if the Board determines that such exemp-  
19 tion or modification is in the interest of consumers and  
20 in the public interest.

21 **SEC. 1406. STUDY OF SHARED APPRECIATION MORTGAGES.**

22 (a) STUDY.—The Secretary of Housing and Urban  
23 Development, in consultation with the Secretary of the  
24 Treasury and other relevant agencies, shall conduct a com-  
25 prehensive study to determine prudent statutory and regu-

1 latory requirements sufficient to provide for the wide-  
2 spread use of shared appreciation mortgages to strengthen  
3 local housing markets, provide new opportunities for af-  
4 fordable homeownership, and enable homeowners at risk  
5 of foreclosure to refinance or modify their mortgages.

6 (b) REPORT.—Not later than the expiration of the  
7 6-month period beginning on the date of the enactment  
8 of this Act, the Secretary of Housing and Urban Develop-  
9 ment shall submit a report to the Congress on the results  
10 of the study, which shall include recommendations for the  
11 regulatory and legislative requirements referred to in sub-  
12 section (a).

## 13 **Subtitle B—Minimum Standards** 14 **For Mortgages**

### 15 **SEC. 1411. ABILITY TO REPAY.**

16 (a) IN GENERAL.—

17 (1) RULE OF CONSTRUCTION.—No regulation,  
18 order, or guidance issued by the Bureau under this  
19 title shall be construed as requiring a depository in-  
20 stitution to apply mortgage underwriting standards  
21 that do not meet the minimum underwriting stand-  
22 ards required by the appropriate prudential regu-  
23 lator of the depository institution.

24 (2) AMENDMENT TO TRUTH IN LENDING  
25 ACT.—Chapter 2 of the Truth in Lending Act (15



1 U.S.C. 1631 et seq.) is amended by inserting after  
2 section 129B (as added by section 1402(a)) the fol-  
3 lowing new section:

4 **“§ 129C. Minimum standards for residential mortgage**  
5 **loans**

6 “(a) ABILITY TO REPAY.—

7 “(1) IN GENERAL.—In accordance with regula-  
8 tions prescribed by the Board, no creditor may make  
9 a residential mortgage loan unless the creditor  
10 makes a reasonable and good faith determination  
11 based on verified and documented information that,  
12 at the time the loan is consummated, the consumer  
13 has a reasonable ability to repay the loan, according  
14 to its terms, and all applicable taxes, insurance (in-  
15 cluding mortgage guarantee insurance), and assess-  
16 ments.

17 “(2) MULTIPLE LOANS.—If the creditor knows,  
18 or has reason to know, that 1 or more residential  
19 mortgage loans secured by the same dwelling will be  
20 made to the same consumer, the creditor shall make  
21 a reasonable and good faith determination, based on  
22 verified and documented information, that the con-  
23 sumer has a reasonable ability to repay the com-  
24 bined payments of all loans on the same dwelling ac-  
25 cording to the terms of those loans and all applicable

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1 taxes, insurance (including mortgage guarantee in-  
2 surance), and assessments.

3 “(3) BASIS FOR DETERMINATION.—A deter-  
4 mination under this subsection of a consumer’s abil-  
5 ity to repay a residential mortgage loan shall include  
6 consideration of the consumer’s credit history, cur-  
7 rent income, expected income the consumer is rea-  
8 sonably assured of receiving, current obligations,  
9 debt-to-income ratio or the residual income the con-  
10 sumer will have after paying non-mortgage debt and  
11 mortgage-related obligations, employment status,  
12 and other financial resources other than the con-  
13 sumer’s equity in the dwelling or real property that  
14 secures repayment of the loan. A creditor shall de-  
15 termine the ability of the consumer to repay using  
16 a payment schedule that fully amortizes the loan  
17 over the term of the loan.

18 “(4) INCOME VERIFICATION.—A creditor mak-  
19 ing a residential mortgage loan shall verify amounts  
20 of income or assets that such creditor relies on to  
21 determine repayment ability, including expected in-  
22 come or assets, by reviewing the consumer’s Internal  
23 Revenue Service Form W-2, tax returns, payroll re-  
24 ceipts, financial institution records, or other third-  
25 party documents that provide reasonably reliable evi-

## 2091

1        dence of the consumer’s income or assets. In order  
2        to safeguard against fraudulent reporting, any con-  
3        sideration of a consumer’s income history in making  
4        a determination under this subsection shall include  
5        the verification of such income by the use of—

6                “(A) Internal Revenue Service transcripts  
7                of tax returns; or

8                “(B) a method that quickly and effectively  
9                verifies income documentation by a third party  
10               subject to rules prescribed by the Board.

11               “(5) EXEMPTION.—With respect to loans made,  
12               guaranteed, or insured by Federal departments or  
13               agencies identified in subsection (b)(3)(B)(ii), such  
14               departments or agencies may exempt refinancings  
15               under a streamlined refinancing from this income  
16               verification requirement as long as the following con-  
17               ditions are met:

18               “(A) The consumer is not 30 days or more  
19               past due on the prior existing residential mort-  
20               gage loan.

21               “(B) The refinancing does not increase the  
22               principal balance outstanding on the prior exist-  
23               ing residential mortgage loan, except to the ex-  
24               tent of fees and charges allowed by the depart-

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1           ment or agency making, guaranteeing, or insur-  
2           ing the refinancing.

3           “(C) Total points and fees (as defined in  
4           section 103(aa)(4), other than bona fide third  
5           party charges not retained by the mortgage  
6           originator, creditor, or an affiliate of the cred-  
7           itor or mortgage originator) payable in connec-  
8           tion with the refinancing do not exceed 3 per-  
9           cent of the total new loan amount.

10          “(D) The interest rate on the refinanced  
11          loan is lower than the interest rate of the origi-  
12          nal loan, unless the borrower is refinancing  
13          from an adjustable rate to a fixed-rate loan,  
14          under guidelines that the department or agency  
15          shall establish for loans they make, guarantee,  
16          or issue.

17          “(E) The refinancing is subject to a pay-  
18          ment schedule that will fully amortize the refi-  
19          nancing in accordance with the regulations pre-  
20          scribed by the department or agency making,  
21          guaranteeing, or insuring the refinancing.

22          “(F) The terms of the refinancing do not  
23          result in a balloon payment, as defined in sub-  
24          section (b)(2)(A)(ii).

## 2093

1           “(G) Both the residential mortgage loan  
2 being refinanced and the refinancing satisfy all  
3 requirements of the department or agency mak-  
4 ing, guaranteeing, or insuring the refinancing.

5           “(6) NONSTANDARD LOANS.—

6           “(A) VARIABLE RATE LOANS THAT DEFER  
7 REPAYMENT OF ANY PRINCIPAL OR INTER-  
8 EST.—For purposes of determining, under this  
9 subsection, a consumer’s ability to repay a vari-  
10 able rate residential mortgage loan that allows  
11 or requires the consumer to defer the repay-  
12 ment of any principal or interest, the creditor  
13 shall use a fully amortizing repayment schedule.

14           “(B) INTEREST-ONLY LOANS.—For pur-  
15 poses of determining, under this subsection, a  
16 consumer’s ability to repay a residential mort-  
17 gage loan that permits or requires the payment  
18 of interest only, the creditor shall use the pay-  
19 ment amount required to amortize the loan by  
20 its final maturity.

21           “(C) CALCULATION FOR NEGATIVE AMOR-  
22 TIZATION.—In making any determination under  
23 this subsection, a creditor shall also take into  
24 consideration any balance increase that may ac-  
25 crue from any negative amortization provision.

## 2094

1           “(D) CALCULATION PROCESS.—For pur-  
2           poses of making any determination under this  
3           subsection, a creditor shall calculate the month-  
4           ly payment amount for principal and interest on  
5           any residential mortgage loan by assuming—

6                   “(i) the loan proceeds are fully dis-  
7                   bursed on the date of the consummation of  
8                   the loan;

9                   “(ii) the loan is to be repaid in sub-  
10                  stantially equal monthly amortizing pay-  
11                  ments for principal and interest over the  
12                  entire term of the loan with no balloon  
13                  payment, unless the loan contract requires  
14                  more rapid repayment (including balloon  
15                  payment), in which case the calculation  
16                  shall be made (I) in accordance with regu-  
17                  lations prescribed by the Board, with re-  
18                  spect to any loan which has an annual per-  
19                  centage rate that does not exceed the aver-  
20                  age prime offer rate for a comparable  
21                  transaction, as of the date the interest rate  
22                  is set, by 1.5 or more percentage points for  
23                  a first lien residential mortgage loan; and  
24                  by 3.5 or more percentage points for a  
25                  subordinate lien residential mortgage loan;

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1 or (II) using the contract's repayment  
2 schedule, with respect to a loan which has  
3 an annual percentage rate, as of the date  
4 the interest rate is set, that is at least 1.5  
5 percentage points above the average prime  
6 offer rate for a first lien residential mort-  
7 gage loan; and 3.5 percentage points above  
8 the average prime offer rate for a subordi-  
9 nate lien residential mortgage loan; and

10 “(iii) the interest rate over the entire  
11 term of the loan is a fixed rate equal to the  
12 fully indexed rate at the time of the loan  
13 closing, without considering the introduc-  
14 tory rate.

15 “(E) REFINANCE OF HYBRID LOANS WITH  
16 CURRENT LENDER.—In considering any appli-  
17 cation for refinancing an existing hybrid loan  
18 by the creditor into a standard loan to be made  
19 by the same creditor in any case in which there  
20 would be a reduction in monthly payment and  
21 the mortgagor has not been delinquent on any  
22 payment on the existing hybrid loan, the cred-  
23 itor may—

24 “(i) consider the mortgagor's good  
25 standing on the existing mortgage;

## 2096

1                   “(ii) consider if the extension of new  
2                   credit would prevent a likely default should  
3                   the original mortgage reset and give such  
4                   concerns a higher priority as an acceptable  
5                   underwriting practice; and

6                   “(iii) offer rate discounts and other  
7                   favorable terms to such mortgagor that  
8                   would be available to new customers with  
9                   high credit ratings based on such under-  
10                  writing practice.

11                  “(7) FULLY-INDEXED RATE DEFINED.—For  
12                  purposes of this subsection, the term ‘fully indexed  
13                  rate’ means the index rate prevailing on a residential  
14                  mortgage loan at the time the loan is made plus the  
15                  margin that will apply after the expiration of any in-  
16                  troductory interest rates.

17                  “(8) REVERSE MORTGAGES AND BRIDGE  
18                  LOANS.—This subsection shall not apply with re-  
19                  spect to any reverse mortgage or temporary or  
20                  bridge loan with a term of 12 months or less, includ-  
21                  ing to any loan to purchase a new dwelling where  
22                  the consumer plans to sell a different dwelling within  
23                  12 months.

24                  “(9) SEASONAL INCOME.—If documented in-  
25                  come, including income from a small business, is a



1        repayment source for a residential mortgage loan, a  
2        creditor may consider the seasonality and irregu-  
3        larity of such income in the underwriting of and  
4        scheduling of payments for such credit.”.

5        (b) CLERICAL AMENDMENT.—The table of sections  
6        for chapter 2 of the Truth in Lending Act is amended  
7        by inserting after the item relating to section 129B (as  
8        added by section 1402(b)) the following new item:

“129C. Minimum standards for residential mortgage loans.”.

9        **SEC. 1412. SAFE HARBOR AND REBUTTABLE PRESUMPTION.**

10       Section 129C of the Truth in Lending Act is amend-  
11       ed by inserting after subsection (a) (as added by section  
12       1411) the following new subsection:

13       “(b) PRESUMPTION OF ABILITY TO REPAY.—

14                “(1) IN GENERAL.—Any creditor with respect  
15        to any residential mortgage loan, and any assignee  
16        of such loan subject to liability under this title, may  
17        presume that the loan has met the requirements of  
18        subsection (a), if the loan is a qualified mortgage.

19                “(2) DEFINITIONS.—For purposes of this sub-  
20        section, the following definitions shall apply:

21                “(A) QUALIFIED MORTGAGE.—The term  
22        ‘qualified mortgage’ means any residential  
23        mortgage loan—

24                        “(i) for which the regular periodic  
25        payments for the loan may not—

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1                   “(I) result in an increase of the  
2                   principal balance; or

3                   “(II) except as provided in sub-  
4                   paragraph (E), allow the consumer to  
5                   defer repayment of principal;

6                   “(ii) except as provided in subpara-  
7                   graph (E), the terms of which do not re-  
8                   sult in a balloon payment, where a ‘balloon  
9                   payment’ is a scheduled payment that is  
10                  more than twice as large as the average of  
11                  earlier scheduled payments;

12                  “(iii) for which the income and finan-  
13                  cial resources relied upon to qualify the ob-  
14                  ligors on the loan are verified and docu-  
15                  mented;

16                  “(iv) in the case of a fixed rate loan,  
17                  for which the underwriting process is based  
18                  on a payment schedule that fully amortizes  
19                  the loan over the loan term and takes into  
20                  account all applicable taxes, insurance, and  
21                  assessments;

22                  “(v) in the case of an adjustable rate  
23                  loan, for which the underwriting is based  
24                  on the maximum rate permitted under the  
25                  loan during the first 5 years, and a pay-

## 2099

1                   ment schedule that fully amortizes the loan  
2                   over the loan term and takes into account  
3                   all applicable taxes, insurance, and assess-  
4                   ments;

5                   “(vi) that complies with any guide-  
6                   lines or regulations established by the  
7                   Board relating to ratios of total monthly  
8                   debt to monthly income or alternative  
9                   measures of ability to pay regular expenses  
10                  after payment of total monthly debt, tak-  
11                  ing into account the income levels of the  
12                  borrower and such other factors as the  
13                  Board may determine relevant and con-  
14                  sistent with the purposes described in  
15                  paragraph (3)(B)(i);

16                  “(vii) for which the total points and  
17                  fees (as defined in subparagraph (C)) pay-  
18                  able in connection with the loan do not ex-  
19                  ceed 3 percent of the total loan amount;

20                  “(viii) for which the term of the loan  
21                  does not exceed 30 years, except as such  
22                  term may be extended under paragraph  
23                  (3), such as in high-cost areas; and

24                  “(ix) in the case of a reverse mort-  
25                  gage (except for the purposes of subsection

## 2100

1 (a) of section 129C, to the extent that  
2 such mortgages are exempt altogether  
3 from those requirements), a reverse mort-  
4 gage which meets the standards for a  
5 qualified mortgage, as set by the Board in  
6 rules that are consistent with the purposes  
7 of this subsection.

8 “(B) AVERAGE PRIME OFFER RATE.—The  
9 term ‘average prime offer rate’ means the aver-  
10 age prime offer rate for a comparable trans-  
11 action as of the date on which the interest rate  
12 for the transaction is set, as published by the  
13 Board..

14 “(C) POINTS AND FEES.—

15 “(i) IN GENERAL.—For purposes of  
16 subparagraph (A), the term ‘points and  
17 fees’ means points and fees as defined by  
18 section 103(aa)(4) (other than bona fide  
19 third party charges not retained by the  
20 mortgage originator, creditor, or an affil-  
21 iate of the creditor or mortgage origi-  
22 nator).

23 “(ii) COMPUTATION.—For purposes of  
24 computing the total points and fees under  
25 this subparagraph, the total points and

## 2101

1 fees shall exclude either of the amounts de-  
2 scribed in the following subclauses, but not  
3 both:

4 “(I) Up to and including 2 bona  
5 fide discount points payable by the  
6 consumer in connection with the mort-  
7 gage, but only if the interest rate  
8 from which the mortgage’s interest  
9 rate will be discounted does not ex-  
10 ceed by more than 1 percentage point  
11 the average prime offer rate.

12 “(II) Unless 2 bona fide discount  
13 points have been excluded under sub-  
14 clause (I), up to and including 1 bona  
15 fide discount point payable by the  
16 consumer in connection with the mort-  
17 gage, but only if the interest rate  
18 from which the mortgage’s interest  
19 rate will be discounted does not ex-  
20 ceed by more than 2 percentage  
21 points the average prime offer rate.

22 “(iii) BONA FIDE DISCOUNT POINTS  
23 DEFINED.—For purposes of clause (ii), the  
24 term ‘bona fide discount points’ means  
25 loan discount points which are knowingly

## 2102

1           paid by the consumer for the purpose of  
2           reducing, and which in fact result in a  
3           bona fide reduction of, the interest rate or  
4           time-price differential applicable to the  
5           mortgage.

6           “(iv) INTEREST RATE REDUCTION.—  
7           Subclauses (I) and (II) of clause (ii) shall  
8           not apply to discount points used to pur-  
9           chase an interest rate reduction unless the  
10          amount of the interest rate reduction pur-  
11          chased is reasonably consistent with estab-  
12          lished industry norms and practices for  
13          secondary mortgage market transactions.

14          “(D) SMALLER LOANS.—The Board shall  
15          prescribe rules adjusting the criteria under sub-  
16          paragraph (A)(vii) in order to permit lenders  
17          that extend smaller loans to meet the require-  
18          ments of the presumption of compliance under  
19          paragraph (1). In prescribing such rules, the  
20          Board shall consider the potential impact of  
21          such rules on rural areas and other areas where  
22          home values are lower.

23          “(E) BALLOON LOANS.—The Board may,  
24          by regulation, provide that the term ‘qualified  
25          mortgage’ includes a balloon loan—

## 2103

1           “(i) that meets all of the criteria for  
2           a qualified mortgage under subparagraph  
3           (A) (except clauses (i)(II), (ii), (iv), and  
4           (v) of such subparagraph);

5           “(ii) for which the creditor makes a  
6           determination that the consumer is able to  
7           make all scheduled payments, except the  
8           balloon payment, out of income or assets  
9           other than the collateral;

10          “(iii) for which the underwriting is  
11          based on a payment schedule that fully  
12          amortizes the loan over a period of not  
13          more than 30 years and takes into account  
14          all applicable taxes, insurance, and assess-  
15          ments; and

16          “(iv) that is extended by a creditor  
17          that—

18                 “(I) operates predominantly in  
19                 rural or underserved areas;

20                 “(II) together with all affiliates,  
21                 has total annual residential mortgage  
22                 loan originations that do not exceed a  
23                 limit set by the Board;

24                 “(III) retains the balloon loans in  
25                 portfolio; and

## 2104

1                   “(IV) meets any asset size  
2                   threshold and any other criteria as the  
3                   Board may establish, consistent with  
4                   the purposes of this subtitle.

5                   “(3) REGULATIONS.—

6                   “(A) IN GENERAL.—The Board shall pre-  
7                   scribe regulations to carry out the purposes of  
8                   this subsection.

9                   “(B) REVISION OF SAFE HARBOR CRI-  
10                  TERIA.—

11                  “(i) IN GENERAL.—The Board may  
12                  prescribe regulations that revise, add to, or  
13                  subtract from the criteria that define a  
14                  qualified mortgage upon a finding that  
15                  such regulations are necessary or proper to  
16                  ensure that responsible, affordable mort-  
17                  gage credit remains available to consumers  
18                  in a manner consistent with the purposes  
19                  of this section, necessary and appropriate  
20                  to effectuate the purposes of this section  
21                  and section 129B, to prevent circumven-  
22                  tion or evasion thereof, or to facilitate  
23                  compliance with such sections.

24                  “(ii) LOAN DEFINITION.—The fol-  
25                  lowing agencies shall, in consultation with



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1 the Board, prescribe rules defining the  
2 types of loans they insure, guarantee, or  
3 administer, as the case may be, that are  
4 qualified mortgages for purposes of para-  
5 graph (2)(A), and such rules may revise,  
6 add to, or subtract from the criteria used  
7 to define a qualified mortgage under para-  
8 graph (2)(A), upon a finding that such  
9 rules are consistent with the purposes of  
10 this section and section 129B, to prevent  
11 circumvention or evasion thereof, or to fa-  
12 cilitate compliance with such sections:

13 “(I) The Department of Housing  
14 and Urban Development, with regard  
15 to mortgages insured under the Na-  
16 tional Housing Act (12 U.S.C. 1707  
17 et seq.).

18 “(II) The Department of Vet-  
19 erans Affairs, with regard to a loan  
20 made or guaranteed by the Secretary  
21 of Veterans Affairs.

22 “(III) The Department of Agri-  
23 culture, with regard loans guaranteed  
24 by the Secretary of Agriculture pursu-  
25 ant to 42 U.S.C. 1472(h).

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1                   “(IV) The Rural Housing Serv-  
2                   ice, with regard to loans insured by  
3                   the Rural Housing Service.”.

4 **SEC. 1413. DEFENSE TO FORECLOSURE.**

5           Section 130 of the Truth in Lending Act (15 U.S.C.  
6 1640) is amended by adding at the end the following new  
7 subsection:

8           “(k) DEFENSE TO FORECLOSURE.—

9                   “(1) IN GENERAL.—Notwithstanding any other  
10                  provision of law, when a creditor, assignee, or other  
11                  holder of a residential mortgage loan or anyone act-  
12                  ing on behalf of such creditor, assignee, or holder,  
13                  initiates a judicial or nonjudicial foreclosure of the  
14                  residential mortgage loan, or any other action to col-  
15                  lect the debt in connection with such loan, a con-  
16                  sumer may assert a violation by a creditor of para-  
17                  graph (1) or (2) of section 129B(c), or of section  
18                  129C(a), as a matter of defense by recoupment or  
19                  set off without regard for the time limit on a private  
20                  action for damages under subsection (e).

21                   “(2) AMOUNT OF RECOUPMENT OR SETOFF.—

22                           “(A) IN GENERAL.—The amount of  
23                           recoupment or set-off under paragraph (1) shall  
24                           equal the amount to which the consumer would  
25                           be entitled under subsection (a) for damages for

1 a valid claim brought in an original action  
2 against the creditor, plus the costs to the con-  
3 sumer of the action, including a reasonable at-  
4 torney's fee.

5 “(B) SPECIAL RULE.—Where such judg-  
6 ment is rendered after the expiration of the ap-  
7 plicable time limit on a private action for dam-  
8 ages under subsection (e), the amount of  
9 recoupment or set-off under paragraph (1) de-  
10 rived from damages under subsection (a)(4)  
11 shall not exceed the amount to which the con-  
12 sumer would have been entitled under sub-  
13 section (a)(4) for damages computed up to the  
14 day preceding the expiration of the applicable  
15 time limit.”.

16 **SEC. 1414. ADDITIONAL STANDARDS AND REQUIREMENTS.**

17 (a) IN GENERAL.—Section 129C of the Truth in  
18 Lending Act is amended by inserting after subsection (b)  
19 (as added by this title) the following new subsections:

20 “(c) PROHIBITION ON CERTAIN PREPAYMENT PEN-  
21 ALTIES.—

22 “(1) PROHIBITED ON CERTAIN LOANS.—

23 “(A) IN GENERAL.—A residential mort-  
24 gage loan that is not a ‘qualified mortgage’, as  
25 defined under subsection (b)(2), may not con-

1           tain terms under which a consumer must pay a  
2           prepayment penalty for paying all or part of the  
3           principal after the loan is consummated.

4           “(B) EXCLUSIONS.—For purposes of this  
5           subsection, a ‘qualified mortgage’ may not in-  
6           clude a residential mortgage loan that—

7                   “(i) has an adjustable rate; or

8                   “(ii) has an annual percentage rate  
9           that exceeds the average prime offer rate  
10          for a comparable transaction, as of the  
11          date the interest rate is set—

12                   “(I) by 1.5 or more percentage  
13          points, in the case of a first lien resi-  
14          dential mortgage loan having a origi-  
15          nal principal obligation amount that is  
16          equal to or less than the amount of  
17          the maximum limitation on the origi-  
18          nal principal obligation of mortgage in  
19          effect for a residence of the applicable  
20          size, as of the date of such interest  
21          rate set, pursuant to the 6th sentence  
22          of section 305(a)(2) the Federal  
23          Home Loan Mortgage Corporation  
24          Act (12 U.S.C. 1454(a)(2));

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1                   “(II) by 2.5 or more percentage  
2                   points, in the case of a first lien resi-  
3                   dential mortgage loan having a origi-  
4                   nal principal obligation amount that is  
5                   more than the amount of the max-  
6                   imum limitation on the original prin-  
7                   cipal obligation of mortgage in effect  
8                   for a residence of the applicable size,  
9                   as of the date of such interest rate  
10                  set, pursuant to the 6th sentence of  
11                  section 305(a)(2) the Federal Home  
12                  Loan Mortgage Corporation Act (12  
13                  U.S.C. 1454(a)(2)); and

14                  “(III) by 3.5 or more percentage  
15                  points, in the case of a subordinate  
16                  lien residential mortgage loan.

17                  “(2) PUBLICATION OF AVERAGE PRIME OFFER  
18                  RATE AND APR THRESHOLDS.—The Board—

19                  “(A) shall publish, and update at least  
20                  weekly, average prime offer rates;

21                  “(B) may publish multiple rates based on  
22                  varying types of mortgage transactions; and

23                  “(C) shall adjust the thresholds established  
24                  under subclause (I), (II), and (III) of para-  
25                  graph (1)(B)(ii) as necessary to reflect signifi-

1           cant changes in market conditions and to effec-  
2           tuate the purposes of the Mortgage Reform and  
3           Anti-Predatory Lending Act.

4           “(3) PHASED-OUT PENALTIES ON QUALIFIED  
5           MORTGAGES.—A qualified mortgage (as defined in  
6           subsection (b)(2)) may not contain terms under  
7           which a consumer must pay a prepayment penalty  
8           for paying all or part of the principal after the loan  
9           is consummated in excess of the following limita-  
10          tions:

11                   “(A) During the 1-year period beginning  
12                   on the date the loan is consummated, the pre-  
13                   payment penalty shall not exceed an amount  
14                   equal to 3 percent of the outstanding balance  
15                   on the loan.

16                   “(B) During the 1-year period beginning  
17                   after the period described in subparagraph (A),  
18                   the prepayment penalty shall not exceed an  
19                   amount equal to 2 percent of the outstanding  
20                   balance on the loan.

21                   “(C) During the 1-year period beginning  
22                   after the 1-year period described in subpara-  
23                   graph (B), the prepayment penalty shall not ex-  
24                   ceed an amount equal to 1 percent of the out-  
25                   standing balance on the loan.

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1           “(D) After the end of the 3-year period be-  
2           ginning on the date the loan is consummated,  
3           no prepayment penalty may be imposed on a  
4           qualified mortgage.

5           “(4) OPTION FOR NO PREPAYMENT PENALTY  
6           REQUIRED.—A creditor may not offer a consumer a  
7           residential mortgage loan product that has a prepay-  
8           ment penalty for paying all or part of the principal  
9           after the loan is consummated as a term of the loan  
10          without offering the consumer a residential mort-  
11          gage loan product that does not have a prepayment  
12          penalty as a term of the loan.

13          “(d) SINGLE PREMIUM CREDIT INSURANCE PROHIB-  
14          ITED.—No creditor may finance, directly or indirectly, in  
15          connection with any residential mortgage loan or with any  
16          extension of credit under an open end consumer credit  
17          plan secured by the principal dwelling of the consumer,  
18          any credit life, credit disability, credit unemployment, or  
19          credit property insurance, or any other accident, loss-of-  
20          income, life, or health insurance, or any payments directly  
21          or indirectly for any debt cancellation or suspension agree-  
22          ment or contract, except that—

23                 “(1) insurance premiums or debt cancellation or  
24                 suspension fees calculated and paid in full on a

1       monthly basis shall not be considered financed by  
2       the creditor; and

3           “(2) this subsection shall not apply to credit  
4       unemployment insurance for which the unemploy-  
5       ment insurance premiums are reasonable, the cred-  
6       itor receives no direct or indirect compensation in  
7       connection with the unemployment insurance pre-  
8       miums, and the unemployment insurance premiums  
9       are paid pursuant to another insurance contract and  
10      not paid to an affiliate of the creditor.

11      “(e) ARBITRATION.—

12           “(1) IN GENERAL.—No residential mortgage  
13      loan and no extension of credit under an open end  
14      consumer credit plan secured by the principal dwell-  
15      ing of the consumer may include terms which re-  
16      quire arbitration or any other nonjudicial procedure  
17      as the method for resolving any controversy or set-  
18      tling any claims arising out of the transaction.

19           “(2) POST-CONTROVERSY AGREEMENTS.—Sub-  
20      ject to paragraph (3), paragraph (1) shall not be  
21      construed as limiting the right of the consumer and  
22      the creditor or any assignee to agree to arbitration  
23      or any other nonjudicial procedure as the method for  
24      resolving any controversy at any time after a dispute  
25      or claim under the transaction arises.



1           “(3) NO WAIVER OF STATUTORY CAUSE OF AC-  
2           TION.—No provision of any residential mortgage  
3           loan or of any extension of credit under an open end  
4           consumer credit plan secured by the principal dwell-  
5           ing of the consumer, and no other agreement be-  
6           tween the consumer and the creditor relating to the  
7           residential mortgage loan or extension of credit re-  
8           ferred to in paragraph (1), shall be applied or inter-  
9           preted so as to bar a consumer from bringing an ac-  
10          tion in an appropriate district court of the United  
11          States, or any other court of competent jurisdiction,  
12          pursuant to section 130 or any other provision of  
13          law, for damages or other relief in connection with  
14          any alleged violation of this section, any other provi-  
15          sion of this title, or any other Federal law.

16          “(f) MORTGAGES WITH NEGATIVE AMORTIZATION.—  
17          No creditor may extend credit to a borrower in connection  
18          with a consumer credit transaction under an open or  
19          closed end consumer credit plan secured by a dwelling or  
20          residential real property that includes a dwelling, other  
21          than a reverse mortgage, that provides or permits a pay-  
22          ment plan that may, at any time over the term of the ex-  
23          tension of credit, result in negative amortization unless,  
24          before such transaction is consummated—

1           “(1) the creditor provides the consumer with a  
2 statement that—

3           “(A) the pending transaction will or may,  
4 as the case may be, result in negative amortiza-  
5 tion;

6           “(B) describes negative amortization in  
7 such manner as the Board shall prescribe;

8           “(C) negative amortization increases the  
9 outstanding principal balance of the account;  
10 and

11           “(D) negative amortization reduces the  
12 consumer’s equity in the dwelling or real prop-  
13 erty; and

14           “(2) in the case of a first-time borrower with  
15 respect to a residential mortgage loan that is not a  
16 qualified mortgage, the first-time borrower provides  
17 the creditor with sufficient documentation to dem-  
18 onstrate that the consumer received homeownership  
19 counseling from organizations or counselors certified  
20 by the Secretary of Housing and Urban Develop-  
21 ment as competent to provide such counseling.”.

22           (b) CONFORMING AMENDMENT RELATING TO EN-  
23 FORCEMENT.—Section 108(a) of the Truth in Lending  
24 Act (15 U.S.C. 1607(a)) is amended by inserting after  
25 paragraph (6) the following new paragraph:

1           “(7) sections 21B and 21C of the Securities  
2           Exchange Act of 1934, in the case of a broker or  
3           dealer, other than a depository institution, by the  
4           Securities and Exchange Commission.”.

5           (c) PROTECTION AGAINST LOSS OF ANTI-DEFI-  
6           CIENCY PROTECTION.—Section 129C of the Truth in  
7           Lending Act is amended by inserting after subsection (f)  
8           (as added by subsection (a)) the following new subsection:

9           “(g) PROTECTION AGAINST LOSS OF ANTI-DEFI-  
10           CIENCY PROTECTION.—

11           “(1) DEFINITION.—For purposes of this sub-  
12           section, the term ‘anti-deficiency law’ means the law  
13           of any State which provides that, in the event of  
14           foreclosure on the residential property of a consumer  
15           securing a mortgage, the consumer is not liable, in  
16           accordance with the terms and limitations of such  
17           State law, for any deficiency between the sale price  
18           obtained on such property through foreclosure and  
19           the outstanding balance of the mortgage.

20           “(2) NOTICE AT TIME OF CONSUMMATION.—In  
21           the case of any residential mortgage loan that is, or  
22           upon consummation will be, subject to protection  
23           under an anti-deficiency law, the creditor or mort-  
24           gage originator shall provide a written notice to the  
25           consumer describing the protection provided by the

1 anti-deficiency law and the significance for the con-  
2 sumer of the loss of such protection before such loan  
3 is consummated.

4 “(3) NOTICE BEFORE REFINANCING THAT  
5 WOULD CAUSE LOSS OF PROTECTION.—In the case  
6 of any residential mortgage loan that is subject to  
7 protection under an anti-deficiency law, if a creditor  
8 or mortgage originator provides an application to a  
9 consumer, or receives an application from a con-  
10 sumer, for any type of refinancing for such loan that  
11 would cause the loan to lose the protection of such  
12 anti-deficiency law, the creditor or mortgage origi-  
13 nator shall provide a written notice to the consumer  
14 describing the protection provided by the anti-defi-  
15 ciency law and the significance for the consumer of  
16 the loss of such protection before any agreement for  
17 any such refinancing is consummated.”.

18 (d) POLICY REGARDING ACCEPTANCE OF PARTIAL  
19 PAYMENT.—Section 129C of the Truth in Lending Act  
20 is amended by inserting after subsection (g) (as added by  
21 subsection (c)) the following new subsection:

22 “(h) POLICY REGARDING ACCEPTANCE OF PARTIAL  
23 PAYMENT.—In the case of any residential mortgage loan,  
24 a creditor shall disclose prior to settlement or, in the case  
25 of a person becoming a creditor with respect to an existing

1 residential mortgage loan, at the time such person be-  
2 comes a creditor—

3 “(1) the creditor’s policy regarding the accept-  
4 ance of partial payments; and

5 “(2) if partial payments are accepted, how such  
6 payments will be applied to such mortgage and if  
7 such payments will be placed in escrow.

8 “(i) **TIMESHARE PLANS.**—This section and any regu-  
9 lations promulgated under this section do not apply to an  
10 extension of credit relating to a plan described in section  
11 101(53D) of title 11, United States Code.”.

12 **SEC. 1415. RULE OF CONSTRUCTION.**

13 Except as otherwise expressly provided in section  
14 129B or 129C of the Truth in Lending Act (as added by  
15 this title), no provision of such section 129B or 129C shall  
16 be construed as superseding, repealing, or affecting any  
17 duty, right, obligation, privilege, or remedy of any person  
18 under any other provision of the Truth in Lending Act  
19 or any other provision of Federal or State law.

20 **SEC. 1416. AMENDMENTS TO CIVIL LIABILITY PROVISIONS.**

21 (a) **INCREASE IN AMOUNT OF CIVIL MONEY PEN-**  
22 **ALTIES FOR CERTAIN VIOLATIONS.**—Section 130(a) of  
23 the Truth in Lending Act (15 U.S.C. 1640(a)) is amend-  
24 ed—

25 (1) in paragraph (2)(A)(ii)—

1 (A) by striking “\$100” and inserting  
2 “\$200”; and

3 (B) by striking “\$1,000” and inserting  
4 “\$2,000”;

5 (2) in paragraph (2)(B), by striking  
6 “\$500,000” and inserting “\$1,000,000”; and

7 (3) in paragraph (4), by inserting “, paragraph  
8 (1) or (2) of section 129B(e), or section 129C(a)”  
9 after “section 129”.

10 (b) STATUTE OF LIMITATIONS EXTENDED FOR SEC-  
11 TION 129 VIOLATIONS.—Section 130(e) of the Truth in  
12 Lending Act (15 U.S.C. 1640(e)) is amended—

13 (1) in the first sentence, by striking “Any ac-  
14 tion” and inserting “Except as provided in the sub-  
15 sequent sentence, any action”; and

16 (2) by inserting after the first sentence the fol-  
17 lowing new sentence: “Any action under this section  
18 with respect to any violation of section 129, 129B,  
19 or 129C may be brought in any United States dis-  
20 trict court, or in any other court of competent juris-  
21 diction, before the end of the 3-year period begin-  
22 ning on the date of the occurrence of the violation.”.

1 **SEC. 1417. LENDER RIGHTS IN THE CONTEXT OF BOR-**  
2 **ROWER DECEPTION.**

3 Section 130 of the Truth in Lending Act (15 U.S.C.  
4 1640) is amended by adding after subsection (k) (as added  
5 by this title) the following new subsection:

6 “(l) EXEMPTION FROM LIABILITY AND RESCISSION  
7 IN CASE OF BORROWER FRAUD OR DECEPTION.—In ad-  
8 dition to any other remedy available by law or contract,  
9 no creditor or assignee shall be liable to an obligor under  
10 this section, if such obligor, or co-obligor has been con-  
11 victed of obtaining by actual fraud such residential mort-  
12 gage loan.”.

13 **SEC. 1418. SIX-MONTH NOTICE REQUIRED BEFORE RESET**  
14 **OF HYBRID ADJUSTABLE RATE MORTGAGES.**

15 (a) IN GENERAL.—Chapter 2 of the Truth in Lend-  
16 ing Act (15 U.S.C. 1631 et seq.) is amended by inserting  
17 after section 128 the following new section:

18 **“§ 128A. Reset of hybrid adjustable rate mortgages**

19 “(a) HYBRID ADJUSTABLE RATE MORTGAGES DE-  
20 FINED.—For purposes of this section, the term ‘hybrid ad-  
21 justable rate mortgage’ means a consumer credit trans-  
22 action secured by the consumer’s principal residence with  
23 a fixed interest rate for an introductory period that ad-  
24 justs or resets to a variable interest rate after such period.

25 “(b) NOTICE OF RESET AND ALTERNATIVES.—Dur-  
26 ing the 1-month period that ends 6 months before the date

1 on which the interest rate in effect during the introductory  
2 period of a hybrid adjustable rate mortgage adjusts or  
3 resets to a variable interest rate or, in the case of such  
4 an adjustment or resetting that occurs within the first 6  
5 months after consummation of such loan, at consumma-  
6 tion, the creditor or servicer of such loan shall provide a  
7 written notice, separate and distinct from all other cor-  
8 respondence to the consumer, that includes the following:

9           “(1) Any index or formula used in making ad-  
10           justments to or resetting the interest rate and a  
11           source of information about the index or formula.

12           “(2) An explanation of how the new interest  
13           rate and payment would be determined, including an  
14           explanation of how the index was adjusted, such as  
15           by the addition of a margin.

16           “(3) A good faith estimate, based on accepted  
17           industry standards, of the creditor or servicer of the  
18           amount of the monthly payment that will apply after  
19           the date of the adjustment or reset, and the assump-  
20           tions on which this estimate is based.

21           “(4) A list of alternatives consumers may pur-  
22           sue before the date of adjustment or reset, and de-  
23           scriptions of the actions consumers must take to  
24           pursue these alternatives, including—

25                   “(A) refinancing;



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1 “(B) renegotiation of loan terms;

2 “(C) payment forbearances; and

3 “(D) pre-foreclosure sales.

4 “(5) The names, addresses, telephone numbers,  
5 and Internet addresses of counseling agencies or  
6 programs reasonably available to the consumer that  
7 have been certified or approved and made publicly  
8 available by the Secretary of Housing and Urban  
9 Development or a State housing finance authority  
10 (as defined in section 1301 of the Financial Institu-  
11 tions Reform, Recovery, and Enforcement Act of  
12 1989).

13 “(6) The address, telephone number, and Inter-  
14 net address for the State housing finance authority  
15 (as so defined) for the State in which the consumer  
16 resides.

17 “(c) SAVINGS CLAUSE.—The Board may require the  
18 notice in paragraph (b) or other notice consistent with this  
19 Act for adjustable rate mortgage loans that are not hybrid  
20 adjustable rate mortgage loans.”.

21 (b) CLERICAL AMENDMENT.—The table of sections  
22 for chapter 2 of the Truth in Lending Act is amended  
23 by inserting after the item relating to section 128 the fol-  
24 lowing new item:

“128A. Reset of hybrid adjustable rate mortgages.”.

1 **SEC. 1419. REQUIRED DISCLOSURES.**

2 Section 128(a) of Truth in Lending Act (15 U.S.C.  
3 1638(a)) is amended by adding at the end the following  
4 new paragraphs:

5 “(16) In the case of a variable rate residential  
6 mortgage loan for which an escrow or impound ac-  
7 count will be established for the payment of all ap-  
8 plicable taxes, insurance, and assessments—

9 “(A) the amount of initial monthly pay-  
10 ment due under the loan for the payment of  
11 principal and interest, and the amount of such  
12 initial monthly payment including the monthly  
13 payment deposited in the account for the pay-  
14 ment of all applicable taxes, insurance, and as-  
15 sessments; and

16 “(B) the amount of the fully indexed  
17 monthly payment due under the loan for the  
18 payment of principal and interest, and the  
19 amount of such fully indexed monthly payment  
20 including the monthly payment deposited in the  
21 account for the payment of all applicable taxes,  
22 insurance, and assessments.

23 “(17) In the case of a residential mortgage  
24 loan, the aggregate amount of settlement charges for  
25 all settlement services provided in connection with  
26 the loan, the amount of charges that are included in

1 the loan and the amount of such charges the bor-  
2 rower must pay at closing, the approximate amount  
3 of the wholesale rate of funds in connection with the  
4 loan, and the aggregate amount of other fees or re-  
5 quired payments in connection with the loan.

6 “(18) In the case of a residential mortgage  
7 loan, the aggregate amount of fees paid to the mort-  
8 gage originator in connection with the loan, the  
9 amount of such fees paid directly by the consumer,  
10 and any additional amount received by the originator  
11 from the creditor.

12 “(19) In the case of a residential mortgage  
13 loan, the total amount of interest that the consumer  
14 will pay over the life of the loan as a percentage of  
15 the principal of the loan. Such amount shall be com-  
16 puted assuming the consumer makes each monthly  
17 payment in full and on-time, and does not make any  
18 over-payments.”.

19 **SEC. 1420. DISCLOSURES REQUIRED IN MONTHLY STATE-**  
20 **MENTS FOR RESIDENTIAL MORTGAGE**  
21 **LOANS.**

22 Section 128 of the Truth in Lending Act (15 U.S.C.  
23 1638) is amended by adding at the end the following new  
24 subsection:

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1       “(f) PERIODIC STATEMENTS FOR RESIDENTIAL  
2 MORTGAGE LOANS.—

3           “(1) IN GENERAL.—The creditor, assignee, or  
4 servicer with respect to any residential mortgage  
5 loan shall transmit to the obligor, for each billing  
6 cycle, a statement setting forth each of the following  
7 items, to the extent applicable, in a conspicuous and  
8 prominent manner:

9           “(A) The amount of the principal obliga-  
10 tion under the mortgage.

11           “(B) The current interest rate in effect for  
12 the loan.

13           “(C) The date on which the interest rate  
14 may next reset or adjust.

15           “(D) The amount of any prepayment fee  
16 to be charged, if any.

17           “(E) A description of any late payment  
18 fees.

19           “(F) A telephone number and electronic  
20 mail address that may be used by the obligor to  
21 obtain information regarding the mortgage.

22           “(G) The names, addresses, telephone  
23 numbers, and Internet addresses of counseling  
24 agencies or programs reasonably available to  
25 the consumer that have been certified or ap-

1           proved and made publicly available by the Sec-  
2           retary of Housing and Urban Development or a  
3           State housing finance authority (as defined in  
4           section 1301 of the Financial Institutions Re-  
5           form, Recovery, and Enforcement Act of 1989).

6           “(H) Such other information as the Board  
7           may prescribe in regulations.

8           “(2) DEVELOPMENT AND USE OF STANDARD  
9           FORM.—The Board shall develop and prescribe a  
10          standard form for the disclosure required under this  
11          subsection, taking into account that the statements  
12          required may be transmitted in writing or electroni-  
13          cally.

14          “(3) EXCEPTION.—Paragraph (1) shall not  
15          apply to any fixed rate residential mortgage loan  
16          where the creditor, assignee, or servicer provides the  
17          obligor with a coupon book that provides the obligor  
18          with substantially the same information as required  
19          in paragraph (1).”.

20   **SEC. 1421. REPORT BY THE GAO.**

21          (a) REPORT REQUIRED.—The Comptroller General  
22          of the United States shall conduct a study to determine  
23          the effects the enactment of this Act will have on the avail-  
24          ability and affordability of credit for consumers, small

1 businesses, homebuyers, and mortgage lending, including  
2 the effect—

3 (1) on the mortgage market for mortgages that  
4 are not within the safe harbor provided in the  
5 amendments made by this subtitle;

6 (2) on the ability of prospective homebuyers to  
7 obtain financing;

8 (3) on the ability of homeowners facing resets  
9 or adjustments to refinance—for example, do they  
10 have fewer refinancing options due to the unavail-  
11 ability of certain loan products that were available  
12 before the enactment of this Act;

13 (4) on minorities' ability to access affordable  
14 credit compared with other prospective borrowers;

15 (5) on home sales and construction;

16 (6) of extending the rescission right, if any, on  
17 adjustable rate loans and its impact on litigation;

18 (7) of State foreclosure laws and, if any, an in-  
19 vestor's ability to transfer a property after fore-  
20 closure;

21 (8) of expanding the existing provisions of the  
22 Home Ownership and Equity Protection Act of  
23 1994;

24 (9) of prohibiting prepayment penalties on  
25 high-cost mortgages; and

1           (10) of establishing counseling services under  
2           the Department of Housing and Urban Development  
3           and offered through the Office of Housing Coun-  
4           seling.

5           (b) REPORT.—Before the end of the 1-year period be-  
6           ginning on the date of the enactment of this Act, the  
7           Comptroller General shall submit a report to the Congress  
8           containing the findings and conclusions of the Comptroller  
9           General with respect to the study conducted pursuant to  
10          subsection (a).

11          (c) EXAMINATION RELATED TO CERTAIN CREDIT  
12          RISK RETENTION PROVISIONS.—The report required by  
13          subsection (b) shall also include an analysis by the Comp-  
14          troller General of the effect on the capital reserves and  
15          funding of lenders of credit risk retention provisions for  
16          non-qualified mortgages, including an analysis of the ex-  
17          ceptions and adjustments authorized in section  
18          129C(b)(3) of the Truth in Lending Act and a rec-  
19          ommendation on whether a uniform standard is needed.

20          (d) ANALYSIS OF CREDIT RISK RETENTION PROVI-  
21          SIONS.—The report required by subsection (b) shall also  
22          include—

23                 (1) an analysis by the Comptroller General of  
24                 whether the credit risk retention provisions have sig-  
25                 nificantly reduced risks to the larger credit market

1 of the repackaging and selling of securitized loans on  
2 a secondary market; and

3 (2) recommendations to the Congress on adjust-  
4 ments that should be made, or additional measures  
5 that should be undertaken.

6 **SEC. 1422. STATE ATTORNEY GENERAL ENFORCEMENT AU-**  
7 **THORITY.**

8 Section 130(e) of the Truth in Lending Act (15  
9 U.S.C. 1640(e)) is amended by striking “section 129 may  
10 also” and inserting “section 129, 129B, 129C, 129D,  
11 129E, 129F, 129G, or 129H of this Act may also”.

12 **Subtitle C—High-Cost Mortgages**

13 **SEC. 1431. DEFINITIONS RELATING TO HIGH-COST MORT-**  
14 **GAGES.**

15 (a) HIGH-COST MORTGAGE DEFINED.—Section  
16 103(aa) of the Truth in Lending Act (15 U.S.C.  
17 1602(aa)) is amended by striking all that precedes para-  
18 graph (2) and inserting the following:

19 “(aa) HIGH-COST MORTGAGE.—

20 “(1) DEFINITION.—

21 “(A) IN GENERAL.—The term ‘high-cost  
22 mortgage’, and a mortgage referred to in this  
23 subsection, means a consumer credit trans-  
24 action that is secured by the consumer’s prin-



## 2129

1            ciplal dwelling, other than a reverse mortgage  
2            transaction, if—

3                    “(i) in the case of a credit transaction  
4                    secured—

5                            “(I) by a first mortgage on the  
6                            consumer’s principal dwelling, the an-  
7                            nual percentage rate at consummation  
8                            of the transaction will exceed by more  
9                            than 6.5 percentage points (8.5 per-  
10                            centage points, if the dwelling is per-  
11                            sonal property and the transaction is  
12                            for less than \$50,000) the average  
13                            prime offer rate, as defined in section  
14                            129C(b)(2)(B), for a comparable  
15                            transaction; or

16                            “(II) by a subordinate or junior  
17                            mortgage on the consumer’s principal  
18                            dwelling, the annual percentage rate  
19                            at consummation of the transaction  
20                            will exceed by more than 8.5 percent-  
21                            age points the average prime offer  
22                            rate, as defined in section  
23                            129C(b)(2)(B), for a comparable  
24                            transaction;

## 2130

1                   “(ii) the total points and fees payable  
2                   in connection with the transaction, other  
3                   than bona fide third party charges not re-  
4                   tained by the mortgage originator, cred-  
5                   itor, or an affiliate of the creditor or mort-  
6                   gage originator, exceed—

7                   “(I) in the case of a transaction  
8                   for \$20,000 or more, 5 percent of the  
9                   total transaction amount; or

10                   “(II) in the case of a transaction  
11                   for less than \$20,000, the lesser of 8  
12                   percent of the total transaction  
13                   amount or \$1,000 (or such other dol-  
14                   lar amount as the Board shall pre-  
15                   scribe by regulation); or

16                   “(iii) the credit transaction documents  
17                   permit the creditor to charge or collect pre-  
18                   payment fees or penalties more than 36  
19                   months after the transaction closing or  
20                   such fees or penalties exceed, in the aggre-  
21                   gate, more than 2 percent of the amount  
22                   prepaid.

23                   “(B) INTRODUCTORY RATES TAKEN INTO  
24                   ACCOUNT.—For purposes of subparagraph  
25                   (A)(i), the annual percentage rate of interest

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1 shall be determined based on the following in-  
2 terest rate:

3 “(i) In the case of a fixed-rate trans-  
4 action in which the annual percentage rate  
5 will not vary during the term of the loan,  
6 the interest rate in effect on the date of  
7 consummation of the transaction.

8 “(ii) In the case of a transaction in  
9 which the rate of interest varies solely in  
10 accordance with an index, the interest rate  
11 determined by adding the index rate in ef-  
12 fect on the date of consummation of the  
13 transaction to the maximum margin per-  
14 mitted at any time during the loan agree-  
15 ment.

16 “(iii) In the case of any other trans-  
17 action in which the rate may vary at any  
18 time during the term of the loan for any  
19 reason, the interest charged on the trans-  
20 action at the maximum rate that may be  
21 charged during the term of the loan.

22 “(C) MORTGAGE INSURANCE.—For the  
23 purposes of computing the total points and fees  
24 under paragraph (4), the total points and fees  
25 shall exclude—

1           “(i) any premium provided by an  
2           agency of the Federal Government or an  
3           agency of a State;

4           “(ii) any amount that is not in excess  
5           of the amount payable under policies in ef-  
6           fect at the time of origination under sec-  
7           tion 203(c)(2)(A) of the National Housing  
8           Act (12 U.S.C. 1709(c)(2)(A)), provided  
9           that the premium, charge, or fee is re-  
10          quired to be refundable on a pro-rated  
11          basis and the refund is automatically  
12          issued upon notification of the satisfaction  
13          of the underlying mortgage loan; and

14          “(iii) any premium paid by the con-  
15          sumer after closing.”.

16          (b) ADJUSTMENT OF PERCENTAGE POINTS.—Section  
17 103(aa)(2) of the Truth in Lending Act (15 U.S.C.  
18 1602(aa)(2)) is amended by striking subparagraph (B)  
19 and inserting the following new subparagraph:

20           “(B) An increase or decrease under sub-  
21          paragraph (A)—

22           “(i) may not result in the number of  
23          percentage points referred to in paragraph  
24          (1)(A)(i)(I) being less than 6 percentage

1 points or greater than 10 percentage  
2 points; and

3 “(ii) may not result in the number of  
4 percentage points referred to in paragraph  
5 (1)(A)(i)(II) being less than 8 percentage  
6 points or greater than 12 percentage  
7 points.”.

8 (c) POINTS AND FEES DEFINED.—

9 (1) IN GENERAL.—Section 103(aa)(4) of the  
10 Truth in Lending Act (15 U.S.C. 1602(aa)(4)) is  
11 amended—

12 (A) by striking subparagraph (B) and in-  
13 serting the following:

14 “(B) all compensation paid directly or indi-  
15 rectly by a consumer or creditor to a mortgage  
16 originator from any source, including a mort-  
17 gage originator that is also the creditor in a  
18 table-funded transaction;”;

19 (B) by redesignating subparagraph (D) as  
20 subparagraph (G); and

21 (C) by inserting after subparagraph (C)  
22 the following new subparagraphs:

23 “(D) premiums or other charges payable at  
24 or before closing for any credit life, credit dis-  
25 ability, credit unemployment, or credit property

1 insurance, or any other accident, loss-of-income,  
2 life or health insurance, or any payments di-  
3 rectly or indirectly for any debt cancellation or  
4 suspension agreement or contract, except that  
5 insurance premiums or debt cancellation or sus-  
6 pension fees calculated and paid in full on a  
7 monthly basis shall not be considered financed  
8 by the creditor;

9 “(E) the maximum prepayment fees and  
10 penalties which may be charged or collected  
11 under the terms of the credit transaction;

12 “(F) all prepayment fees or penalties that  
13 are incurred by the consumer if the loan refi-  
14 nances a previous loan made or currently held  
15 by the same creditor or an affiliate of the cred-  
16 itor; and”.

17 (2) CALCULATION OF POINTS AND FEES FOR  
18 OPEN-END CONSUMER CREDIT PLANS.—Section  
19 103(aa) of the Truth in Lending Act (15 U.S.C.  
20 1602(aa)) is amended—

21 (A) by redesignating paragraph (5) as  
22 paragraph (6); and

23 (B) by inserting after paragraph (4) the  
24 following new paragraph:

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1           “(5) CALCULATION OF POINTS AND FEES FOR  
2           OPEN-END CONSUMER CREDIT PLANS.—In the case  
3           of open-end consumer credit plans, points and fees  
4           shall be calculated, for purposes of this section and  
5           section 129, by adding the total points and fees  
6           known at or before closing, including the maximum  
7           prepayment penalties which may be charged or col-  
8           lected under the terms of the credit transaction, plus  
9           the minimum additional fees the consumer would be  
10          required to pay to draw down an amount equal to  
11          the total credit line.”.

12          (d) BONA FIDE DISCOUNT LOAN DISCOUNT  
13          POINTS.—Section 103 of the Truth in Lending Act (15  
14          U.S.C. 1602) is amended by inserting after subsection (cc)  
15          (as added by section 1401) the following new subsection:

16          “(dd) BONA FIDE DISCOUNT POINTS AND PREPAY-  
17          MENT PENALTIES.—For the purposes of determining the  
18          amount of points and fees for purposes of subsection (aa),  
19          either the amounts described in paragraph (1) or (2) of  
20          the following paragraphs, but not both, shall be excluded:

21                 “(1) Up to and including 2 bona fide discount  
22                 points payable by the consumer in connection with  
23                 the mortgage, but only if the interest rate from  
24                 which the mortgage’s interest rate will be discounted  
25                 does not exceed by more than 1 percentage point—

## 2136

1           “(A) the average prime offer rate, as de-  
2           fined in section 129C; or

3           “(B) if secured by a personal property  
4           loan, the average rate on a loan in connection  
5           with which insurance is provided under title I  
6           of the National Housing Act (12 U.S.C. 1702  
7           et seq.).

8           “(2) Unless 2 bona fide discount points have  
9           been excluded under paragraph (1), up to and in-  
10          cluding 1 bona fide discount point payable by the  
11          consumer in connection with the mortgage, but only  
12          if the interest rate from which the mortgage’s inter-  
13          est rate will be discounted does not exceed by more  
14          than 2 percentage points—

15           “(A) the average prime offer rate, as de-  
16           fined in section 129C; or

17           “(B) if secured by a personal property  
18           loan, the average rate on a loan in connection  
19           with which insurance is provided under title I  
20           of the National Housing Act (12 U.S.C. 1702  
21           et seq.).

22           “(3) For purposes of paragraph (1), the term  
23           ‘bona fide discount points’ means loan discount  
24           points which are knowingly paid by the consumer for  
25           the purpose of reducing, and which in fact result in



1 a bona fide reduction of, the interest rate or time-  
2 price differential applicable to the mortgage.

3 “(4) Paragraphs (1) and (2) shall not apply to  
4 discount points used to purchase an interest rate re-  
5 duction unless the amount of the interest rate reduc-  
6 tion purchased is reasonably consistent with estab-  
7 lished industry norms and practices for secondary  
8 mortgage market transactions.”.

9 **SEC. 1432. AMENDMENTS TO EXISTING REQUIREMENTS**  
10 **FOR CERTAIN MORTGAGES.**

11 (a) PREPAYMENT PENALTY PROVISIONS.—Section  
12 129(e)(2) of the Truth in Lending Act (15 U.S.C.  
13 1639(c)(2)) is hereby repealed.

14 (b) NO BALLOON PAYMENTS.—Section 129(e) of the  
15 Truth in Lending Act (15 U.S.C. 1639(e)) is amended to  
16 read as follows:

17 “(e) NO BALLOON PAYMENTS.—No high-cost mort-  
18 gage may contain a scheduled payment that is more than  
19 twice as large as the average of earlier scheduled pay-  
20 ments. This subsection shall not apply when the payment  
21 schedule is adjusted to the seasonal or irregular income  
22 of the consumer.”.

1 **SEC. 1433. ADDITIONAL REQUIREMENTS FOR CERTAIN**  
2 **MORTGAGES.**

3 (a) ADDITIONAL REQUIREMENTS FOR CERTAIN  
4 MORTGAGES.—Section 129 of the Truth in Lending Act  
5 (15 U.S.C. 1639) is amended—

6 (1) by redesignating subsections (j), (k), (l) and  
7 (m) as subsections (n), (o), (p), and (q) respectively;  
8 and

9 (2) by inserting after subsection (i) the fol-  
10 lowing new subsections:

11 “(j) RECOMMENDED DEFAULT.—No creditor shall  
12 recommend or encourage default on an existing loan or  
13 other debt prior to and in connection with the closing or  
14 planned closing of a high-cost mortgage that refinances  
15 all or any portion of such existing loan or debt.

16 “(k) LATE FEES.—

17 “(1) IN GENERAL.—No creditor may impose a  
18 late payment charge or fee in connection with a  
19 high-cost mortgage—

20 “(A) in an amount in excess of 4 percent  
21 of the amount of the payment past due;

22 “(B) unless the loan documents specifically  
23 authorize the charge or fee;

24 “(C) before the end of the 15-day period  
25 beginning on the date the payment is due, or in  
26 the case of a loan on which interest on each in-

1           stallment is paid in advance, before the end of  
2           the 30-day period beginning on the date the  
3           payment is due; or

4                   “(D) more than once with respect to a sin-  
5           gle late payment.

6           “(2) COORDINATION WITH SUBSEQUENT LATE  
7           FEES.—If a payment is otherwise a full payment for  
8           the applicable period and is paid on its due date or  
9           within an applicable grace period, and the only delin-  
10          quency or insufficiency of payment is attributable to  
11          any late fee or delinquency charge assessed on any  
12          earlier payment, no late fee or delinquency charge  
13          may be imposed on such payment.

14          “(3) FAILURE TO MAKE INSTALLMENT PAY-  
15          MENT.—If, in the case of a loan agreement the  
16          terms of which provide that any payment shall first  
17          be applied to any past due principal balance, the  
18          consumer fails to make an installment payment and  
19          the consumer subsequently resumes making install-  
20          ment payments but has not paid all past due install-  
21          ments, the creditor may impose a separate late pay-  
22          ment charge or fee for any principal due (without  
23          deduction due to late fees or related fees) until the  
24          default is cured.

1           “(l) ACCELERATION OF DEBT.—No high-cost mort-  
2 gage may contain a provision which permits the creditor  
3 to accelerate the indebtedness, except when repayment of  
4 the loan has been accelerated by default in payment, or  
5 pursuant to a due-on-sale provision, or pursuant to a ma-  
6 terial violation of some other provision of the loan docu-  
7 ment unrelated to payment schedule.

8           “(m) RESTRICTION ON FINANCING POINTS AND  
9 FEES.—No creditor may directly or indirectly finance, in  
10 connection with any high-cost mortgage, any of the fol-  
11 lowing:

12                   “(1) Any prepayment fee or penalty payable by  
13 the consumer in a refinancing transaction if the  
14 creditor or an affiliate of the creditor is the  
15 noteholder of the note being refinanced.

16                   “(2) Any points or fees.”.

17           “(b) PROHIBITIONS ON EVASIONS.—Section 129 of  
18 the Truth in Lending Act (15 U.S.C. 1639) is amended  
19 by inserting after subsection (q) (as so redesignated by  
20 subsection (a)(1)) the following new subsection:

21           “(r) PROHIBITIONS ON EVASIONS, STRUCTURING OF  
22 TRANSACTIONS, AND RECIPROCAL ARRANGEMENTS.—A  
23 creditor may not take any action in connection with a  
24 high-cost mortgage—

1           “(1) to structure a loan transaction as an open-  
2           end credit plan or another form of loan for the pur-  
3           pose and with the intent of evading the provisions of  
4           this title; or

5           “(2) to divide any loan transaction into sepa-  
6           rate parts for the purpose and with the intent of  
7           evading provisions of this title.”.

8           (c) MODIFICATION OR DEFERRAL FEES.—Section  
9           129 of the Truth in Lending Act (15 U.S.C. 1639) is  
10          amended by inserting after subsection (r) (as added by  
11          subsection (b) of this section) the following new sub-  
12          section:

13          “(s) MODIFICATION AND DEFERRAL FEES PROHIB-  
14          ITED.—A creditor, successor in interest, assignee, or any  
15          agent of any of the above, may not charge a consumer  
16          any fee to modify, renew, extend, or amend a high-cost  
17          mortgage, or to defer any payment due under the terms  
18          of such mortgage.”.

19          (d) PAYOFF STATEMENT.—Section 129 of the Truth  
20          in Lending Act (15 U.S.C. 1639) is amended by inserting  
21          after subsection (s) (as added by subsection (c) of this  
22          section) the following new subsection:

23          “(t) PAYOFF STATEMENT.—

24                  “(1) FEES.—

1           “(A) IN GENERAL.—Except as provided in  
2           subparagraph (B), no creditor or servicer may  
3           charge a fee for informing or transmitting to  
4           any person the balance due to pay off the out-  
5           standing balance on a high-cost mortgage.

6           “(B) TRANSACTION FEE.—When payoff in-  
7           formation referred to in subparagraph (A) is  
8           provided by facsimile transmission or by a cou-  
9           rier service, a creditor or servicer may charge a  
10          processing fee to cover the cost of such trans-  
11          mission or service in an amount not to exceed  
12          an amount that is comparable to fees imposed  
13          for similar services provided in connection with  
14          consumer credit transactions that are secured  
15          by the consumer’s principal dwelling and are  
16          not high-cost mortgages.

17          “(C) FEE DISCLOSURE.—Prior to charging  
18          a transaction fee as provided in subparagraph  
19          (B), a creditor or servicer shall disclose that  
20          payoff balances are available for free pursuant  
21          to subparagraph (A).

22          “(D) MULTIPLE REQUESTS.—If a creditor  
23          or servicer has provided payoff information re-  
24          ferred to in subparagraph (A) without charge,  
25          other than the transaction fee allowed by sub-

1 paragraph (B), on 4 occasions during a cal-  
2 endar year, the creditor or servicer may there-  
3 after charge a reasonable fee for providing such  
4 information during the remainder of the cal-  
5 endar year.

6 “(2) PROMPT DELIVERY.—Payoff balances shall  
7 be provided within 5 business days after receiving a  
8 request by a consumer or a person authorized by the  
9 consumer to obtain such information.”.

10 (e) PRE-LOAN COUNSELING REQUIRED.—Section  
11 129 of the Truth in Lending Act (15 U.S.C. 1639) is  
12 amended by inserting after subsection t) (as added by sub-  
13 section (d) of this section) the following new subsection:

14 “(u) PRE-LOAN COUNSELING.—

15 “(1) IN GENERAL.—A creditor may not extend  
16 credit to a consumer under a high-cost mortgage  
17 without first receiving certification from a counselor  
18 that is approved by the Secretary of Housing and  
19 Urban Development, or at the discretion of the Sec-  
20 retary, a State housing finance authority, that the  
21 consumer has received counseling on the advisability  
22 of the mortgage. Such counselor shall not be em-  
23 ployed by the creditor or an affiliate of the creditor  
24 or be affiliated with the creditor.

1           “(2) DISCLOSURES REQUIRED PRIOR TO COUN-  
2           SELING.—No counselor may certify that a consumer  
3           has received counseling on the advisability of the  
4           high-cost mortgage unless the counselor can verify  
5           that the consumer has received each statement re-  
6           quired (in connection with such loan) by this section  
7           or the Real Estate Settlement Procedures Act of  
8           1974 with respect to the transaction.

9           “(3) REGULATIONS.—The Board may prescribe  
10          such regulations as the Board determines to be ap-  
11          propriate to carry out the requirements of paragraph  
12          (1).”.

13          (f) CORRECTIONS AND UNINTENTIONAL VIOLA-  
14          TIONS.—Section 129 of the Truth in Lending Act (15  
15          U.S.C. 1639) is amended by inserting after subsection (u)  
16          (as added by subsection (e)) the following new subsection:

17          “(v) CORRECTIONS AND UNINTENTIONAL VIOLA-  
18          TIONS.—A creditor or assignee in a high-cost mortgage  
19          who, when acting in good faith, fails to comply with any  
20          requirement under this section will not be deemed to have  
21          violated such requirement if the creditor or assignee estab-  
22          lishes that either—

23                 “(1) within 30 days of the loan closing and  
24                 prior to the institution of any action, the consumer  
25                 is notified of or discovers the violation, appropriate



1       restitution is made, and whatever adjustments are  
2       necessary are made to the loan to either, at the  
3       choice of the consumer—

4               “(A) make the loan satisfy the require-  
5       ments of this chapter; or

6               “(B) in the case of a high-cost mortgage,  
7       change the terms of the loan in a manner bene-  
8       ficial to the consumer so that the loan will no  
9       longer be a high-cost mortgage; or

10       “(2) within 60 days of the creditor’s discovery  
11       or receipt of notification of an unintentional viola-  
12       tion or bona fide error and prior to the institution  
13       of any action, the consumer is notified of the compli-  
14       ance failure, appropriate restitution is made, and  
15       whatever adjustments are necessary are made to the  
16       loan to either, at the choice of the consumer—

17               “(A) make the loan satisfy the require-  
18       ments of this chapter; or

19               “(B) in the case of a high-cost mortgage,  
20       change the terms of the loan in a manner bene-  
21       ficial so that the loan will no longer be a high-  
22       cost mortgage.”.

1           **Subtitle D—Office of Housing**  
2                           **Counseling**

3 **SEC. 1441. SHORT TITLE.**

4           This subtitle may be cited as the “Expand and Pre-  
5 serve Home Ownership Through Counseling Act”.

6 **SEC. 1442. ESTABLISHMENT OF OFFICE OF HOUSING COUN-**  
7                           **SELING.**

8           Section 4 of the Department of Housing and Urban  
9 Development Act (42 U.S.C. 3533) is amended by adding  
10 at the end the following new subsection:

11           “(g) OFFICE OF HOUSING COUNSELING.—

12                   “(1) ESTABLISHMENT.—There is established,  
13 in the Department, the Office of Housing Coun-  
14 seling.

15                   “(2) DIRECTOR.—There is established the posi-  
16 tion of Director of Housing Counseling. The Direc-  
17 tor shall be the head of the Office of Housing Coun-  
18 seling and shall be appointed by, and shall report to,  
19 the Secretary. Such position shall be a career-re-  
20 served position in the Senior Executive Service.

21                   “(3) FUNCTIONS.—

22                           “(A) IN GENERAL.—The Director shall  
23 have primary responsibility within the Depart-  
24 ment for all activities and matters relating to

1           homeownership counseling and rental housing  
2           counseling, including—

3                   “(i) research, grant administration,  
4                   public outreach, and policy development re-  
5                   lating to such counseling; and

6                   “(ii) establishment, coordination, and  
7                   administration of all regulations, require-  
8                   ments, standards, and performance meas-  
9                   ures under programs and laws adminis-  
10                  tered by the Department that relate to  
11                  housing counseling, homeownership coun-  
12                  seling (including maintenance of homes),  
13                  mortgage-related counseling (including  
14                  home equity conversion mortgages and  
15                  credit protection options to avoid fore-  
16                  closure), and rental housing counseling, in-  
17                  cluding the requirements, standards, and  
18                  performance measures relating to housing  
19                  counseling.

20                  “(B) SPECIFIC FUNCTIONS.—The Director  
21                  shall carry out the functions assigned to the Di-  
22                  rector and the Office under this section and any  
23                  other provisions of law. Such functions shall in-  
24                  clude establishing rules necessary for—

1           “(i) the counseling procedures under  
2           section 106(g)(1) of the Housing and  
3           Urban Development Act of 1968 (12  
4           U.S.C. 1701x(h)(1));

5           “(ii) carrying out all other functions  
6           of the Secretary under section 106(g) of  
7           the Housing and Urban Development Act  
8           of 1968, including the establishment, oper-  
9           ation, and publication of the availability of  
10          the toll-free telephone number under para-  
11          graph (2) of such section;

12          “(iii) contributing to the distribution  
13          of home buying information booklets pur-  
14          suant to section 5 of the Real Estate Set-  
15          tlement Procedures Act of 1974 (12  
16          U.S.C. 2604);

17          “(iv) carrying out the certification  
18          program under section 106(e) of the Hous-  
19          ing and Urban Development Act of 1968  
20          (12 U.S.C. 1701x(e));

21          “(v) carrying out the assistance pro-  
22          gram under section 106(a)(4) of the Hous-  
23          ing and Urban Development Act of 1968,  
24          including criteria for selection of applica-  
25          tions to receive assistance;

1           “(vi) carrying out any functions re-  
2           garding abusive, deceptive, or unscrupulous  
3           lending practices relating to residential  
4           mortgage loans that the Secretary con-  
5           siders appropriate, which shall include con-  
6           ducting the study under section 6 of the  
7           Expand and Preserve Home Ownership  
8           Through Counseling Act;

9           “(vii) providing for operation of the  
10          advisory committee established under para-  
11          graph (4) of this subsection;

12          “(viii) collaborating with community-  
13          based organizations with expertise in the  
14          field of housing counseling; and

15          “(ix) providing for the building of ca-  
16          pacity to provide housing counseling serv-  
17          ices in areas that lack sufficient services,  
18          including underdeveloped areas that lack  
19          basic water and sewer systems, electricity  
20          services, and safe, sanitary housing.

21          “(4) ADVISORY COMMITTEE.—

22                 “(A) IN GENERAL.—The Secretary shall  
23                 appoint an advisory committee to provide advice  
24                 regarding the carrying out of the functions of  
25                 the Director.

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1           “(B) MEMBERS.—Such advisory committee  
2 shall consist of not more than 12 individuals,  
3 and the membership of the committee shall  
4 equally represent the mortgage and real estate  
5 industry, including consumers and housing  
6 counseling agencies certified by the Secretary.

7           “(C) TERMS.—Except as provided in sub-  
8 paragraph (D), each member of the advisory  
9 committee shall be appointed for a term of 3  
10 years. Members may be reappointed at the dis-  
11 cretion of the Secretary.

12           “(D) TERMS OF INITIAL APPOINTEES.—As  
13 designated by the Secretary at the time of ap-  
14 pointment, of the members first appointed to  
15 the advisory committee, 4 shall be appointed for  
16 a term of 1 year and 4 shall be appointed for  
17 a term of 2 years.

18           “(E) PROHIBITION OF PAY; TRAVEL EX-  
19 PENSES.—Members of the advisory committee  
20 shall serve without pay, but shall receive travel  
21 expenses, including per diem in lieu of subsist-  
22 ence, in accordance with applicable provisions  
23 under subchapter I of chapter 57 of title 5,  
24 United States Code.

1           “(F) ADVISORY ROLE ONLY.—The advi-  
2           sory committee shall have no role in reviewing  
3           or awarding housing counseling grants.

4           “(5) SCOPE OF HOMEOWNERSHIP COUN-  
5           SELING.—In carrying out the responsibilities of the  
6           Director, the Director shall ensure that homeowner-  
7           ship counseling provided by, in connection with, or  
8           pursuant to any function, activity, or program of the  
9           Department addresses the entire process of home-  
10          ownership, including the decision to purchase a  
11          home, the selection and purchase of a home, issues  
12          arising during or affecting the period of ownership  
13          of a home (including refinancing, default and fore-  
14          closure, and other financial decisions), and the sale  
15          or other disposition of a home.”.

16 **SEC. 1443. COUNSELING PROCEDURES.**

17          (a) IN GENERAL.—Section 106 of the Housing and  
18          Urban Development Act of 1968 (12 U.S.C. 1701x) is  
19          amended by adding at the end the following new sub-  
20          section:

21           “(g) PROCEDURES AND ACTIVITIES.—

22           “(1) COUNSELING PROCEDURES.—

23           “(A) IN GENERAL.—The Secretary shall  
24           establish, coordinate, and monitor the adminis-  
25           tration by the Department of Housing and

1 Urban Development of the counseling proce-  
2 dures for homeownership counseling and rental  
3 housing counseling provided in connection with  
4 any program of the Department, including all  
5 requirements, standards, and performance  
6 measures that relate to homeownership and  
7 rental housing counseling.

8 “(B) HOMEOWNERSHIP COUNSELING.—  
9 For purposes of this subsection and as used in  
10 the provisions referred to in this subparagraph,  
11 the term ‘homeownership counseling’ means  
12 counseling related to homeownership and resi-  
13 dential mortgage loans. Such term includes  
14 counseling related to homeownership and resi-  
15 dential mortgage loans that is provided pursu-  
16 ant to—

17 “(i) section 105(a)(20) of the Housing  
18 and Community Development Act of 1974  
19 (42 U.S.C. 5305(a)(20));

20 “(ii) in the United States Housing  
21 Act of 1937—

22 “(I) section 9(e) (42 U.S.C.  
23 1437g(e));

24 “(II) section 8(y)(1)(D) (42  
25 U.S.C. 1437f(y)(1)(D));



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1 “(III) section 18(a)(4)(D) (42  
2 U.S.C. 1437p(a)(4)(D));

3 “(IV) section 23(c)(4) (42 U.S.C.  
4 1437u(c)(4));

5 “(V) section 32(e)(4) (42 U.S.C.  
6 1437z-4(e)(4));

7 “(VI) section 33(d)(2)(B) (42  
8 U.S.C. 1437z-5(d)(2)(B));

9 “(VII) sections 302(b)(6) and  
10 303(b)(7) (42 U.S.C. 1437aaa-  
11 1(b)(6), 1437aaa-2(b)(7)); and

12 “(VIII) section 304(c)(4) (42  
13 U.S.C. 1437aaa-3(c)(4));

14 “(iii) section 302(a)(4) of the Amer-  
15 ican Homeownership and Economic Oppor-  
16 tunity Act of 2000 (42 U.S.C. 1437f note);

17 “(iv) sections 233(b)(2) and 258(b) of  
18 the Cranston-Gonzalez National Affordable  
19 Housing Act (42 U.S.C. 12773(b)(2),  
20 12808(b));

21 “(v) this section and section 101(e) of  
22 the Housing and Urban Development Act  
23 of 1968 (12 U.S.C. 1701x, 1701w(e));

24 “(vi) section 220(d)(2)(G) of the Low-  
25 Income Housing Preservation and Resident

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1 Homeownership Act of 1990 (12 U.S.C.  
2 4110(d)(2)(G));

3 “(vii) sections 422(b)(6), 423(b)(7),  
4 424(c)(4), 442(b)(6), and 443(b)(6) of the  
5 Cranston-Gonzalez National Affordable  
6 Housing Act (42 U.S.C. 12872(b)(6),  
7 12873(b)(7), 12874(c)(4), 12892(b)(6),  
8 and 12893(b)(6));

9 “(viii) section 491(b)(1)(F)(iii) of the  
10 McKinney-Vento Homeless Assistance Act  
11 (42 U.S.C. 11408(b)(1)(F)(iii));

12 “(ix) sections 202(3) and  
13 810(b)(2)(A) of the Native American  
14 Housing and Self-Determination Act of  
15 1996 (25 U.S.C. 4132(3), 4229(b)(2)(A));

16 “(x) in the National Housing Act—

17 “(I) in section 203 (12 U.S.C.  
18 1709), the penultimate undesignated  
19 paragraph of paragraph (2) of sub-  
20 section (b), subsection (c)(2)(A), and  
21 subsection (r)(4);

22 “(II) subsections (a) and (c)(3)  
23 of section 237 (12 U.S.C. 1715z-2);  
24 and

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1 “(III) subsections (d)(2)(B) and  
2 (m)(1) of section 255 (12 U.S.C.  
3 1715z–20);

4 “(xi) section 502(h)(4)(B) of the  
5 Housing Act of 1949 (42 U.S.C.  
6 1472(h)(4)(B));

7 “(xii) section 508 of the Housing and  
8 Urban Development Act of 1970 (12  
9 U.S.C. 1701z–7); and

10 “(xiii) section 106 of the Energy Pol-  
11 icy Act of 1992 (42 U.S.C. 12712 note).

12 “(C) RENTAL HOUSING COUNSELING.—  
13 For purposes of this subsection, the term ‘rent-  
14 al housing counseling’ means counseling related  
15 to rental of residential property, which may in-  
16 clude counseling regarding future homeown-  
17 ership opportunities and providing referrals for  
18 renters and prospective renters to entities pro-  
19 viding counseling and shall include counseling  
20 related to such topics that is provided pursuant  
21 to—

22 “(i) section 105(a)(20) of the Housing  
23 and Community Development Act of 1974  
24 (42 U.S.C. 5305(a)(20));

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1 “(ii) in the United States Housing  
2 Act of 1937—

3 “(I) section 9(e) (42 U.S.C.  
4 1437g(e));

5 “(II) section 18(a)(4)(D) (42  
6 U.S.C. 1437p(a)(4)(D));

7 “(III) section 23(c)(4) (42  
8 U.S.C. 1437u(c)(4));

9 “(IV) section 32(e)(4) (42 U.S.C.  
10 1437z-4(e)(4));

11 “(V) section 33(d)(2)(B) (42  
12 U.S.C. 1437z-5(d)(2)(B)); and

13 “(VI) section 302(b)(6) (42  
14 U.S.C. 1437aaa-1(b)(6));

15 “(iii) section 233(b)(2) of the Cran-  
16 ston-Gonzalez National Affordable Housing  
17 Act (42 U.S.C. 12773(b)(2));

18 “(iv) section 106 of the Housing and  
19 Urban Development Act of 1968 (12  
20 U.S.C. 1701x);

21 “(v) section 422(b)(6) of the Cran-  
22 ston-Gonzalez National Affordable Housing  
23 Act (42 U.S.C. 12872(b)(6));

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1                   “(vi) section 491(b)(1)(F)(iii) of the  
2                   McKinney-Vento Homeless Assistance Act  
3                   (42 U.S.C. 11408(b)(1)(F)(iii));

4                   “(vii) sections 202(3) and  
5                   810(b)(2)(A) of the Native American  
6                   Housing and Self-Determination Act of  
7                   1996 (25 U.S.C. 4132(3), 4229(b)(2)(A));  
8                   and

9                   “(viii) the rental assistance program  
10                  under section 8 of the United States Hous-  
11                  ing Act of 1937 (42 U.S.C. 1437f).

12                  “(2) STANDARDS FOR MATERIALS.—The Sec-  
13                  retary, in consultation with the advisory committee  
14                  established under subsection (g)(4) of the Depart-  
15                  ment of Housing and Urban Development Act, shall  
16                  establish standards for materials and forms to be  
17                  used, as appropriate, by organizations providing  
18                  homeownership counseling services, including any re-  
19                  cipients of assistance pursuant to subsection (a)(4).

20                  “(3) MORTGAGE SOFTWARE SYSTEMS.—

21                  “(A) CERTIFICATION.—The Secretary shall  
22                  provide for the certification of various computer  
23                  software programs for consumers to use in eval-  
24                  uating different residential mortgage loan pro-  
25                  posals. The Secretary shall require, for such

1 certification, that the mortgage software sys-  
2 tems take into account—

3 “(i) the consumer’s financial situation  
4 and the cost of maintaining a home, in-  
5 cluding insurance, taxes, and utilities;

6 “(ii) the amount of time the consumer  
7 expects to remain in the home or expected  
8 time to maturity of the loan; and

9 “(iii) such other factors as the Sec-  
10 retary considers appropriate to assist the  
11 consumer in evaluating whether to pay  
12 points, to lock in an interest rate, to select  
13 an adjustable or fixed rate loan, to select  
14 a conventional or government-insured or  
15 guaranteed loan and to make other choices  
16 during the loan application process.

17 If the Secretary determines that available exist-  
18 ing software is inadequate to assist consumers  
19 during the residential mortgage loan application  
20 process, the Secretary shall arrange for the de-  
21 velopment by private sector software companies  
22 of new mortgage software systems that meet  
23 the Secretary’s specifications.

24 “(B) USE AND INITIAL AVAILABILITY.—  
25 Such certified computer software programs

1 shall be used to supplement, not replace, hous-  
2 ing counseling. The Secretary shall provide that  
3 such programs are initially used only in connec-  
4 tion with the assistance of housing counselors  
5 certified pursuant to subsection (e).

6 “(C) AVAILABILITY.—After a period of ini-  
7 tial availability under subparagraph (B) as the  
8 Secretary considers appropriate, the Secretary  
9 shall take reasonable steps to make mortgage  
10 software systems certified pursuant to this  
11 paragraph widely available through the Internet  
12 and at public locations, including public librar-  
13 ies, senior-citizen centers, public housing sites,  
14 offices of public housing agencies that admin-  
15 ister rental housing assistance vouchers, and  
16 housing counseling centers.

17 “(D) BUDGET COMPLIANCE.—This para-  
18 graph shall be effective only to the extent that  
19 amounts to carry out this paragraph are made  
20 available in advance in appropriations Acts.

21 “(4) NATIONAL PUBLIC SERVICE MULTIMEDIA  
22 CAMPAIGNS TO PROMOTE HOUSING COUNSELING.—

23 “(A) IN GENERAL.—The Director of Hous-  
24 ing Counseling shall develop, implement, and  
25 conduct national public service multimedia cam-

1           paigns designed to make persons facing mort-  
2           gage foreclosure, persons considering a  
3           subprime mortgage loan to purchase a home, el-  
4           derly persons, persons who face language bar-  
5           riers, low-income persons, minorities, and other  
6           potentially vulnerable consumers aware that it  
7           is advisable, before seeking or maintaining a  
8           residential mortgage loan, to obtain homeowner-  
9           ship counseling from an unbiased and reliable  
10          sources and that such homeownership coun-  
11          seling is available, including through programs  
12          sponsored by the Secretary of Housing and  
13          Urban Development.

14                 “(B) CONTACT INFORMATION.—Each seg-  
15          ment of the multimedia campaign under sub-  
16          paragraph (A) shall publicize the toll-free tele-  
17          phone number and website of the Department  
18          of Housing and Urban Development through  
19          which persons seeking housing counseling can  
20          locate a housing counseling agency in their  
21          State that is certified by the Secretary of Hous-  
22          ing and Urban Development and can provide  
23          advice on buying a home, renting, defaults,  
24          foreclosures, credit issues, and reverse mort-  
25          gages.



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1           “(C) AUTHORIZATION OF APPROPRIA-  
2           TIONS.—There are authorized to be appro-  
3           priated to the Secretary, not to exceed  
4           \$3,000,000 for fiscal years 2009, 2010, and  
5           2011, for the development, implementation, and  
6           conduct of national public service multimedia  
7           campaigns under this paragraph.

8           “(D) FORECLOSURE RESCUE EDUCATION  
9           PROGRAMS.—

10           “(i) IN GENERAL.—Ten percent of  
11           any funds appropriated pursuant to the  
12           authorization under subparagraph (C)  
13           shall be used by the Director of Housing  
14           Counseling to conduct an education pro-  
15           gram in areas that have a high density of  
16           foreclosure. Such program shall involve di-  
17           rect mailings to persons living in such  
18           areas describing—

19                   “(I) tips on avoiding foreclosure  
20                   rescue scams;

21                   “(II) tips on avoiding predatory  
22                   lending mortgage agreements;

23                   “(III) tips on avoiding for-profit  
24                   foreclosure counseling services; and

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1                   “(IV) local counseling resources  
2                   that are approved by the Department  
3                   of Housing and Urban Development.

4                   “(ii) PROGRAM EMPHASIS.—In con-  
5                   ducting the education program described  
6                   under clause (i), the Director of Housing  
7                   Counseling shall also place an emphasis on  
8                   serving communities that have a high per-  
9                   centage of retirement communities or a  
10                  high percentage of low-income minority  
11                  communities.

12                  “(iii) TERMS DEFINED.—For pur-  
13                  poses of this subparagraph:

14                  “(I) HIGH DENSITY OF FORE-  
15                  CLOSURES.—An area has a ‘high den-  
16                  sity of foreclosures’ if such area is one  
17                  of the metropolitan statistical areas  
18                  (as that term is defined by the Direc-  
19                  tor of the Office of Management and  
20                  Budget) with the highest home fore-  
21                  closure rates.

22                  “(II) HIGH PERCENTAGE OF RE-  
23                  TIREMENT COMMUNITIES.—An area  
24                  has a ‘high percentage of retirement  
25                  communities’ if such area is one of

1 the metropolitan statistical areas (as  
2 that term is defined by the Director of  
3 the Office of Management and Budg-  
4 et) with the highest percentage of  
5 residents aged 65 or older.

6 “(III) HIGH PERCENTAGE OF  
7 LOW-INCOME MINORITY COMMU-  
8 NITIES.—An area has a ‘high percent-  
9 age of low-income minority commu-  
10 nities’ if such area contains a higher-  
11 than-normal percentage of residents  
12 who are both minorities and low-in-  
13 come, as defined by the Director of  
14 Housing Counseling.

15 “(5) EDUCATION PROGRAMS.—The Secretary  
16 shall provide advice and technical assistance to  
17 States, units of general local government, and non-  
18 profit organizations regarding the establishment and  
19 operation of, including assistance with the develop-  
20 ment of content and materials for, educational pro-  
21 grams to inform and educate consumers, particularly  
22 those most vulnerable with respect to residential  
23 mortgage loans (such as elderly persons, persons  
24 facing language barriers, low-income persons, mi-  
25 norities, and other potentially vulnerable con-

1       sumers), regarding home mortgages, mortgage refi-  
2       nancing, home equity loans, home repair loans, and  
3       where appropriate by region, any requirements and  
4       costs associated with obtaining flood or other dis-  
5       aster-specific insurance coverage.”.

6       (b) CONFORMING AMENDMENTS TO GRANT PRO-  
7       GRAM FOR HOMEOWNERSHIP COUNSELING ORGANIZA-  
8       TIONS.—Section 106(c)(5)(A)(ii) of the Housing and  
9       Urban Development Act of 1968 (12 U.S.C.  
10      1701x(c)(5)(A)(ii)) is amended—

11           (1) in subclause (III), by striking “and” at the  
12      end;

13           (2) in subclause (IV) by striking the period at  
14      the end and inserting “; and”; and

15           (3) by inserting after subclause (IV) the fol-  
16      lowing new subclause:

17                           “(V) notify the housing or mort-  
18                           gage applicant of the availability of  
19                           mortgage software systems provided  
20                           pursuant to subsection (g)(3).”.

21      **SEC. 1444. GRANTS FOR HOUSING COUNSELING ASSIST-**  
22                           **ANCE.**

23      Section 106(a) of the Housing and Urban Develop-  
24      ment Act of 1968 (12 U.S.C. 1701x(a)) is amended by  
25      adding at the end the following new paragraph:

1           “(4) HOMEOWNERSHIP AND RENTAL COUNSELING  
2 ASSISTANCE.—

3           “(A) IN GENERAL.—The Secretary shall make  
4 financial assistance available under this paragraph  
5 to HUD-approved housing counseling agencies and  
6 State housing finance agencies.

7           “(B) QUALIFIED ENTITIES.—The Secretary  
8 shall establish standards and guidelines for eligibility  
9 of organizations (including governmental and non-  
10 profit organizations) to receive assistance under this  
11 paragraph, in accordance with subparagraph (D).

12           “(C) DISTRIBUTION.—Assistance made avail-  
13 able under this paragraph shall be distributed in a  
14 manner that encourages efficient and successful  
15 counseling programs and that ensures adequate dis-  
16 tribution of amounts for rural areas having tradi-  
17 tionally low levels of access to such counseling serv-  
18 ices, including areas with insufficient access to the  
19 Internet. In distributing such assistance, the Sec-  
20 retary may give priority consideration to entities  
21 serving areas with the highest home foreclosure  
22 rates.

23           “(D) LIMITATION ON DISTRIBUTION OF ASSIST-  
24 ANCE.—

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1           “(i) IN GENERAL.—None of the amounts  
2           made available under this paragraph shall be  
3           distributed to—

4                   “(I) any organization which has been  
5                   convicted for a violation under Federal law  
6                   relating to an election for Federal office; or

7                   “(II) any organization which employs  
8                   applicable individuals.

9           “(ii) DEFINITION OF APPLICABLE INDIVID-  
10           UALS.—In this subparagraph, the term ‘appli-  
11           cable individual’ means an individual who—

12                   “(I) is—

13                           “(aa) employed by the organiza-  
14                           tion in a permanent or temporary ca-  
15                           pacity;

16                           “(bb) contracted or retained by  
17                           the organization; or

18                           “(cc) acting on behalf of, or with  
19                           the express or apparent authority of,  
20                           the organization; and

21                   “(II) has been convicted for a viola-  
22                   tion under Federal law relating to an elec-  
23                   tion for Federal office.

24           “(E) GRANTMAKING PROCESS.—In making as-  
25           sistance available under this paragraph, the Sec-

1       retary shall consider appropriate ways of stream-  
2       lining and improving the processes for grant applica-  
3       tion, review, approval, and award.

4               “(F) AUTHORIZATION OF APPROPRIATIONS.—  
5       There are authorized to be appropriated  
6       \$45,000,000 for each of fiscal years 2009 through  
7       2012 for—

8               “(i) the operations of the Office of Hous-  
9       ing Counseling of the Department of Housing  
10       and Urban Development;

11               “(ii) the responsibilities of the Director of  
12       Housing Counseling under paragraphs (2)  
13       through (5) of subsection (g); and

14               “(iii) assistance pursuant to this para-  
15       graph for entities providing homeownership and  
16       rental counseling.”.

17 **SEC. 1445. REQUIREMENTS TO USE HUD-CERTIFIED COUN-**  
18 **SELORS UNDER HUD PROGRAMS.**

19       Section 106(e) of the Housing and Urban Develop-  
20       ment Act of 1968 (12 U.S.C. 1701x(e)) is amended—

21               (1) by striking paragraph (1) and inserting the  
22       following new paragraph:

23               “(1) REQUIREMENT FOR ASSISTANCE.—An or-  
24       ganization may not receive assistance for counseling  
25       activities under subsection (a)(1)(iii), (a)(2), (a)(4),

1 (c), or (d) of this section, or under section 101(e),  
2 unless the organization, or the individuals through  
3 which the organization provides such counseling, has  
4 been certified by the Secretary under this subsection  
5 as competent to provide such counseling.”;

6 (2) in paragraph (2)—

7 (A) by inserting “and for certifying organi-  
8 zations” before the period at the end of the  
9 first sentence; and

10 (B) in the second sentence by striking “for  
11 certification” and inserting “, for certification  
12 of an organization, that each individual through  
13 which the organization provides counseling shall  
14 demonstrate, and, for certification of an indi-  
15 vidual,”;

16 (3) in paragraph (3), by inserting “organiza-  
17 tions and” before “individuals”;

18 (4) by redesignating paragraph (3) as para-  
19 graph (5); and

20 (5) by inserting after paragraph (2) the fol-  
21 lowing new paragraphs:

22 “(3) REQUIREMENT UNDER HUD PROGRAMS.—  
23 Any homeownership counseling or rental housing  
24 counseling (as such terms are defined in subsection  
25 (g)(1)) required under, or provided in connection



1 with, any program administered by the Department  
2 of Housing and Urban Development shall be pro-  
3 vided only by organizations or counselors certified by  
4 the Secretary under this subsection as competent to  
5 provide such counseling.

6 “(4) OUTREACH.—The Secretary shall take  
7 such actions as the Secretary considers appropriate  
8 to ensure that individuals and organizations pro-  
9 viding homeownership or rental housing counseling  
10 are aware of the certification requirements and  
11 standards of this subsection and of the training and  
12 certification programs under subsection (f).”.

13 **SEC. 1446. STUDY OF DEFAULTS AND FORECLOSURES.**

14 The Secretary of Housing and Urban Development  
15 shall conduct an extensive study of the root causes of de-  
16 fault and foreclosure of home loans, using as much empir-  
17 ical data as are available. The study shall also examine  
18 the role of escrow accounts in helping prime and nonprime  
19 borrowers to avoid defaults and foreclosures, and the role  
20 of computer registries of mortgages, including those used  
21 for trading mortgage loans. Not later than 12 months  
22 after the date of the enactment of this Act, the Secretary  
23 shall submit to the Congress a preliminary report regard-  
24 ing the study. Not later than 24 months after such date  
25 of enactment, the Secretary shall submit a final report re-

1 guarding the results of the study, which shall include any  
2 recommended legislation relating to the study, and rec-  
3 ommendations for best practices and for a process to iden-  
4 tify populations that need counseling the most.

5 **SEC. 1447. DEFAULT AND FORECLOSURE DATABASE.**

6 (a) ESTABLISHMENT.—The Secretary of Housing  
7 and Urban Development and the Director of the Bureau,  
8 in consultation with the Federal agencies responsible for  
9 regulation of banking and financial institutions involved  
10 in residential mortgage lending and servicing, shall estab-  
11 lish and maintain a database of information on fore-  
12 closures and defaults on mortgage loans for one- to four-  
13 unit residential properties and shall make such informa-  
14 tion publicly available, subject to subsection (e).

15 (b) CENSUS TRACT DATA.—Information in the data-  
16 base may be collected, aggregated, and made available on  
17 a census tract basis.

18 (c) REQUIREMENTS.—Information collected and  
19 made available through the database shall include—

20 (1) the number and percentage of such mort-  
21 gage loans that are delinquent by more than 30  
22 days;

23 (2) the number and percentage of such mort-  
24 gage loans that are delinquent by more than 90  
25 days;

1           (3) the number and percentage of such prop-  
2           erties that are real estate-owned;

3           (4) number and percentage of such mortgage  
4           loans that are in the foreclosure process;

5           (5) the number and percentage of such mort-  
6           gage loans that have an outstanding principal obli-  
7           gation amount that is greater than the value of the  
8           property for which the loan was made; and

9           (6) such other information as the Secretary of  
10          Housing and Urban Development and the Director  
11          of the Bureau consider appropriate.

12          (d) **RULE OF CONSTRUCTION.**—Nothing in this sec-  
13          tion shall be construed to encourage discriminatory or un-  
14          sound allocation of credit or lending policies or practices.

15          (e) **PRIVACY AND CONFIDENTIALITY.**—In estab-  
16          lishing and maintaining the database described in sub-  
17          section (a), the Secretary of Housing and Urban Develop-  
18          ment and the Director of the Bureau shall—

19                (1) be subject to the standards applicable to  
20                Federal agencies for the protection of the confiden-  
21                tiality of personally identifiable information and for  
22                data security and integrity;

23                (2) implement the necessary measures to con-  
24                form to the standards for data integrity and security  
25                described in paragraph (1); and

1           (3) collect and make available information  
2 under this section, in accordance with paragraphs  
3 (5) and (6) of section 1022(c) and the rules pre-  
4 scribed under such paragraphs, in order to protect  
5 privacy and confidentiality.

6 **SEC. 1448. DEFINITIONS FOR COUNSELING-RELATED PRO-**  
7 **GRAMS.**

8           Section 106 of the Housing and Urban Development  
9 Act of 1968 (12 U.S.C. 1701x), as amended by the pre-  
10 ceding provisions of this subtitle, is amended by adding  
11 at the end the following new subsection:

12           “(h) DEFINITIONS.—For purposes of this section:

13           “(1) NONPROFIT ORGANIZATION.—The term  
14 ‘nonprofit organization’ has the meaning given such  
15 term in section 104(5) of the Cranston-Gonzalez Na-  
16 tional Affordable Housing Act (42 U.S.C.  
17 12704(5)), except that subparagraph (D) of such  
18 section shall not apply for purposes of this section.

19           “(2) STATE.—The term ‘State’ means each of  
20 the several States, the Commonwealth of Puerto  
21 Rico, the District of Columbia, the Commonwealth  
22 of the Northern Mariana Islands, Guam, the Virgin  
23 Islands, American Samoa, the Trust Territories of  
24 the Pacific, or any other possession of the United  
25 States.

1           “(3) UNIT OF GENERAL LOCAL GOVERN-  
2           MENT.—The term ‘unit of general local government’  
3           means any city, county, parish, town, township, bor-  
4           ough, village, or other general purpose political sub-  
5           division of a State.

6           “(4) HUD-APPROVED COUNSELING AGENCY.—  
7           The term ‘HUD-approved counseling agency’ means  
8           a private or public nonprofit organization that is—

9                   “(A) exempt from taxation under section  
10                   501(c) of the Internal Revenue Code of 1986;  
11                   and

12                   “(B) certified by the Secretary to provide  
13                   housing counseling services.

14           “(5) STATE HOUSING FINANCE AGENCY.—The  
15           term ‘State housing finance agency’ means any pub-  
16           lic body, agency, or instrumentality specifically cre-  
17           ated under State statute that is authorised to fi-  
18           nance activities designed to provide housing and re-  
19           lated facilities throughout an entire State through  
20           land acquisition, construction, or rehabilitation.”.

21 **SEC. 1449. ACCOUNTABILITY AND TRANSPARENCY FOR**  
22 **GRANT RECIPIENTS.**

23           Section 106 of the Housing and Urban Development  
24 Act of 1968 (12 U.S.C. 1701x), as amended by the pre-

1 ceding provisions of this subtitle, is amended by adding  
2 at the end the following:

3 “(i) ACCOUNTABILITY FOR RECIPIENTS OF COVERED  
4 ASSISTANCE.—

5 “(1) TRACKING OF FUNDS.—The Secretary  
6 shall—

7 “(A) develop and maintain a system to en-  
8 sure that any organization or entity that re-  
9 ceives any covered assistance uses all amounts  
10 of covered assistance in accordance with this  
11 section, the regulations issued under this sec-  
12 tion, and any requirements or conditions under  
13 which such amounts were provided; and

14 “(B) require any organization or entity, as  
15 a condition of receipt of any covered assistance,  
16 to agree to comply with such requirements re-  
17 garding covered assistance as the Secretary  
18 shall establish, which shall include—

19 “(i) appropriate periodic financial and  
20 grant activity reporting, record retention,  
21 and audit requirements for the duration of  
22 the covered assistance to the organization  
23 or entity to ensure compliance with the  
24 limitations and requirements of this sec-  
25 tion, the regulations under this section,

1           and any requirements or conditions under  
2           which such amounts were provided; and

3                   “(ii) any other requirements that the  
4           Secretary determines are necessary to en-  
5           sure appropriate administration and com-  
6           pliance.

7           “(2) MISUSE OF FUNDS.—If any organization  
8           or entity that receives any covered assistance is de-  
9           termined by the Secretary to have used any covered  
10          assistance in a manner that is materially in violation  
11          of this section, the regulations issued under this sec-  
12          tion, or any requirements or conditions under which  
13          such assistance was provided—

14                   “(A) the Secretary shall require that, with-  
15          in 12 months after the determination of such  
16          misuse, the organization or entity shall reim-  
17          burse the Secretary for such misused amounts  
18          and return to the Secretary any such amounts  
19          that remain unused or uncommitted for use;  
20          and

21                   “(B) such organization or entity shall be  
22          ineligible, at any time after such determination,  
23          to apply for or receive any further covered as-  
24          sistance.

1       The remedies under this paragraph are in addition  
2       to any other remedies that may be available under  
3       law.

4               “(3) COVERED ASSISTANCE.—For purposes of  
5       this subsection, the term ‘covered assistance’ means  
6       any grant or other financial assistance provided  
7       under this section.”.

8       **SEC. 1450. UPDATING AND SIMPLIFICATION OF MORTGAGE**  
9               **INFORMATION BOOKLET.**

10       Section 5 of the Real Estate Settlement Procedures  
11       Act of 1974 (12 U.S.C. 2604) is amended—

12               (1) in the section heading, by striking “SPE-  
13       CIAL” and inserting “HOME BUYING”;

14               (2) by striking subsections (a) and (b) and in-  
15       serting the following new subsections:

16               “(a) PREPARATION AND DISTRIBUTION.—The Direc-  
17       tor of the Bureau of Consumer Financial Protection (here-  
18       after in this section referred to as the ‘Director’) shall pre-  
19       pare, at least once every 5 years, a booklet to help con-  
20       sumers applying for federally related mortgage loans to  
21       understand the nature and costs of real estate settlement  
22       services. The Director shall prepare the booklet in various  
23       languages and cultural styles, as the Director determines  
24       to be appropriate, so that the booklet is understandable  
25       and accessible to homebuyers of different ethnic and cul-



1 tural backgrounds. The Director shall distribute such  
2 booklets to all lenders that make federally related mort-  
3 gage loans. The Director shall also distribute to such lend-  
4 ers lists, organized by location, of homeownership coun-  
5 selors certified under section 106(e) of the Housing and  
6 Urban Development Act of 1968 (12 U.S.C. 1701x(e)) for  
7 use in complying with the requirement under subsection  
8 (c) of this section.

9 “(b) CONTENTS.—Each booklet shall be in such form  
10 and detail as the Director shall prescribe and, in addition  
11 to such other information as the Director may provide,  
12 shall include in plain and understandable language the fol-  
13 lowing information:

14 “(1) A description and explanation of the na-  
15 ture and purpose of the costs incident to a real es-  
16 tate settlement or a federally related mortgage loan.  
17 The description and explanation shall provide gen-  
18 eral information about the mortgage process as well  
19 as specific information concerning, at a minimum—

20 “(A) balloon payments;

21 “(B) prepayment penalties;

22 “(C) the advantages of prepayment; and

23 “(D) the trade-off between closing costs  
24 and the interest rate over the life of the loan.

1           “(2) An explanation and sample of the uniform  
2 settlement statement required by section 4.

3           “(3) A list and explanation of lending practices,  
4 including those prohibited by the Truth in Lending  
5 Act or other applicable Federal law, and of other un-  
6 fair practices and unreasonable or unnecessary  
7 charges to be avoided by the prospective buyer with  
8 respect to a real estate settlement.

9           “(4) A list and explanation of questions a con-  
10 sumer obtaining a federally related mortgage loan  
11 should ask regarding the loan, including whether the  
12 consumer will have the ability to repay the loan,  
13 whether the consumer sufficiently shopped for the  
14 loan, whether the loan terms include prepayment  
15 penalties or balloon payments, and whether the loan  
16 will benefit the borrower.

17           “(5) An explanation of the right of rescission as  
18 to certain transactions provided by sections 125 and  
19 129 of the Truth in Lending Act.

20           “(6) A brief explanation of the nature of a vari-  
21 able rate mortgage and a reference to the booklet  
22 entitled ‘Consumer Handbook on Adjustable Rate  
23 Mortgages’, published by the Director, or to any  
24 suitable substitute of such booklet that the Director  
25 may subsequently adopt pursuant to such section.

1           “(7) A brief explanation of the nature of a  
2           home equity line of credit and a reference to the  
3           pamphlet required to be provided under section  
4           127A of the Truth in Lending Act.

5           “(8) Information about homeownership coun-  
6           seling services made available pursuant to section  
7           106(a)(4) of the Housing and Urban Development  
8           Act of 1968 (12 U.S.C. 1701x(a)(4)), a rec-  
9           ommendation that the consumer use such services,  
10          and notification that a list of certified providers of  
11          homeownership counseling in the area, and their  
12          contact information, is available.

13          “(9) An explanation of the nature and purpose  
14          of escrow accounts when used in connection with  
15          loans secured by residential real estate and the re-  
16          quirements under section 10 of this Act regarding  
17          such accounts.

18          “(10) An explanation of the choices available to  
19          buyers of residential real estate in selecting persons  
20          to provide necessary services incidental to a real es-  
21          tate settlement.

22          “(11) An explanation of a consumer’s respon-  
23          sibilities, liabilities, and obligations in a mortgage  
24          transaction.

1           “(12) An explanation of the nature and purpose  
2           of real estate appraisals, including the difference be-  
3           tween an appraisal and a home inspection.

4           “(13) Notice that the Office of Housing of the  
5           Department of Housing and Urban Development has  
6           made publicly available a brochure regarding loan  
7           fraud and a World Wide Web address and toll-free  
8           telephone number for obtaining the brochure.

9           The booklet prepared pursuant to this section shall take  
10          into consideration differences in real estate settlement pro-  
11          cedures that may exist among the several States and terri-  
12          tories of the United States and among separate political  
13          subdivisions within the same State and territory.”;

14          (3) in subsection (c), by inserting at the end  
15          the following new sentence: “Each lender shall also  
16          include with the booklet a reasonably complete or  
17          updated list of homeownership counselors who are  
18          certified pursuant to section 106(e) of the Housing  
19          and Urban Development Act of 1968 (12 U.S.C.  
20          1701x(e)) and located in the area of the lender.”;  
21          and

22          (4) in subsection (d), by inserting after the pe-  
23          riod at the end of the first sentence the following:  
24          “The lender shall provide the booklet in the version

1       that is most appropriate for the person receiving  
2       it.”.

3   **SEC. 1451. HOME INSPECTION COUNSELING.**

4       (a) PUBLIC OUTREACH.—

5           (1) IN GENERAL.—The Secretary of Housing  
6       and Urban Development (in this section referred to  
7       as the “Secretary”) shall take such actions as may  
8       be necessary to inform potential homebuyers of the  
9       availability and importance of obtaining an inde-  
10      pendent home inspection. Such actions shall in-  
11      clude—

12           (A) publication of the HUD/FHA form  
13       HUD 92564–CN entitled “For Your Protec-  
14      tion: Get a Home Inspection”, in both English  
15      and Spanish languages;

16           (B) publication of the HUD/FHA booklet  
17      entitled “For Your Protection: Get a Home In-  
18      spection”, in both English and Spanish lan-  
19      guages;

20           (C) development and publication of a HUD  
21      booklet entitled “For Your Protection—Get a  
22      Home Inspection” that does not reference  
23      FHA-insured homes, in both English and Span-  
24      ish languages; and

1 (D) publication of the HUD document en-  
2 titled “Ten Important Questions To Ask Your  
3 Home Inspector”, in both English and Spanish  
4 languages.

5 (2) AVAILABILITY.—The Secretary shall make  
6 the materials specified in paragraph (1) available for  
7 electronic access and, where appropriate, inform po-  
8 tential homebuyers of such availability through home  
9 purchase counseling public service announcements  
10 and toll-free telephone hotlines of the Department of  
11 Housing and Urban Development. The Secretary  
12 shall give special emphasis to reaching first-time and  
13 low-income homebuyers with these materials and ef-  
14 forts.

15 (3) UPDATING.—The Secretary may periodi-  
16 cally update and revise such materials, as the Sec-  
17 retary determines to be appropriate.

18 (b) REQUIREMENT FOR FHA-APPROVED LEND-  
19 ERS.—Each mortgagee approved for participation in the  
20 mortgage insurance programs under title II of the Na-  
21 tional Housing Act shall provide prospective homebuyers,  
22 at first contact, whether upon pre-qualification, pre-ap-  
23 proval, or initial application, the materials specified in  
24 subparagraphs (A), (B), and (D) of subsection (a)(1).

1           (c) REQUIREMENTS FOR HUD-APPROVED COUN-  
2 SELING AGENCIES.—Each counseling agency certified  
3 pursuant by the Secretary to provide housing counseling  
4 services shall provide each of their clients, as part of the  
5 home purchase counseling process, the materials specified  
6 in subparagraphs (C) and (D) of subsection (a)(1).

7           (d) TRAINING.—Training provided the Department  
8 of Housing and Urban Development for housing coun-  
9 seling agencies, whether such training is provided directly  
10 by the Department or otherwise, shall include—

11               (1) providing information on counseling poten-  
12 tial homebuyers of the availability and importance of  
13 getting an independent home inspection;

14               (2) providing information about the home in-  
15 spection process, including the reasons for specific  
16 inspections such as radon and lead-based paint test-  
17 ing;

18               (3) providing information about advising poten-  
19 tial homebuyers on how to locate and select a quali-  
20 fied home inspector; and

21               (4) review of home inspection public outreach  
22 materials of the Department.

1 **SEC. 1452. WARNINGS TO HOMEOWNERS OF FORECLOSURE**  
2 **RESCUE SCAMS.**

3 (a) ASSISTANCE TO NRC.—Notwithstanding any  
4 other provision of law, of any amounts made available for  
5 any fiscal year pursuant to section 106(a)(4)(F) of the  
6 Housing and Urban Development Act of 1968 (12 U.S.C.  
7 1701x(a)(4)(F)) (as added by section 1444), 10 percent  
8 shall be used only for assistance to the Neighborhood Re-  
9 investment Corporation for activities, in consultation with  
10 servicers of residential mortgage loans, to provide notice  
11 to borrowers under such loans who are delinquent with  
12 respect to payments due under such loans that makes such  
13 borrowers aware of the dangers of fraudulent activities as-  
14 sociated with foreclosure.

15 (b) NOTICE.—The Neighborhood Reinvestment Cor-  
16 poration, in consultation with servicers of residential mort-  
17 gage loans, shall use the amounts provided pursuant to  
18 subsection (a) to carry out activities to inform borrowers  
19 under residential mortgage loans—

20 (1) that the foreclosure process is complex and  
21 can be confusing;

22 (2) that the borrower may be approached dur-  
23 ing the foreclosure process by persons regarding sav-  
24 ing their home and they should use caution in any  
25 such dealings;



1           (3) that there are Federal Government and  
2 nonprofit agencies that may provide information  
3 about the foreclosure process, including the Depart-  
4 ment of Housing and Urban Development;

5           (4) that they should contact their lender imme-  
6 diately, contact the Department of Housing and  
7 Urban Development to find a housing counseling  
8 agency certified by the Department to assist in  
9 avoiding foreclosure, or visit the Department's  
10 website regarding tips for avoiding foreclosure; and

11           (5) of the telephone number of the loan servicer  
12 or successor, the telephone number of the Depart-  
13 ment of Housing and Urban Development housing  
14 counseling line, and the Uniform Resource Locators  
15 (URLs) for the Department of Housing and Urban  
16 Development Web sites for housing counseling and  
17 for tips for avoiding foreclosure.

## 18       **Subtitle E—Mortgage Servicing**

### 19       **SEC. 1461. ESCROW AND IMPOUND ACCOUNTS RELATING** 20                               **TO CERTAIN CONSUMER CREDIT TRANS-** 21                               **ACTIONS.**

22       (a) IN GENERAL.—Chapter 2 of the Truth in Lend-  
23 ing Act (15 U.S.C. 1631 et seq.) is amended by inserting  
24 after section 129C (as added by section 1411) the fol-  
25 lowing new section:

1 **“§ 129D. Escrow or impound accounts relating to cer-**  
2 **tain consumer credit transactions**

3 “(a) IN GENERAL.—Except as provided in subsection  
4 (b), (c), (d), or (e), a creditor, in connection with the con-  
5 summation of a consumer credit transaction secured by  
6 a first lien on the principal dwelling of the consumer, other  
7 than a consumer credit transaction under an open end  
8 credit plan or a reverse mortgage, shall establish, before  
9 the consummation of such transaction, an escrow or im-  
10 pound account for the payment of taxes and hazard insur-  
11 ance, and, if applicable, flood insurance, mortgage insur-  
12 ance, ground rents, and any other required periodic pay-  
13 ments or premiums with respect to the property or the  
14 loan terms, as provided in, and in accordance with, this  
15 section.

16 “(b) WHEN REQUIRED.—No impound, trust, or other  
17 type of account for the payment of property taxes, insur-  
18 ance premiums, or other purposes relating to the property  
19 may be required as a condition of a real property sale con-  
20 tract or a loan secured by a first deed of trust or mortgage  
21 on the principal dwelling of the consumer, other than a  
22 consumer credit transaction under an open end credit plan  
23 or a reverse mortgage, except when—

24 “(1) any such impound, trust, or other type of  
25 escrow or impound account for such purposes is re-  
26 quired by Federal or State law;

1           “(2) a loan is made, guaranteed, or insured by  
2           a State or Federal governmental lending or insuring  
3           agency;

4           “(3) the transaction is secured by a first mort-  
5           gage or lien on the consumer’s principal dwelling  
6           having an original principal obligation amount  
7           that—

8           “(A) does not exceed the amount of the  
9           maximum limitation on the original principal  
10          obligation of mortgage in effect for a residence  
11          of the applicable size, as of the date such inter-  
12          est rate set, pursuant to the sixth sentence of  
13          section 305(a)(2) the Federal Home Loan  
14          Mortgage Corporation Act (12 U.S.C.  
15          1454(a)(2)), and the annual percentage rate  
16          will exceed the average prime offer rate as de-  
17          fined in section 129C by 1.5 or more percent-  
18          age points; or

19          “(B) exceeds the amount of the maximum  
20          limitation on the original principal obligation of  
21          mortgage in effect for a residence of the appli-  
22          cable size, as of the date such interest rate set,  
23          pursuant to the sixth sentence of section  
24          305(a)(2) the Federal Home Loan Mortgage  
25          Corporation Act (12 U.S.C. 1454(a)(2)), and

1           the annual percentage rate will exceed the aver-  
2           age prime offer rate as defined in section 129C  
3           by 2.5 or more percentage points; or

4           “(4) so required pursuant to regulation.

5           “(c) EXEMPTIONS.—The Board may, by regulation,  
6 exempt from the requirements of subsection (a) a creditor  
7 that—

8           “(1) operates predominantly in rural or under-  
9           served areas;

10           “(2) together with all affiliates, has total an-  
11           nual mortgage loan originations that do not exceed  
12           a limit set by the Board;

13           “(3) retains its mortgage loan originations in  
14           portfolio; and

15           “(4) meets any asset size threshold and any  
16           other criteria the Board may establish, consistent  
17           with the purposes of this subtitle.

18           “(d) DURATION OF MANDATORY ESCROW OR IM-  
19 POUND ACCOUNT.—An escrow or impound account estab-  
20 lished pursuant to subsection (b) shall remain in existence  
21 for a minimum period of 5 years, beginning with the date  
22 of the consummation of the loan, unless and until—

23           “(1) such borrower has sufficient equity in the  
24           dwelling securing the consumer credit transaction so

1 as to no longer be required to maintain private  
2 mortgage insurance;

3 “(2) such borrower is delinquent;

4 “(3) such borrower otherwise has not complied  
5 with the legal obligation, as established by rule; or

6 “(4) the underlying mortgage establishing the  
7 account is terminated.

8 “(e) LIMITED EXEMPTIONS FOR LOANS SECURED BY  
9 SHARES IN A COOPERATIVE OR IN WHICH AN ASSOCIA-  
10 TION MUST MAINTAIN A MASTER INSURANCE POLICY.—  
11 Escrow accounts need not be established for loans secured  
12 by shares in a cooperative. Insurance premiums need not  
13 be included in escrow accounts for loans secured by dwell-  
14 ings or units, where the borrower must join an association  
15 as a condition of ownership, and that association has an  
16 obligation to the dwelling or unit owners to maintain a  
17 master policy insuring the dwellings or units.

18 “(f) CLARIFICATION ON ESCROW ACCOUNTS FOR  
19 LOANS NOT MEETING STATUTORY TEST.—For mort-  
20 gages not covered by the requirements of subsection (b),  
21 no provision of this section shall be construed as pre-  
22 cluding the establishment of an impound, trust, or other  
23 type of account for the payment of property taxes, insur-  
24 ance premiums, or other purposes relating to the prop-  
25 erty—

1           “(1) on terms mutually agreeable to the parties  
2           to the loan;

3           “(2) at the discretion of the lender or servicer,  
4           as provided by the contract between the lender or  
5           servicer and the borrower; or

6           “(3) pursuant to the requirements for the  
7           escrowing of flood insurance payments for regulated  
8           lending institutions in section 102(d) of the Flood  
9           Disaster Protection Act of 1973.

10          “(g) ADMINISTRATION OF MANDATORY ESCROW OR  
11          IMPOUND ACCOUNTS.—

12           “(1) IN GENERAL.—Except as may otherwise  
13           be provided for in this title or in regulations pre-  
14           scribed by the Board, escrow or impound accounts  
15           established pursuant to subsection (b) shall be estab-  
16           lished in a federally insured depository institution or  
17           credit union.

18           “(2) ADMINISTRATION.—Except as provided in  
19           this section or regulations prescribed under this sec-  
20           tion, an escrow or impound account subject to this  
21           section shall be administered in accordance with—

22           “(A) the Real Estate Settlement Proce-  
23           dures Act of 1974 and regulations prescribed  
24           under such Act;

1           “(B) the Flood Disaster Protection Act of  
2           1973 and regulations prescribed under such  
3           Act; and

4           “(C) the law of the State, if applicable,  
5           where the real property securing the consumer  
6           credit transaction is located.

7           “(3) APPLICABILITY OF PAYMENT OF INTER-  
8           EST.—If prescribed by applicable State or Federal  
9           law, each creditor shall pay interest to the consumer  
10          on the amount held in any impound, trust, or escrow  
11          account that is subject to this section in the manner  
12          as prescribed by that applicable State or Federal  
13          law.

14          “(4) PENALTY COORDINATION WITH RESPA.—  
15          Any action or omission on the part of any person  
16          which constitutes a violation of the Real Estate Set-  
17          tlement Procedures Act of 1974 or any regulation  
18          prescribed under such Act for which the person has  
19          paid any fine, civil money penalty, or other damages  
20          shall not give rise to any additional fine, civil money  
21          penalty, or other damages under this section, unless  
22          the action or omission also constitutes a direct viola-  
23          tion of this section.

24          “(h) DISCLOSURES RELATING TO MANDATORY ES-  
25          CROW OR IMPOUND ACCOUNT.—In the case of any im-

1 pound, trust, or escrow account that is required under  
2 subsection (b), the creditor shall disclose by written notice  
3 to the consumer at least 3 business days before the con-  
4 summation of the consumer credit transaction giving rise  
5 to such account or in accordance with timeframes estab-  
6 lished in prescribed regulations the following information:

7           “(1) The fact that an escrow or impound ac-  
8           count will be established at consummation of the  
9           transaction.

10           “(2) The amount required at closing to initially  
11           fund the escrow or impound account.

12           “(3) The amount, in the initial year after the  
13           consummation of the transaction, of the estimated  
14           taxes and hazard insurance, including flood insur-  
15           ance, if applicable, and any other required periodic  
16           payments or premiums that reflects, as appropriate,  
17           either the taxable assessed value of the real property  
18           securing the transaction, including the value of any  
19           improvements on the property or to be constructed  
20           on the property (whether or not such construction  
21           will be financed from the proceeds of the trans-  
22           action) or the replacement costs of the property.

23           “(4) The estimated monthly amount payable to  
24           be escrowed for taxes, hazard insurance (including



1 flood insurance, if applicable) and any other re-  
2 quired periodic payments or premiums.

3 “(5) The fact that, if the consumer chooses to  
4 terminate the account in the future, the consumer  
5 will become responsible for the payment of all taxes,  
6 hazard insurance, and flood insurance, if applicable,  
7 as well as any other required periodic payments or  
8 premiums on the property unless a new escrow or  
9 impound account is established.

10 “(6) Such other information as the Board de-  
11 termines necessary for the protection of the con-  
12 sumer.

13 “(i) DEFINITIONS.—For purposes of this section, the  
14 following definitions shall apply:

15 “(1) FLOOD INSURANCE.—The term ‘flood in-  
16 surance’ means flood insurance coverage provided  
17 under the national flood insurance program pursu-  
18 ant to the National Flood Insurance Act of 1968.

19 “(2) HAZARD INSURANCE.—The term ‘hazard  
20 insurance’ shall have the same meaning as provided  
21 for ‘hazard insurance’, ‘casualty insurance’, ‘home-  
22 owner’s insurance’, or other similar term under the  
23 law of the State where the real property securing the  
24 consumer credit transaction is located.”.

1 (b) EXEMPTIONS AND MODIFICATIONS.—The Board  
2 may prescribe rules that revise, add to, or subtract from  
3 the criteria of section 129D(b) of the Truth in Lending  
4 Act if the Board determines that such rules are in the  
5 interest of consumers and in the public interest.

6 (c) CLERICAL AMENDMENT.—The table of sections  
7 for chapter 2 of the Truth in Lending Act is amended  
8 by inserting after the item relating to section 129C (as  
9 added by section 1411) the following new item:

“129D. Escrow or impound accounts relating to certain consumer credit trans-  
actions.”.

10 **SEC. 1462. DISCLOSURE NOTICE REQUIRED FOR CON-**  
11 **SUMERS WHO WAIVE ESCROW SERVICES.**

12 Section 129D of the Truth in Lending Act (as added  
13 by section 1461) is amended by adding at the end the fol-  
14 lowing new subsection:

15 “(j) DISCLOSURE NOTICE REQUIRED FOR CON-  
16 SUMERS WHO WAIVE ESCROW SERVICES.—

17 “(1) IN GENERAL.—If—

18 “(A) an impound, trust, or other type of  
19 account for the payment of property taxes, in-  
20 surance premiums, or other purposes relating to  
21 real property securing a consumer credit trans-  
22 action is not established in connection with the  
23 transaction; or

1           “(B) a consumer chooses, and provides  
2           written notice to the creditor or servicer of such  
3           choice, at any time after such an account is es-  
4           tablished in connection with any such trans-  
5           action and in accordance with any statute, reg-  
6           ulation, or contractual agreement, to close such  
7           account,

8           the creditor or servicer shall provide a timely and  
9           clearly written disclosure to the consumer that ad-  
10          vises the consumer of the responsibilities of the con-  
11          sumer and implications for the consumer in the ab-  
12          sence of any such account.

13           “(2) DISCLOSURE REQUIREMENTS.—Any dis-  
14          closure provided to a consumer under paragraph (1)  
15          shall include the following:

16           “(A) Information concerning any applica-  
17          ble fees or costs associated with either the non-  
18          establishment of any such account at the time  
19          of the transaction, or any subsequent closure of  
20          any such account.

21           “(B) A clear and prominent statement that  
22          the consumer is responsible for personally and  
23          directly paying the non-escrowed items, in addi-  
24          tion to paying the mortgage loan payment, in  
25          the absence of any such account, and the fact

1           that the costs for taxes, insurance, and related  
2           fees can be substantial.

3           “(C) A clear explanation of the con-  
4           sequences of any failure to pay non-escrowed  
5           items, including the possible requirement for  
6           the forced placement of insurance by the cred-  
7           itor or servicer and the potentially higher cost  
8           (including any potential commission payments  
9           to the servicer) or reduced coverage for the con-  
10          sumer in the event of any such creditor-placed  
11          insurance.

12          “(D) Such other information as the Board  
13          determines necessary for the protection of the  
14          consumer.”.

15 **SEC. 1463. REAL ESTATE SETTLEMENT PROCEDURES ACT**  
16 **OF 1974 AMENDMENTS.**

17          (a) **SERVICER PROHIBITIONS.**—Section 6 of the Real  
18          Estate Settlement Procedures Act of 1974 (12 U.S.C.  
19          2605) is amended by adding at the end the following new  
20          subsections:

21          “(k) **SERVICER PROHIBITIONS.**—

22                  “(1) **IN GENERAL.**—A servicer of a federally re-  
23          lated mortgage shall not—

24                          “(A) obtain force-placed hazard insurance  
25                          unless there is a reasonable basis to believe the

1 borrower has failed to comply with the loan  
2 contract's requirements to maintain property  
3 insurance;

4 “(B) charge fees for responding to valid  
5 qualified written requests (as defined in regula-  
6 tions which the Bureau of Consumer Financial  
7 Protection shall prescribe) under this section;

8 “(C) fail to take timely action to respond  
9 to a borrower's requests to correct errors relat-  
10 ing to allocation of payments, final balances for  
11 purposes of paying off the loan, or avoiding  
12 foreclosure, or other standard servicer's duties;

13 “(D) fail to respond within 10 business  
14 days to a request from a borrower to provide  
15 the identity, address, and other relevant contact  
16 information about the owner or assignee of the  
17 loan; or

18 “(E) fail to comply with any other obliga-  
19 tion found by the Bureau of Consumer Finan-  
20 cial Protection, by regulation, to be appropriate  
21 to carry out the consumer protection purposes  
22 of this Act.

23 “(2) FORCE-PLACED INSURANCE DEFINED.—  
24 For purposes of this subsection and subsections (l)  
25 and (m), the term ‘force-placed insurance’ means

1 hazard insurance coverage obtained by a servicer of  
2 a federally related mortgage when the borrower has  
3 failed to maintain or renew hazard insurance on  
4 such property as required of the borrower under the  
5 terms of the mortgage.

6 “(l) REQUIREMENTS FOR FORCE-PLACED INSUR-  
7 ANCE.—A servicer of a federally related mortgage shall  
8 not be construed as having a reasonable basis for obtain-  
9 ing force-placed insurance unless the requirements of this  
10 subsection have been met.

11 “(1) WRITTEN NOTICES TO BORROWER.—A  
12 servicer may not impose any charge on any borrower  
13 for force-placed insurance with respect to any prop-  
14 erty securing a federally related mortgage unless—

15 “(A) the servicer has sent, by first-class  
16 mail, a written notice to the borrower con-  
17 taining—

18 “(i) a reminder of the borrower’s obli-  
19 gation to maintain hazard insurance on the  
20 property securing the federally related  
21 mortgage;

22 “(ii) a statement that the servicer  
23 does not have evidence of insurance cov-  
24 erage of such property;

1           “(iii) a clear and conspicuous state-  
2           ment of the procedures by which the bor-  
3           rower may demonstrate that the borrower  
4           already has insurance coverage; and

5           “(iv) a statement that the servicer  
6           may obtain such coverage at the borrower’s  
7           expense if the borrower does not provide  
8           such demonstration of the borrower’s exist-  
9           ing coverage in a timely manner;

10          “(B) the servicer has sent, by first-class  
11          mail, a second written notice, at least 30 days  
12          after the mailing of the notice under subpara-  
13          graph (A) that contains all the information de-  
14          scribed in each clause of such subparagraph;  
15          and

16          “(C) the servicer has not received from the  
17          borrower any demonstration of hazard insur-  
18          ance coverage for the property securing the  
19          mortgage by the end of the 15-day period be-  
20          ginning on the date the notice under subpara-  
21          graph (B) was sent by the servicer.

22          “(2) SUFFICIENCY OF DEMONSTRATION.—A  
23          servicer of a federally related mortgage shall accept  
24          any reasonable form of written confirmation from a  
25          borrower of existing insurance coverage, which shall

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1 include the existing insurance policy number along  
2 with the identity of, and contact information for, the  
3 insurance company or agent, or as otherwise re-  
4 quired by the Bureau of Consumer Financial Protec-  
5 tion.

6 “(3) TERMINATION OF FORCE-PLACED INSUR-  
7 ANCE.—Within 15 days of the receipt by a servicer  
8 of confirmation of a borrower’s existing insurance  
9 coverage, the servicer shall—

10 “(A) terminate the force-placed insurance;  
11 and

12 “(B) refund to the consumer all force-  
13 placed insurance premiums paid by the bor-  
14 rower during any period during which the bor-  
15 rower’s insurance coverage and the force-placed  
16 insurance coverage were each in effect, and any  
17 related fees charged to the consumer’s account  
18 with respect to the force-placed insurance dur-  
19 ing such period.

20 “(4) CLARIFICATION WITH RESPECT TO FLOOD  
21 DISASTER PROTECTION ACT.—No provision of this  
22 section shall be construed as prohibiting a servicer  
23 from providing simultaneous or concurrent notice of  
24 a lack of flood insurance pursuant to section 102(e)  
25 of the Flood Disaster Protection Act of 1973.



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1           “(m) LIMITATIONS ON FORCE-PLACED INSURANCE  
2 CHARGES.—All charges, apart from charges subject to  
3 State regulation as the business of insurance, related to  
4 force-placed insurance imposed on the borrower by or  
5 through the servicer shall be bona fide and reasonable.”.

6           (b) INCREASE IN PENALTY AMOUNTS.—Section 6(f)  
7 of the Real Estate Settlement Procedures Act of 1974 (12  
8 U.S.C. 2605(f)) is amended—

9           (1) in paragraphs (1)(B) and (2)(B), by strik-  
10 ing “\$1,000” each place such term appears and in-  
11 serting “\$2,000”; and

12           (2) in paragraph (2)(B)(i), by striking  
13 “\$500,000” and inserting “\$1,000,000”.

14           (c) DECREASE IN RESPONSE TIMES.—Section 6(e) of  
15 the Real Estate Settlement Procedures Act of 1974 (12  
16 U.S.C. 2605(e)) is amended—

17           (1) in paragraph (1)(A), by striking “20 days”  
18 and inserting “5 days”;

19           (2) in paragraph (2), by striking “60 days” and  
20 inserting “30 days”; and

21           (3) by adding at the end the following new  
22 paragraph:

23           “(4) LIMITED EXTENSION OF RESPONSE  
24 TIME.—The 30-day period described in paragraph  
25 (2) may be extended for not more than 15 days if,

1 before the end of such 30-day period, the servicer  
2 notifies the borrower of the extension and the rea-  
3 sons for the delay in responding.”.

4 (d) PROMPT REFUND OF ESCROW ACCOUNTS UPON  
5 PAYOFF.—Section 6(g) of the Real Estate Settlement  
6 Procedures Act of 1974 (12 U.S.C. 2605(g)) is amended  
7 by adding at the end the following new sentence: “Any  
8 balance in any such account that is within the servicer’s  
9 control at the time the loan is paid off shall be promptly  
10 returned to the borrower within 20 business days or cred-  
11 ited to a similar account for a new mortgage loan to the  
12 borrower with the same lender.”.

13 **SEC. 1464. TRUTH IN LENDING ACT AMENDMENTS.**

14 (a) REQUIREMENTS FOR PROMPT CREDITING OF  
15 HOME LOAN PAYMENTS.—Chapter 2 of the Truth in  
16 Lending Act (15 U.S.C. 1631 et seq.) is amended by in-  
17 serting after section 129E (as added by section 1472) the  
18 following new section:

19 **“§ 129F. Requirements for prompt crediting of home**  
20 **loan payments**

21 “(a) IN GENERAL.—In connection with a consumer  
22 credit transaction secured by a consumer’s principal dwell-  
23 ing, no servicer shall fail to credit a payment to the con-  
24 sumer’s loan account as of the date of receipt, except when  
25 a delay in crediting does not result in any charge to the

1 consumer or in the reporting of negative information to  
2 a consumer reporting agency, except as required in sub-  
3 section (b).

4 “(b) EXCEPTION.—If a servicer specifies in writing  
5 requirements for the consumer to follow in making pay-  
6 ments, but accepts a payment that does not conform to  
7 the requirements, the servicer shall credit the payment as  
8 of 5 days after receipt.”.

9 (b) REQUESTS FOR PAYOFF AMOUNTS.—Chapter 2  
10 of the Truth in Lending Act (15 U.S.C. 1631 et seq.),  
11 as amended by this title, is amended by inserting after  
12 section 129F (as added by subsection (a)) the following  
13 new section:

14 **“§ 129G. Requests for payoff amounts of home loan**

15 “A creditor or servicer of a home loan shall send an  
16 accurate payoff balance within a reasonable time, but in  
17 no case more than 7 business days, after the receipt of  
18 a written request for such balance from or on behalf of  
19 the borrower.”.

20 **SEC. 1465. ESCROWS INCLUDED IN REPAYMENT ANALYSIS.**

21 Section 128(b) of the Truth in Lending Act (15  
22 U.S.C. 1638(b)) is amended by adding at the end the fol-  
23 lowing new paragraph:

24 “(4) REPAYMENT ANALYSIS REQUIRED TO IN-  
25 CLUDE ESCROW PAYMENTS.—

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1           “(A) IN GENERAL.—In the case of any  
2           consumer credit transaction secured by a first  
3           mortgage or lien on the principal dwelling of  
4           the consumer, other than a consumer credit  
5           transaction under an open end credit plan or a  
6           reverse mortgage, for which an impound, trust,  
7           or other type of account has been or will be es-  
8           tablished in connection with the transaction for  
9           the payment of property taxes, hazard and flood  
10          (if any) insurance premiums, or other periodic  
11          payments or premiums with respect to the  
12          property, the information required to be pro-  
13          vided under subsection (a) with respect to the  
14          number, amount, and due dates or period of  
15          payments scheduled to repay the total of pay-  
16          ments shall take into account the amount of  
17          any monthly payment to such account for each  
18          such repayment in accordance with section  
19          10(a)(2) of the Real Estate Settlement Proce-  
20          dures Act of 1974.

21           “(B) ASSESSMENT VALUE.—The amount  
22          taken into account under subparagraph (A) for  
23          the payment of property taxes, hazard and flood  
24          (if any) insurance premiums, or other periodic  
25          payments or premiums with respect to the

1 property shall reflect the taxable assessed value  
2 of the real property securing the transaction  
3 after the consummation of the transaction, in-  
4 cluding the value of any improvements on the  
5 property or to be constructed on the property  
6 (whether or not such construction will be fi-  
7 nanced from the proceeds of the transaction), if  
8 known, and the replacement costs of the prop-  
9 erty for hazard insurance, in the initial year  
10 after the transaction.”.

## 11 **Subtitle F—Appraisal Activities**

### 12 **SEC. 1471. PROPERTY APPRAISAL REQUIREMENTS.**

13 Chapter 2 of the Truth in Lending Act (15 U.S.C.  
14 1631 et seq.) is amended by inserting after 129G (as  
15 added by section 1464(b)) the following new section:

#### 16 **“§ 129H. Property appraisal requirements**

17 “(a) IN GENERAL.—A creditor may not extend credit  
18 in the form of a higher-risk mortgage to any consumer  
19 without first obtaining a written appraisal of the property  
20 to be mortgaged prepared in accordance with the require-  
21 ments of this section.

22 “(b) APPRAISAL REQUIREMENTS.—

23 “(1) PHYSICAL PROPERTY VISIT.—Subject to  
24 the rules prescribed under paragraph (4), an ap-  
25 praisal of property to be secured by a higher-risk

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1 mortgage does not meet the requirement of this sec-  
2 tion unless it is performed by a certified or licensed  
3 appraiser who conducts a physical property visit of  
4 the interior of the mortgaged property.

5 “(2) SECOND APPRAISAL UNDER CERTAIN CIR-  
6 CUMSTANCES.—

7 “(A) IN GENERAL.—If the purpose of a  
8 higher-risk mortgage is to finance the purchase  
9 or acquisition of the mortgaged property from  
10 a person within 180 days of the purchase or ac-  
11 quisition of such property by that person at a  
12 price that was lower than the current sale price  
13 of the property, the creditor shall obtain a sec-  
14 ond appraisal from a different certified or li-  
15 censed appraiser. The second appraisal shall in-  
16 clude an analysis of the difference in sale  
17 prices, changes in market conditions, and any  
18 improvements made to the property between the  
19 date of the previous sale and the current sale.

20 “(B) NO COST TO APPLICANT.—The cost  
21 of any second appraisal required under sub-  
22 paragraph (A) may not be charged to the appli-  
23 cant.

1           “(3) CERTIFIED OR LICENSED APPRAISER DE-  
2           FINED.—For purposes of this section, the term ‘cer-  
3           tified or licensed appraiser’ means a person who—

4                   “(A) is, at a minimum, certified or licensed  
5                   by the State in which the property to be ap-  
6                   praised is located; and

7                   “(B) performs each appraisal in con-  
8                   formity with the Uniform Standards of Profes-  
9                   sional Appraisal Practice and title XI of the Fi-  
10                  nancial Institutions Reform, Recovery, and En-  
11                  forcement Act of 1989, and the regulations pre-  
12                  scribed under such title, as in effect on the date  
13                  of the appraisal.

14           “(4) REGULATIONS.—

15                   “(A) IN GENERAL.—The Board, the  
16                   Comptroller of the Currency, the Federal De-  
17                   posit Insurance Corporation, the National Cred-  
18                   it Union Administration Board, the Federal  
19                   Housing Finance Agency, and the Bureau shall  
20                   jointly prescribe regulations to implement this  
21                   section.

22                   “(B) EXEMPTION.—The agencies listed in  
23                   subparagraph (A) may jointly exempt, by rule,  
24                   a class of loans from the requirements of this  
25                   subsection or subsection (a) if the agencies de-

1           termine that the exemption is in the public in-  
2           terest and promotes the safety and soundness  
3           of creditors.

4           “(c) FREE COPY OF APPRAISAL.—A creditor shall  
5           provide 1 copy of each appraisal conducted in accordance  
6           with this section in connection with a higher-risk mortgage  
7           to the applicant without charge, and at least 3 days prior  
8           to the transaction closing date.

9           “(d) CONSUMER NOTIFICATION.—At the time of the  
10          initial mortgage application, the applicant shall be pro-  
11          vided with a statement by the creditor that any appraisal  
12          prepared for the mortgage is for the sole use of the cred-  
13          itor, and that the applicant may choose to have a separate  
14          appraisal conducted at the expense of the applicant.

15          “(e) VIOLATIONS.—In addition to any other liability  
16          to any person under this title, a creditor found to have  
17          willfully failed to obtain an appraisal as required in this  
18          section shall be liable to the applicant or borrower for the  
19          sum of \$2,000.

20          “(f) HIGHER-RISK MORTGAGE DEFINED.—For pur-  
21          poses of this section, the term ‘higher-risk mortgage’  
22          means a residential mortgage loan, other than a reverse  
23          mortgage loan that is a qualified mortgage, as defined in  
24          section 129C, secured by a principal dwelling—



1           “(1) that is not a qualified mortgage, as de-  
2           fined in section 129C; and

3           “(2) with an annual percentage rate that ex-  
4           ceeds the average prime offer rate for a comparable  
5           transaction, as defined in section 129C, as of the  
6           date the interest rate is set—

7                   “(A) by 1.5 or more percentage points, in  
8                   the case of a first lien residential mortgage loan  
9                   having an original principal obligation amount  
10                  that does not exceed the amount of the max-  
11                  imum limitation on the original principal obliga-  
12                  tion of mortgage in effect for a residence of the  
13                  applicable size, as of the date of such interest  
14                  rate set, pursuant to the sixth sentence of sec-  
15                  tion 305(a)(2) the Federal Home Loan Mort-  
16                  gage Corporation Act (12 U.S.C. 1454(a)(2));

17                   “(B) by 2.5 or more percentage points, in  
18                   the case of a first lien residential mortgage loan  
19                   having an original principal obligation amount  
20                   that exceeds the amount of the maximum limi-  
21                   tation on the original principal obligation of  
22                   mortgage in effect for a residence of the appli-  
23                   cable size, as of the date of such interest rate  
24                   set, pursuant to the sixth sentence of section

1           305(a)(2) the Federal Home Loan Mortgage  
2           Corporation Act (12 U.S.C. 1454(a)(2)); and  
3           “(C) by 3.5 or more percentage points for  
4           a subordinate lien residential mortgage loan.”.

5 **SEC. 1472. APPRAISAL INDEPENDENCE REQUIREMENTS.**

6           (a) IN GENERAL.—Chapter 2 of the Truth in Lend-  
7           ing Act (15 U.S.C. 1631 et seq.) is amended by inserting  
8           after section 129D (as added by section 1461(a)) the fol-  
9           lowing new section:

10 **“§ 129E. Appraisal independence requirements**

11           “(a) IN GENERAL.—It shall be unlawful, in extending  
12           credit or in providing any services for a consumer credit  
13           transaction secured by the principal dwelling of the con-  
14           sumer, to engage in any act or practice that violates ap-  
15           praisal independence as described in or pursuant to regu-  
16           lations prescribed under this section.

17           “(b) APPRAISAL INDEPENDENCE.—For purposes of  
18           subsection (a), acts or practices that violate appraisal  
19           independence shall include—

20           “(1) any appraisal of a property offered as se-  
21           curity for repayment of the consumer credit trans-  
22           action that is conducted in connection with such  
23           transaction in which a person with an interest in the  
24           underlying transaction compensates, coerces, extorts,  
25           colludes, instructs, induces, bribes, or intimidates a

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1 person, appraisal management company, firm, or  
2 other entity conducting or involved in an appraisal,  
3 or attempts, to compensate, coerce, extort, collude,  
4 instruct, induce, bribe, or intimidate such a person,  
5 for the purpose of causing the appraised value as-  
6 signed, under the appraisal, to the property to be  
7 based on any factor other than the independent  
8 judgment of the appraiser;

9 “(2) mischaracterizing, or suborning any  
10 mischaracterization of, the appraised value of the  
11 property securing the extension of the credit;

12 “(3) seeking to influence an appraiser or other-  
13 wise to encourage a targeted value in order to facili-  
14 tate the making or pricing of the transaction; and

15 “(4) withholding or threatening to withhold  
16 timely payment for an appraisal report or for ap-  
17 praisal services rendered when the appraisal report  
18 or services are provided for in accordance with the  
19 contract between the parties.

20 “(c) EXCEPTIONS.—The requirements of subsection  
21 (b) shall not be construed as prohibiting a mortgage lend-  
22 er, mortgage broker, mortgage banker, real estate broker,  
23 appraisal management company, employee of an appraisal  
24 management company, consumer, or any other person

1 with an interest in a real estate transaction from asking  
2 an appraiser to undertake 1 or more of the following:

3           “(1) Consider additional, appropriate property  
4 information, including the consideration of addi-  
5 tional comparable properties to make or support an  
6 appraisal.

7           “(2) Provide further detail, substantiation, or  
8 explanation for the appraiser’s value conclusion.

9           “(3) Correct errors in the appraisal report.

10          “(d) PROHIBITIONS ON CONFLICTS OF INTEREST.—

11 No certified or licensed appraiser conducting, and no ap-  
12 praisal management company procuring or facilitating, an  
13 appraisal in connection with a consumer credit transaction  
14 secured by the principal dwelling of a consumer may have  
15 a direct or indirect interest, financial or otherwise, in the  
16 property or transaction involving the appraisal.

17          “(e) MANDATORY REPORTING.—Any mortgage lend-  
18 er, mortgage broker, mortgage banker, real estate broker,  
19 appraisal management company, employee of an appraisal  
20 management company, or any other person involved in a  
21 real estate transaction involving an appraisal in connection  
22 with a consumer credit transaction secured by the prin-  
23 cipal dwelling of a consumer who has a reasonable basis  
24 to believe an appraiser is failing to comply with the Uni-  
25 form Standards of Professional Appraisal Practice, is vio-

1 lating applicable laws, or is otherwise engaging in uneth-  
2 ical or unprofessional conduct, shall refer the matter to  
3 the applicable State appraiser certifying and licensing  
4 agency.

5 “(f) NO EXTENSION OF CREDIT.—In connection with  
6 a consumer credit transaction secured by a consumer’s  
7 principal dwelling, a creditor who knows, at or before loan  
8 consummation, of a violation of the appraisal independ-  
9 ence standards established in subsections (b) or (d) shall  
10 not extend credit based on such appraisal unless the cred-  
11 itor documents that the creditor has acted with reasonable  
12 diligence to determine that the appraisal does not materi-  
13 ally misstate or misrepresent the value of such dwelling.

14 “(g) RULES AND INTERPRETIVE GUIDELINES.—

15 “(1) IN GENERAL.—Except as provided under  
16 paragraph (2), the Board, the Comptroller of the  
17 Currency, the Federal Deposit Insurance Corpora-  
18 tion, the National Credit Union Administration  
19 Board, the Federal Housing Finance Agency, and  
20 the Bureau may jointly issue rules, interpretive  
21 guidelines, and general statements of policy with re-  
22 spect to acts or practices that violate appraisal inde-  
23 pendence in the provision of mortgage lending serv-  
24 ices for a consumer credit transaction secured by the  
25 principal dwelling of the consumer and mortgage

1       brokerage services for such a transaction, within the  
2       meaning of subsections (a), (b), (c), (d), (e), (f), (h),  
3       and (i).

4           “(2) INTERIM FINAL REGULATIONS.—The  
5       Board shall, for purposes of this section, prescribe  
6       interim final regulations no later than 90 days after  
7       the date of enactment of this section defining with  
8       specificity acts or practices that violate appraisal  
9       independence in the provision of mortgage lending  
10      services for a consumer credit transaction secured by  
11      the principal dwelling of the consumer or mortgage  
12      brokerage services for such a transaction and defin-  
13      ing any terms in this section or such regulations.  
14      Rules prescribed by the Board under this paragraph  
15      shall be deemed to be rules prescribed by the agen-  
16      cies jointly under paragraph (1).

17      “(h) APPRAISAL REPORT PORTABILITY.—Consistent  
18      with the requirements of this section, the Board, the  
19      Comptroller of the Currency, the Federal Deposit Insur-  
20      ance Corporation, the National Credit Union Administra-  
21      tion Board, the Federal Housing Finance Agency, and the  
22      Bureau may jointly issue regulations that address the  
23      issue of appraisal report portability, including regulations  
24      that ensure the portability of the appraisal report between  
25      lenders for a consumer credit transaction secured by a 1-

1 4 unit single family residence that is the principal dwelling  
2 of the consumer, or mortgage brokerage services for such  
3 a transaction.

4 “(i) CUSTOMARY AND REASONABLE FEE.—

5 “(1) IN GENERAL.—Lenders and their agents  
6 shall compensate fee appraisers at a rate that is cus-  
7 tomary and reasonable for appraisal services per-  
8 formed in the market area of the property being ap-  
9 praised. Evidence for such fees may be established  
10 by objective third-party information, such as govern-  
11 ment agency fee schedules, academic studies, and  
12 independent private sector surveys. Fee studies shall  
13 exclude assignments ordered by known appraisal  
14 management companies.

15 “(2) FEE APPRAISER DEFINITION.—For pur-  
16 poses of this section, the term ‘fee appraiser’ means  
17 a person who is not an employee of the mortgage  
18 loan originator or appraisal management company  
19 engaging the appraiser and is—

20 “(A) a State licensed or certified appraiser  
21 who receives a fee for performing an appraisal  
22 and certifies that the appraisal has been pre-  
23 pared in accordance with the Uniform Stand-  
24 ards of Professional Appraisal Practice; or

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1           “(B) a company not subject to the require-  
2           ments of section 1124 of the Financial Institu-  
3           tions Reform, Recovery, and Enforcement Act  
4           of 1989 (12 U.S.C. 3331 et seq.) that utilizes  
5           the services of State licensed or certified ap-  
6           praisers and receives a fee for performing ap-  
7           praisals in accordance with the Uniform Stand-  
8           ards of Professional Appraisal Practice.

9           “(3) EXCEPTION FOR COMPLEX ASSIGN-  
10          MENTS.—In the case of an appraisal involving a  
11          complex assignment, the customary and reasonable  
12          fee may reflect the increased time, difficulty, and  
13          scope of the work required for such an appraisal and  
14          include an amount over and above the customary  
15          and reasonable fee for non-complex assignments.

16          “(j) SUNSET.—Effective on the date the interim final  
17          regulations are promulgated pursuant to subsection (g),  
18          the Home Valuation Code of Conduct announced by the  
19          Federal Housing Finance Agency on December 23, 2008,  
20          shall have no force or effect.

21          “(k) PENALTIES.—

22                 “(1) FIRST VIOLATION.—In addition to the en-  
23          forcement provisions referred to in section 130, each  
24          person who violates this section shall forfeit and pay



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1 a civil penalty of not more than \$10,000 for each  
2 day any such violation continues.

3 “(2) SUBSEQUENT VIOLATIONS.—In the case of  
4 any person on whom a civil penalty has been im-  
5 posed under paragraph (1), paragraph (1) shall be  
6 applied by substituting ‘\$20,000’ for ‘\$10,000’ with  
7 respect to all subsequent violations.

8 “(3) ASSESSMENT.—The agency referred to in  
9 subsection (a) or (c) of section 108 with respect to  
10 any person described in paragraph (1) shall assess  
11 any penalty under this subsection to which such per-  
12 son is subject.”.

13 (b) CLERICAL AMENDMENT.—The table of sections  
14 for chapter 2 of the Truth in Lending Act is amended  
15 by inserting after the item relating to section 129D (as  
16 added by section 1461(c)) the following new items:

“129E. Appraisal independence requirements.

“129F. Requirements for prompt crediting of home loan payments.

“129G. Requests for payoff amounts of home loan.

“129H. Property appraisal requirements.”.

17 (c) DEFERENCE.—Section 105 of the Truth in Lend-  
18 ing Act (15 U.S.C. 1604) is amended by adding at the  
19 end the following:

20 “(h) DEFERENCE.—Notwithstanding any power  
21 granted to any Federal agency under this title, the def-  
22 erence that a court affords to the Bureau with respect to  
23 a determination made by the Bureau relating to the mean-

1 ing or interpretation of any provision of this title, other  
2 than section 129E or 129H, shall be applied as if the Bu-  
3 reau were the only agency authorized to apply, enforce,  
4 interpret, or administer the provisions of this title.”.

5 (d) CONFORMING AMENDMENTS IN TITLE X NOT  
6 APPLICABLE TO SECTIONS 129E AND 129H.—Notwith-  
7 standing section 1099A, the term “Board” in sections  
8 129E and 129H, as added by this subtitle, shall not be  
9 substituted by the term “Bureau”.

10 **SEC. 1473. AMENDMENTS RELATING TO APPRAISAL SUB-**  
11 **COMMITTEE OF FFIEC, APPRAISER INDE-**  
12 **PENDENCE MONITORING, APPROVED AP-**  
13 **PRAISER EDUCATION, APPRAISAL MANAGE-**  
14 **MENT COMPANIES, APPRAISER COMPLAINT**  
15 **HOTLINE, AUTOMATED VALUATION MODELS,**  
16 **AND BROKER PRICE OPINIONS.**

17 (a) THRESHOLD LEVELS.—Section 1112(b) of the  
18 Financial Institutions Reform, Recovery, and Enforce-  
19 ment Act of 1989 (12 U.S.C. 3341(b)) is amended by in-  
20 serting before the period the following: “, and receives con-  
21 currence from the Bureau of Consumer Financial Protec-  
22 tion that such threshold level provides reasonable protec-  
23 tion for consumers who purchase 1–4 unit single-family  
24 residences”.

1 (b) ANNUAL REPORT OF APPRAISAL SUB-  
2 COMMITTEE.—Section 1103(a) of the Financial Institu-  
3 tions Reform, Recovery, and Enforcement Act of 1989 (12  
4 U.S.C. 3332(a)) is amended at the end by inserting the  
5 following new paragraph:

6 “(5) transmit an annual report to the Congress  
7 not later than June 15 of each year that describes  
8 the manner in which each function assigned to the  
9 Appraisal Subcommittee has been carried out during  
10 the preceding year. The report shall also detail the  
11 activities of the Appraisal Subcommittee, including  
12 the results of all audits of State appraiser regulatory  
13 agencies, and provide an accounting of disapproved  
14 actions and warnings taken in the previous year, in-  
15 cluding a description of the conditions causing the  
16 disapproval and actions taken to achieve compli-  
17 ance.”.

18 (c) OPEN MEETINGS.—Section 1104(b) of the Finan-  
19 cial Institutions Reform, Recovery, and Enforcement Act  
20 of 1989 (12 U.S.C. 3333(b)) is amended—

21 (1) by inserting “in public session after notice  
22 in the Federal Register, but may close certain por-  
23 tions of these meetings related to personnel and re-  
24 view of preliminary State audit reports,” after “shall  
25 meet”; and

1           (2) by adding after the final period the fol-  
2           lowing: “The subject matter discussed in any closed  
3           or executive session shall be described in the Federal  
4           Register notice of the meeting.”.

5           (d) REGULATIONS.—Section 1106 of the Financial  
6           Institutions Reform, Recovery, and Enforcement Act of  
7           1989 (12 U.S.C. 3335) is amended—

8           (1) by inserting “prescribe regulations in ac-  
9           cordance with chapter 5 of title 5, United States  
10          Code (commonly referred to as the Administrative  
11          Procedures Act) after notice and opportunity for  
12          comment,” after “hold hearings”; and

13          (2) at the end by inserting “Any regulations  
14          prescribed by the Appraisal Subcommittee shall (un-  
15          less otherwise provided in this title) be limited to the  
16          following functions: temporary practice, national reg-  
17          istry, information sharing, and enforcement. For  
18          purposes of prescribing regulations, the Appraisal  
19          Subcommittee shall establish an advisory committee  
20          of industry participants, including appraisers, lend-  
21          ers, consumer advocates, real estate agents, and gov-  
22          ernment agencies, and hold meetings as necessary to  
23          support the development of regulations.”.

24          (e) APPRAISAL REVIEWS AND COMPLEX APPRAIS-  
25          ALS.—

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1           (1) SECTION 1110.—Section 1110 of the Finan-  
2           cial Institutions Reform, Recovery, and Enforcement  
3           Act of 1989 (12 U.S.C. 3339) is amended—

4                   (A) in paragraph (1), by striking “and”;

5                   (B) in paragraph (2), by striking the pe-  
6           riod at the end and inserting “; and”; and

7                   (C) by inserting after paragraph (2) the  
8           following:

9                   “(3) that such appraisals shall be subject to ap-  
10           propriate review for compliance with the Uniform  
11           Standards of Professional Appraisal Practice.”.

12           (2) SECTION 1113.—Section 1113 of the Finan-  
13           cial Institutions and Reform, Recovery, and Enforce-  
14           ment Act of 1989 (12 U.S.C. 3342) is amended by  
15           inserting before the period the following: “, where a  
16           complex 1-to-4 unit single family residential ap-  
17           praisal means an appraisal for which the property to  
18           be appraised, the form of ownership, the property  
19           characteristics, or the market conditions are atyp-  
20           ical”.

21           (f) APPRAISAL MANAGEMENT SERVICES.—

22                   (1) SUPERVISION OF THIRD PARTY PROVIDERS  
23           OF APPRAISAL MANAGEMENT SERVICES.—Section  
24           1103(a) of the Financial Institutions Reform, Recov-  
25           ery, and Enforcement Act of 1989 (12 U.S.C.

2222

1 3332(a)) (as previously amended by this section) is  
2 amended—

3 (A) by amending paragraph (1) to read as  
4 follows:

5 “(1) monitor the requirements established by  
6 States—

7 “(A) for the certification and licensing of  
8 individuals who are qualified to perform ap-  
9 praisals in connection with federally related  
10 transactions, including a code of professional  
11 responsibility; and

12 “(B) for the registration and supervision  
13 of the operations and activities of an appraisal  
14 management company;”; and

15 (B) by adding at the end the following new  
16 paragraph:

17 “(6) maintain a national registry of appraisal  
18 management companies that either are registered  
19 with and subject to supervision of a State appraiser  
20 certifying and licensing agency or are operating sub-  
21 sidiaries of a Federally regulated financial institu-  
22 tion.”.

23 (2) APPRAISAL MANAGEMENT COMPANY MIN-  
24 IMUM REQUIREMENTS.—Title XI of the Financial  
25 Institutions Reform, Recovery, and Enforcement Act

1 of 1989 (12 U.S.C. 3331 et seq.) is amended by  
2 adding at the end the following new section (and  
3 amending the table of contents accordingly):

4 **“SEC. 1124. APPRAISAL MANAGEMENT COMPANY MINIMUM**  
5 **REQUIREMENTS.**

6 “(a) IN GENERAL.—The Board of Governors of the  
7 Federal Reserve System, the Comptroller of the Currency,  
8 the Federal Deposit Insurance Corporation, the National  
9 Credit Union Administration Board, the Federal Housing  
10 Finance Agency, and the Bureau of Consumer Financial  
11 Protection shall jointly, by rule, establish minimum re-  
12 quirements to be applied by a State in the registration  
13 of appraisal management companies. Such requirements  
14 shall include a requirement that such companies—

15 “(1) register with and be subject to supervision  
16 by a State appraiser certifying and licensing agency  
17 in each State in which such company operates;

18 “(2) verify that only licensed or certified ap-  
19 praisers are used for federally related transactions;

20 “(3) require that appraisals coordinated by an  
21 appraisal management company comply with the  
22 Uniform Standards of Professional Appraisal Prac-  
23 tice; and

24 “(4) require that appraisals are conducted inde-  
25 pendently and free from inappropriate influence and

1 coercion pursuant to the appraisal independence  
2 standards established under section 129E of the  
3 Truth in Lending Act.

4 “(b) RELATION TO STATE LAW.—Nothing in this  
5 section shall be construed to prevent States from estab-  
6 lishing requirements in addition to any rules promulgated  
7 under subsection (a).

8 “(c) FEDERALLY REGULATED FINANCIAL INSTITU-  
9 TIONS.—The requirements of subsection (a) shall apply to  
10 an appraisal management company that is a subsidiary  
11 owned and controlled by a financial institution and regu-  
12 lated by a Federal financial institution regulatory agency.  
13 An appraisal management company that is a subsidiary  
14 owned and controlled by a financial institution regulated  
15 by a Federal financial institution regulatory agency shall  
16 not be required to register with a State.

17 “(d) REGISTRATION LIMITATIONS.—An appraisal  
18 management company shall not be registered by a State  
19 or included on the national registry if such company, in  
20 whole or in part, directly or indirectly, is owned by any  
21 person who has had an appraiser license or certificate re-  
22 fused, denied, cancelled, surrendered in lieu of revocation,  
23 or revoked in any State. Additionally, each person that  
24 owns more than 10 percent of an appraisal management  
25 company shall be of good moral character, as determined



1 by the State appraiser certifying and licensing agency, and  
2 shall submit to a background investigation carried out by  
3 the State appraiser certifying and licensing agency.

4 “(e) REPORTING.—The Board of Governors of the  
5 Federal Reserve System, the Comptroller of the Currency,  
6 the Federal Deposit Insurance Corporation, the National  
7 Credit Union Administration Board, the Federal Housing  
8 Finance Agency, and the Bureau of Consumer Financial  
9 Protection shall jointly promulgate regulations for the re-  
10 porting of the activities of appraisal management compa-  
11 nies to the Appraisal Subcommittee in determining the  
12 payment of the annual registry fee.

13 “(f) EFFECTIVE DATE.—

14 “(1) IN GENERAL.—No appraisal management  
15 company may perform services related to a federally  
16 related transaction in a State after the date that is  
17 36 months after the date on which the regulations  
18 required to be prescribed under subsection (a) are  
19 prescribed in final form unless such company is reg-  
20 istered with such State or subject to oversight by a  
21 Federal financial institutions regulatory agency.

22 “(2) EXTENSION OF EFFECTIVE DATE.—Sub-  
23 ject to the approval of the Council, the Appraisal  
24 Subcommittee may extend by an additional 12  
25 months the requirements for the registration and su-

1       pervision of appraisal management companies if it  
2       makes a written finding that a State has made sub-  
3       stantial progress in establishing a State appraisal  
4       management company registration and supervision  
5       system that appears to conform with the provisions  
6       of this title.”.

7               (3) STATE APPRAISER CERTIFYING AND LI-  
8       CENSING AGENCY AUTHORITY.—Section 1117 of the  
9       Financial Institutions Reform, Recovery, and En-  
10      forcement Act of 1989 (12 U.S.C. 3346) is amended  
11      by adding at the end the following: “The duties of  
12      such agency may additionally include the registra-  
13      tion and supervision of appraisal management com-  
14      panies and the addition of information about the ap-  
15      praisal management company to the national reg-  
16      istry.”.

17              (4) APPRAISAL MANAGEMENT COMPANY DEFINI-  
18      TION.—Section 1121 of the Financial Institutions  
19      Reform, Recovery, and Enforcement Act of 1989  
20      (12 U.S.C. 3350) is amended by adding at the end  
21      the following:

22              “(11) APPRAISAL MANAGEMENT COMPANY.—  
23      The term ‘appraisal management company’ means,  
24      in connection with valuing properties collateralizing  
25      mortgage loans or mortgages incorporated into a

1 securitization, any external third party authorized ei-  
2 ther by a creditor of a consumer credit transaction  
3 secured by a consumer's principal dwelling or by an  
4 underwriter of or other principal in the secondary  
5 mortgage markets, that oversees a network or panel  
6 of more than 15 certified or licensed appraisers in  
7 a State or 25 or more nationally within a given  
8 year—

9 “(A) to recruit, select, and retain apprais-  
10 ers;

11 “(B) to contract with licensed and certified  
12 appraisers to perform appraisal assignments;

13 “(C) to manage the process of having an  
14 appraisal performed, including providing admin-  
15 istrative duties such as receiving appraisal or-  
16 ders and appraisal reports, submitting com-  
17 pleted appraisal reports to creditors and under-  
18 writers, collecting fees from creditors and un-  
19 derwriters for services provided, and reimburs-  
20 ing appraisers for services performed; or

21 “(D) to review and verify the work of ap-  
22 praisers.”.

23 (g) STATE AGENCY REPORTING REQUIREMENT.—  
24 Section 1109(a) of the Financial Institutions Reform, Re-

1 covery, and Enforcement Act of 1989 (12 U.S.C. 3338(a))  
2 is amended—

3 (1) by striking “and” after the semicolon in  
4 paragraph (1);

5 (2) by redesignating paragraph (2) as para-  
6 graph (4); and

7 (3) by inserting after paragraph (1) the fol-  
8 lowing new paragraphs:

9 “(2) transmit reports on the issuance and re-  
10 newal of licenses and certifications, sanctions, dis-  
11 ciplinary actions, license and certification revoca-  
12 tions, and license and certification suspensions on a  
13 timely basis to the national registry of the Appraisal  
14 Subcommittee;

15 “(3) transmit reports on a timely basis of su-  
16 pervisory activities involving appraisal management  
17 companies or other third-party providers of apprais-  
18 als and appraisal management services, including in-  
19 vestigations initiated and disciplinary actions taken;  
20 and”.

21 (h) REGISTRY FEES MODIFIED.—

22 (1) IN GENERAL.—Section 1109(a) of the Fi-  
23 nancial Institutions Reform, Recovery, and Enforce-  
24 ment Act of 1989 (12 U.S.C. 3338(a)) is amend-  
25 ed—

1 (A) by amending paragraph (4) (as modi-  
2 fied by section 1473(g)) to read as follows:

3 “(4) collect—

4 “(A) from such individuals who perform or  
5 seek to perform appraisals in federally related  
6 transactions, an annual registry fee of not more  
7 than \$40, such fees to be transmitted by the  
8 State agencies to the Council on an annual  
9 basis; and

10 “(B) from an appraisal management com-  
11 pany that either has registered with a State ap-  
12 praiser certifying and licensing agency in ac-  
13 cordance with this title or operates as a sub-  
14 subsidiary of a federally regulated financial institu-  
15 tion, an annual registry fee of—

16 “(i) in the case of such a company  
17 that has been in existence for more than a  
18 year, \$25 multiplied by the number of ap-  
19 praisers working for or contracting with  
20 such company in such State during the  
21 previous year, but where such \$25 amount  
22 may be adjusted, up to a maximum of \$50,  
23 at the discretion of the Appraisal Sub-  
24 committee, if necessary to carry out the

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1 Subcommittee's functions under this title;  
2 and

3 “(ii) in the case of such a company  
4 that has not been in existence for more  
5 than a year, \$25 multiplied by an appro-  
6 priate number to be determined by the Ap-  
7 praisal Subcommittee, and where such  
8 number will be used for determining the  
9 fee of all such companies that were not in  
10 existence for more than a year, but where  
11 such \$25 amount may be adjusted, up to  
12 a maximum of \$50, at the discretion of the  
13 Appraisal Subcommittee, if necessary to  
14 carry out the Subcommittee's functions  
15 under this title.”; and

16 (B) by amending the matter following  
17 paragraph (4), as redesignated, to read as fol-  
18 lows:

19 “Subject to the approval of the Council, the Appraisal  
20 Subcommittee may adjust the dollar amount of registry  
21 fees under paragraph (4)(A), up to a maximum of \$80  
22 per annum, as necessary to carry out its functions under  
23 this title. The Appraisal Subcommittee shall consider at  
24 least once every 5 years whether to adjust the dollar  
25 amount of the registry fees to account for inflation. In

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1 implementing any change in registry fees, the Appraisal  
2 Subcommittee shall provide flexibility to the States for  
3 multi-year certifications and licenses already in place, as  
4 well as a transition period to implement the changes in  
5 registry fees. In establishing the amount of the annual  
6 registry fee for an appraisal management company, the  
7 Appraisal Subcommittee shall have the discretion to im-  
8 pose a minimum annual registry fee for an appraisal man-  
9 agement company to protect against the under reporting  
10 of the number of appraisers working for or contracted by  
11 the appraisal management company.”.

12 (2) INCREMENTAL REVENUES.—Incremental  
13 revenues collected pursuant to the increases required  
14 by this subsection shall be placed in a separate ac-  
15 count at the United States Treasury, entitled the  
16 “Appraisal Subcommittee Account”.

17 (i) GRANTS AND REPORTS.—Section 1109(b) of the  
18 Financial Institutions Reform, Recovery, and Enforce-  
19 ment Act of 1989 (12 U.S.C. 3338(b)) is amended—

20 (1) by striking “and” after the semicolon in  
21 paragraph (3);

22 (2) by striking the period at the end of para-  
23 graph (4) and inserting a semicolon;

24 (3) by adding at the end the following new  
25 paragraphs:

1           “(5) to make grants to State appraiser certi-  
2           fying and licensing agencies, in accordance with poli-  
3           cies to be developed by the Appraisal Subcommittee,  
4           to support the efforts of such agencies to comply  
5           with this title, including—

6                   “(A) the complaint process, complaint in-  
7                   vestigations, and appraiser enforcement activi-  
8                   ties of such agencies; and

9                   “(B) the submission of data on State li-  
10                  censed and certified appraisers and appraisal  
11                  management companies to the National ap-  
12                  praisal registry, including information affirming  
13                  that the appraiser or appraisal management  
14                  company meets the required qualification cri-  
15                  teria and formal and informal disciplinary ac-  
16                  tions; and

17                  “(6) to report to all State appraiser certifying  
18                  and licensing agencies when a license or certification  
19                  is surrendered, revoked, or suspended.”.

20           Obligations authorized under this subsection may not ex-  
21           ceed 75 percent of the fiscal year total of incremental in-  
22           crease in fees collected and deposited in the “Appraisal  
23           Subcommittee Account” pursuant to subsection (h).



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1 (j) CRITERIA.—Section 1116 of the Financial Institu-  
2 tions Reform, Recovery, and Enforcement Act of 1989 (12  
3 U.S.C. 3345) is amended—

4 (1) in subsection (c), by inserting “whose cri-  
5 teria for the licensing of a real estate appraiser cur-  
6 rently meet or exceed the minimum criteria issued  
7 by the Appraisal Qualifications Board of The Ap-  
8 praisal Foundation for the licensing of real estate  
9 appraisers” before the period at the end; and

10 (2) by striking subsection (e) and inserting the  
11 following new subsection:

12 “(e) MINIMUM QUALIFICATION REQUIREMENTS.—  
13 Any requirements established for individuals in the posi-  
14 tion of ‘Trainee Appraiser’ and ‘Supervisory Appraiser’  
15 shall meet or exceed the minimum qualification require-  
16 ments of the Appraiser Qualifications Board of The Ap-  
17 praisal Foundation. The Appraisal Subcommittee shall  
18 have the authority to enforce these requirements.”.

19 (k) MONITORING OF STATE APPRAISER CERTIFYING  
20 AND LICENSING AGENCIES.—Section 1118 of the Finan-  
21 cial Institutions Reform, Recovery, and Enforcement Act  
22 of 1989 (12 U.S.C. 3347) is amended—

23 (1) by amending subsection (a) to read as fol-  
24 lows:

1           “(a) IN GENERAL.—The Appraisal Subcommittee  
2 shall monitor each State appraiser certifying and licensing  
3 agency for the purposes of determining whether such  
4 agency—

5           “(1) has policies, practices, funding, staffing,  
6 and procedures that are consistent with this title;

7           “(2) processes complaints and completes inves-  
8 tigations in a reasonable time period;

9           “(3) appropriately disciplines sanctioned ap-  
10 praisers and appraisal management companies;

11           “(4) maintains an effective regulatory program;  
12 and

13           “(5) reports complaints and disciplinary actions  
14 on a timely basis to the national registries on ap-  
15 praisers and appraisal management companies main-  
16 tained by the Appraisal Subcommittee.

17 The Appraisal Subcommittee shall have the authority to  
18 remove a State licensed or certified appraiser or a reg-  
19 istered appraisal management company from a national  
20 registry on an interim basis, not to exceed 90 days, pend-  
21 ing State agency action on licensing, certification, reg-  
22 istration, and disciplinary proceedings. The Appraisal  
23 Subcommittee and all agencies, instrumentalities, and  
24 Federally recognized entities under this title shall not rec-  
25 ognize appraiser certifications and licenses from States

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1 whose appraisal policies, practices, funding, staffing, or  
2 procedures are found to be inconsistent with this title. The  
3 Appraisal Subcommittee shall have the authority to im-  
4 pose sanctions, as described in this section, against a State  
5 agency that fails to have an effective appraiser regulatory  
6 program. In determining whether such a program is effec-  
7 tive, the Appraisal Subcommittee shall include an analysis  
8 of the licensing and certification of appraisers, the reg-  
9 istration of appraisal management companies, the  
10 issuance of temporary licenses and certifications for ap-  
11 praisers, the receiving and tracking of submitted com-  
12 plaints against appraisers and appraisal management  
13 companies, the investigation of complaints, and enforce-  
14 ment actions against appraisers and appraisal manage-  
15 ment companies. The Appraisal Subcommittee shall have  
16 the authority to impose interim actions and suspensions  
17 against a State agency as an alternative to, or in advance  
18 of, the derecognition of a State agency.”.

19 (2) in subsection (b)(2), by inserting after “au-  
20 thority” the following: “or sufficient funding”.

21 (1) RECIPROcity.—Subsection (b) of section 1122 of  
22 the Financial Institutions Reform, Recovery, and Enforce-  
23 ment Act of 1989 (12 U.S.C. 3351(b)) is amended to read  
24 as follows:

1           “(b) RECIPROCALITY.—Notwithstanding any other pro-  
2 visions of this title, a federally related transaction shall  
3 not be appraised by a certified or licensed appraiser unless  
4 the State appraiser certifying or licensing agency of the  
5 State certifying or licensing such appraiser has in place  
6 a policy of issuing a reciprocal certification or license for  
7 an individual from another State when—

8           “(1) the appraiser licensing and certification  
9 program of such other State is in compliance with  
10 the provisions of this title; and

11           “(2) the appraiser holds a valid certification  
12 from a State whose requirements for certification or  
13 licensing meet or exceed the licensure standards es-  
14 tablished by the State where an individual seeks ap-  
15 praisal licensure.”.

16           (m) CONSIDERATION OF PROFESSIONAL APPRAISAL  
17 DESIGNATIONS.—Section 1122(d) of the Financial Insti-  
18 tutions Reform, Recovery, and Enforcement Act of 1989  
19 (12 U.S.C. 3351(d)) is amended by striking “shall not ex-  
20 clude” and all that follows through the end of the sub-  
21 section and inserting the following: “may include edu-  
22 cation achieved, experience, sample appraisals, and ref-  
23 erences from prior clients. Membership in a nationally rec-  
24 ognized professional appraisal organization may be a cri-  
25 teria considered, though lack of membership therein shall

1 not be the sole bar against consideration for an assign-  
2 ment under these criteria.”.

3 (n) APPRAISER INDEPENDENCE.—Section 1122 of  
4 the Financial Institutions Reform, Recovery, and Enforce-  
5 ment Act of 1989 (12 U.S.C. 3351) is amended by adding  
6 at the end the following new subsection:

7 “(g) APPRAISER INDEPENDENCE MONITORING.—  
8 The Appraisal Subcommittee shall monitor each State ap-  
9 praiser certifying and licensing agency for the purpose of  
10 determining whether such agency’s policies, practices, and  
11 procedures are consistent with the purposes of maintain-  
12 ing appraiser independence and whether such State has  
13 adopted and maintains effective laws, regulations, and  
14 policies aimed at maintaining appraiser independence.”.

15 (o) APPRAISER EDUCATION.—Section 1122 of the  
16 Financial Institutions Reform, Recovery, and Enforce-  
17 ment Act of 1989 (12 U.S.C. 3351) is amended by insert-  
18 ing after subsection (g) (as added by subsection (l) of this  
19 section) the following new subsection:

20 “(h) APPROVED EDUCATION.—The Appraisal Sub-  
21 committee shall encourage the States to accept courses ap-  
22 proved by the Appraiser Qualification Board’s Course Ap-  
23 proval Program.”.

24 (p) APPRAISAL COMPLAINT HOTLINE.—Section 1122  
25 of the Financial Institutions Reform, Recovery, and En-

1 enforcement Act of 1989 (12 U.S.C. 3351), as amended by  
2 this section, is amended by adding at the end the following  
3 new subsection:

4       “(i) APPRAISAL COMPLAINT NATIONAL HOTLINE.—  
5 If, 6 months after the date of the enactment of this sub-  
6 section, the Appraisal Subcommittee determines that no  
7 national hotline exists to receive complaints of non-compli-  
8 ance with appraisal independence standards and Uniform  
9 Standards of Professional Appraisal Practice, including  
10 complaints from appraisers, individuals, or other entities  
11 concerning the improper influencing or attempted im-  
12 proper influencing of appraisers or the appraisal process,  
13 the Appraisal Subcommittee shall establish and operate  
14 such a national hotline, which shall include a toll-free tele-  
15 phone number and an email address. If the Appraisal Sub-  
16 committee operates such a national hotline, the Appraisal  
17 Subcommittee shall refer complaints for further action to  
18 appropriate governmental bodies, including a State ap-  
19 praiser certifying and licensing agency, a financial institu-  
20 tion regulator, or other appropriate legal authorities. For  
21 complaints referred to State appraiser certifying and li-  
22 censing agencies or to Federal regulators, the Appraisal  
23 Subcommittee shall have the authority to follow up such  
24 complaint referrals in order to determine the status of the  
25 resolution of the complaint.”.

1 (q) AUTOMATED VALUATION MODELS.—Title XI of  
2 the Financial Institutions Reform, Recovery, and Enforce-  
3 ment Act of 1989 (12 U.S.C. 3331 et seq.), as amended  
4 by this section, is amended by adding at the end the fol-  
5 lowing new section (and amending the table of contents  
6 accordingly):

7 **“SEC. 1125. AUTOMATED VALUATION MODELS USED TO ES-**  
8 **TIMATE COLLATERAL VALUE FOR MORT-**  
9 **GAGE LENDING PURPOSES.**

10 “(a) IN GENERAL.—Automated valuation models  
11 shall adhere to quality control standards designed to—

12 “(1) ensure a high level of confidence in the es-  
13 timates produced by automated valuation models;

14 “(2) protect against the manipulation of data;

15 “(3) seek to avoid conflicts of interest;

16 “(4) require random sample testing and re-  
17 views; and

18 “(5) account for any other such factor that the  
19 agencies listed in subsection (b) determine to be ap-  
20 propriate.

21 “(b) ADOPTION OF REGULATIONS.—The Board, the  
22 Comptroller of the Currency, the Federal Deposit Insur-  
23 ance Corporation, the National Credit Union Administra-  
24 tion Board, the Federal Housing Finance Agency, and the  
25 Bureau of Consumer Financial Protection, in consultation

1 with the staff of the Appraisal Subcommittee and the Ap-  
2 praisal Standards Board of the Appraisal Foundation,  
3 shall promulgate regulations to implement the quality con-  
4 trol standards required under this section.

5 “(c) ENFORCEMENT.—Compliance with regulations  
6 issued under this subsection shall be enforced by—

7 “(1) with respect to a financial institution, or  
8 subsidiary owned and controlled by a financial insti-  
9 tution and regulated by a Federal financial institu-  
10 tion regulatory agency, the Federal financial institu-  
11 tion regulatory agency that acts as the primary Fed-  
12 eral supervisor of such financial institution or sub-  
13 sidiary; and

14 “(2) with respect to other participants in the  
15 market for appraisals of 1-to-4 unit single family  
16 residential real estate, the Federal Trade Commis-  
17 sion, the Bureau of Consumer Financial Protection,  
18 and a State attorney general.

19 “(d) AUTOMATED VALUATION MODEL DEFINED.—  
20 For purposes of this section, the term ‘automated valu-  
21 ation model’ means any computerized model used by mort-  
22 gage originators and secondary market issuers to deter-  
23 mine the collateral worth of a mortgage secured by a con-  
24 sumer’s principal dwelling.”.



1           (r) **BROKER PRICE OPINIONS.**—Title XI of the Fi-  
2 nancial Institutions Reform, Recovery, and Enforcement  
3 Act of 1989 (12 U.S.C. 3331 et seq.), as amended by this  
4 section, is amended by adding at the end the following  
5 new section (and amending the table of contents accord-  
6 ingly):

7           **“SEC. 1126. BROKER PRICE OPINIONS.**

8           “(a) **GENERAL PROHIBITION.**—In conjunction with  
9 the purchase of a consumer’s principal dwelling, broker  
10 price opinions may not be used as the primary basis to  
11 determine the value of a piece of property for the purpose  
12 of a loan origination of a residential mortgage loan se-  
13 cured by such piece of property.

14           “(b) **BROKER PRICE OPINION DEFINED.**—For pur-  
15 poses of this section, the term ‘broker price opinion’ means  
16 an estimate prepared by a real estate broker, agent, or  
17 sales person that details the probable selling price of a  
18 particular piece of real estate property and provides a  
19 varying level of detail about the property’s condition, mar-  
20 ket, and neighborhood, and information on comparable  
21 sales, but does not include an automated valuation model,  
22 as defined in section 1125(c).”.

23           (s) **AMENDMENTS TO APPRAISAL SUBCOMMITTEE.**—  
24 Section 1011 of the Federal Financial Institutions Exam-

1 ination Council Act of 1978 (12 U.S.C. 3310) is amend-  
2 ed—

3 (1) in the first sentence, by adding before the  
4 period the following: “, the Bureau of Consumer Fi-  
5 nancial Protection, and the Federal Housing Fi-  
6 nance Agency”; and

7 (2) by inserting at the end the following: “At  
8 all times at least one member of the Appraisal Sub-  
9 committee shall have demonstrated knowledge and  
10 competence through licensure, certification, or pro-  
11 fessional designation within the appraisal profes-  
12 sion.”.

13 (t) TECHNICAL CORRECTIONS.—

14 (1) Section 1119(a)(2) of the Financial Institu-  
15 tions Reform, Recovery, and Enforcement Act of  
16 1989 (12 U.S.C. 3348(a)(2)) is amended by striking  
17 “council,” and inserting “Council,”.

18 (2) Section 1121(6) of the Financial Institu-  
19 tions Reform, Recovery, and Enforcement Act of  
20 1989 (12 U.S.C. 3350(6)) is amended by striking  
21 “Corporations,” and inserting “Corporation,”.

22 (3) Section 1121(8) of the Financial Institu-  
23 tions Reform, Recovery, and Enforcement Act of  
24 1989 (12 U.S.C. 3350(8)) is amended by striking  
25 “council” and inserting “Council”.

1           (4) Section 1122 of the Financial Institutions  
2       Reform, Recovery, and Enforcement Act of 1989  
3       (12 U.S.C. 3351) is amended—

4           (A) in subsection (a)(1) by moving the left  
5       margin of subparagraphs (A), (B), and (C) 2  
6       ems to the right; and

7           (B) in subsection (c)—

8           (i) by striking “Federal Financial In-  
9       stitutions Examination Council” and in-  
10       serting “Financial Institutions Examina-  
11       tion Council”; and

12           (ii) by striking “the council’s func-  
13       tions” and inserting “the Council’s func-  
14       tions”.

15   **SEC. 1474. EQUAL CREDIT OPPORTUNITY ACT AMENDMENT.**

16       Subsection (e) of section 701 of the Equal Credit Op-  
17       portunity Act (15 U.S.C. 1691) is amended to read as  
18       follows:

19       “(e) COPIES FURNISHED TO APPLICANTS.—

20           “(1) IN GENERAL.—Each creditor shall furnish  
21       to an applicant a copy of any and all written ap-  
22       praisals and valuations developed in connection with  
23       the applicant’s application for a loan that is secured  
24       or would have been secured by a first lien on a  
25       dwelling promptly upon completion, but in no case

1 later than 3 days prior to the closing of the loan,  
2 whether the creditor grants or denies the applicant's  
3 request for credit or the application is incomplete or  
4 withdrawn.

5 “(2) WAIVER.—The applicant may waive the 3  
6 day requirement provided for in paragraph (1), ex-  
7 cept where otherwise required in law.

8 “(3) REIMBURSEMENT.—The applicant may be  
9 required to pay a reasonable fee to reimburse the  
10 creditor for the cost of the appraisal, except where  
11 otherwise required in law.

12 “(4) FREE COPY.—Notwithstanding paragraph  
13 (3), the creditor shall provide a copy of each written  
14 appraisal or valuation at no additional cost to the  
15 applicant.

16 “(5) NOTIFICATION TO APPLICANTS.—At the  
17 time of application, the creditor shall notify an ap-  
18 plicant in writing of the right to receive a copy of  
19 each written appraisal and valuation under this sub-  
20 section.

21 “(6) VALUATION DEFINED.—For purposes of  
22 this subsection, the term ‘valuation’ shall include  
23 any estimate of the value of a dwelling developed in  
24 connection with a creditor's decision to provide cred-  
25 it, including those values developed pursuant to a

1 policy of a government sponsored enterprise or by an  
2 automated valuation model, a broker price opinion,  
3 or other methodology or mechanism.”.

4 **SEC. 1475. REAL ESTATE SETTLEMENT PROCEDURES ACT**  
5 **OF 1974 AMENDMENT RELATING TO CERTAIN**  
6 **APPRAISAL FEES.**

7 Section 4 of the Real Estate Settlement Procedures  
8 Act of 1974 is amended by adding at the end the following  
9 new subsection:

10 “(c) The standard form described in subsection (a)  
11 may include, in the case of an appraisal coordinated by  
12 an appraisal management company (as such term is de-  
13 fined in section 1121(11) of the Financial Institutions Re-  
14 form, Recovery, and Enforcement Act of 1989 (12 U.S.C.  
15 3350(11))), a clear disclosure of—

16 “(1) the fee paid directly to the appraiser by  
17 such company; and

18 “(2) the administration fee charged by such  
19 company.”.

1 **SEC. 1476. GAO STUDY ON THE EFFECTIVENESS AND IM-**  
2 **PACT OF VARIOUS APPRAISAL METHODS,**  
3 **VALUATION MODELS AND DISTRIBUTIONS**  
4 **CHANNELS, AND ON THE HOME VALUATION**  
5 **CODE OF CONDUCT AND THE APPRAISAL**  
6 **SUBCOMMITTEE.**

7 (a) IN GENERAL.—The Government Accountability  
8 Office shall conduct a study on—

9 (1) the effectiveness and impact of—

10 (A) appraisal methods, including the cost  
11 approach, the comparative sales approach, the  
12 income approach, and others that may be avail-  
13 able;

14 (B) appraisal valuation models, including  
15 licensed and certified appraisals, broker-priced  
16 opinions, and automated valuation models; and

17 (C) appraisal distribution channels, includ-  
18 ing appraisal management companies, inde-  
19 pendent appraisal operations within mortgage  
20 originators, and fee-for-service appraisers;

21 (2) the Home Valuation Code of Conduct; and

22 (3) the Appraisal Subcommittee's functions  
23 pursuant to title XI of the Financial Institutions Re-  
24 form, Recovery, and Enforcement Act of 1989.

25 (b) STUDY.—Not later than—

1           (1) 12 months after the date of enactment of  
2           this Act, the Government Accountability Office shall  
3           submit a study to the Committee on Banking, Hous-  
4           ing, and Urban Affairs of the Senate and the Com-  
5           mittee on Financial Services of the House of Rep-  
6           resentatives; and

7           (2) 90 days after the date of enactment of this  
8           Act, the Government Accountability Office shall pro-  
9           vide a report on the status of the study and any pre-  
10          liminary findings to the Committee on Banking,  
11          Housing, and Urban Affairs of the Senate and the  
12          Committee on Financial Services of the House of  
13          Representatives.

14          (c) CONTENT OF STUDY.—The study required by this  
15          section shall include an examination of the following:

16               (1) APPRAISAL APPROACHES, VALUATION MOD-  
17               ELS, AND DISTRIBUTION CHANNELS.—

18                       (A) The prevalence, alone or in combina-  
19                       tion, of certain appraisal approaches, models,  
20                       and channels in purchase-money and refinance  
21                       mortgage transactions.

22                       (B) The accuracy of these approaches,  
23                       models, and channels in assessing the property  
24                       as collateral.

1 (C) Whether and how these approaches,  
2 models, and channels contributed to price spec-  
3 ulation during the previous cycle.

4 (D) The costs to consumers of these ap-  
5 proaches, models, and channels.

6 (E) The disclosure of fees to consumers in  
7 the appraisal process.

8 (F) To what extent the usage of these ap-  
9 proaches, models, and channels may be influ-  
10 enced by a conflict of interest between the  
11 mortgage lender and the appraiser and the  
12 mechanism by which the lender selects and  
13 compensates the appraiser.

14 (G) The suitability of these approaches,  
15 models, and channels in rural versus urban  
16 areas.

17 (2) HOME VALUATION CODE OF CONDUCT  
18 (HVCC).—

19 (A) How the HVCC affects mortgage lend-  
20 ers' selection of appraisers.

21 (B) How the HVCC affects State regula-  
22 tion of appraisers and appraisal distribution  
23 channels.



1                   (C) How the HVCC affects the quality and  
2                   cost of appraisals and the length of time to ob-  
3                   tain an appraisal.

4                   (D) How the HVCC affects mortgage bro-  
5                   kers, small businesses, and consumers.

6                   (d) ADDITIONAL STUDY REQUIRED.—

7                   (1) IN GENERAL.—Not later than 18 months  
8                   after the date of enactment of this Act, the Govern-  
9                   ment Accountability Office shall submit a study to  
10                  the Committee on Banking, Housing, and Urban Af-  
11                  fairs of the Senate and the Committee on Financial  
12                  Services of the House of Representatives.

13                  (2) CONTENT OF ADDITIONAL STUDY.—The  
14                  study required under paragraph (1) shall include—

15                         (A) an examination of—

16                                 (i) the Appraisal Subcommittee's abil-  
17                                 ity to monitor and enforce State and Fed-  
18                                 eral certification requirements and stand-  
19                                 ards, including by providing a summary  
20                                 with a statistical breakdown of enforce-  
21                                 ment actions taken during the last 10  
22                                 years;

23                                 (ii) whether existing Federal financial  
24                                 institutions regulatory agency exemptions

1 on appraisals for federally related trans-  
2 actions needs to be revised; and

3 (iii) whether new means of data col-  
4 lection, such as the establishment of a na-  
5 tional repository, would benefit the Ap-  
6 praisal Subcommittee's ability to perform  
7 its functions; and

8 (B) recommendations from this examina-  
9 tion for administrative and legislative action at  
10 the Federal and State level.

## 11 **Subtitle G—Mortgage Resolution** 12 **and Modification**

### 13 **SEC. 1481. MULTIFAMILY MORTGAGE RESOLUTION PRO-** 14 **GRAM.**

15 (a) ESTABLISHMENT.—The Secretary of Housing  
16 and Urban Development shall develop a program under  
17 this subsection to ensure the protection of current and fu-  
18 ture tenants and at-risk multifamily properties, where fea-  
19 sible, based on criteria that may include—

20 (1) creating sustainable financing of such prop-  
21 erties, that may take into consideration such factors  
22 as—

23 (A) the rental income generated by such  
24 properties; and

1 (B) the preservation of adequate operating  
2 reserves;

3 (2) maintaining the level of Federal, State, and  
4 city subsidies in effect as of the date of the enact-  
5 ment of this Act;

6 (3) providing funds for rehabilitation; and

7 (4) facilitating the transfer of such properties,  
8 when appropriate and with the agreement of owners,  
9 to responsible new owners and ensuring affordability  
10 of such properties.

11 (b) COORDINATION.—The Secretary of Housing and  
12 Urban Development may, in carrying out the program de-  
13 veloped under this section, coordinate with the Secretary  
14 of the Treasury, the Federal Deposit Insurance Corpora-  
15 tion, the Board of Governors of the Federal Reserve Sys-  
16 tem, the Federal Housing Finance Agency, and any other  
17 Federal Government agency that the Secretary considers  
18 appropriate.

19 (c) DEFINITION.—For purposes of this section, the  
20 term “multifamily properties” means a residential struc-  
21 ture that consists of 5 or more dwelling units.

22 (d) PREVENTION OF QUALIFICATION FOR CRIMINAL  
23 APPLICANTS.—

24 (1) IN GENERAL.—No person shall be eligible  
25 to begin receiving assistance from the Making Home

1 Affordable Program authorized under the Emer-  
2 gency Economic Stabilization Act of 2008 (12  
3 U.S.C. 5201 et seq.), or any other mortgage assist-  
4 ance program authorized or funded by that Act, on  
5 or after 60 days after the date of the enactment of  
6 this Act, if such person, in connection with a mort-  
7 gage or real estate transaction, has been convicted,  
8 within the last 10 years, of any one of the following:

9 (A) Felony larceny, theft, fraud, or for-  
10 gery.

11 (B) Money laundering.

12 (C) Tax evasion.

13 (2) PROCEDURES.—The Secretary shall estab-  
14 lish procedures to ensure compliance with this sub-  
15 section.

16 (3) REPORT.—The Secretary shall report to the  
17 Committee on Financial Services of the House of  
18 Representatives and the Committee on Banking,  
19 Housing, and Urban Affairs of the Senate regarding  
20 the implementation of this provision. The report  
21 shall also describe the steps taken to implement this  
22 subsection.

1 **SEC. 1482. HOME AFFORDABLE MODIFICATION PROGRAM**  
2 **GUIDELINES.**

3 (a) NET PRESENT VALUE INPUT DATA.—The Sec-  
4 retary of the Treasury (in this section referred to as the  
5 “Secretary”) shall revise the supplemental directives and  
6 other guidelines for the Home Affordable Modification  
7 Program of the Making Home Affordable initiative of the  
8 Secretary of the Treasury, authorized under the Emer-  
9 gency Economic Stabilization Act of 2008 (Public Law  
10 110–343), to require each mortgage servicer participating  
11 in such program to provide each borrower under a mort-  
12 gage whose request for a mortgage modification under the  
13 Program is denied with all borrower-related and mort-  
14 gage-related input data used in any net present value  
15 (NPV) analyses performed in connection with the subject  
16 mortgage. Such input data shall be provided to the bor-  
17 rower at the time of such denial.

18 (b) WEB-BASED SITE FOR NPV CALCULATOR AND  
19 APPLICATION.—

20 (1) NPV CALCULATOR.—In carrying out the  
21 Home Affordable Modification Program, the Sec-  
22 retary shall establish and maintain a site on the  
23 World Wide Web that provides a calculator for net  
24 present value analyses of a mortgage, based on the  
25 Secretary’s methodology for calculating such value,  
26 that mortgagors can use to enter information re-

1        regarding their own mortgages and that provides a de-  
2        termination after entering such information regard-  
3        ing a mortgage of whether such mortgage would be  
4        accepted or rejected for modification under the Pro-  
5        gram, using such methodology.

6            (2) DISCLOSURE.—Such Web site shall also  
7        prominently disclose that each mortgage servicer  
8        participating in such Program may use a method for  
9        calculating net present value of a mortgage that is  
10       different than the method used by such calculator.

11           (3) APPLICATION.—The Secretary shall make a  
12       reasonable effort to include on such World Wide  
13       Web site a method for homeowners to apply for a  
14       mortgage modification under the Home Affordable  
15       Modification Program.

16           (c) PUBLIC AVAILABILITY OF NPV METHODOLOGY,  
17       COMPUTER MODEL, AND VARIABLES.—The Secretary  
18       shall make publicly available, including by posting on a  
19       World Wide Web site of the Secretary—

20            (1) the Secretary's methodology and computer  
21       model, including all formulae used in such computer  
22       model, used for calculating net present value of a  
23       mortgage that is used by the calculator established  
24       pursuant to subsection (b); and

1           (2) all non-proprietary variables used in such  
2 net present value analysis.

3 **SEC. 1483. PUBLIC AVAILABILITY OF INFORMATION OF**  
4 **MAKING HOME AFFORDABLE PROGRAM.**

5           (a) REVISIONS TO PROGRAM GUIDELINES.—The Sec-  
6 retary of the Treasury (in this section referred to as the  
7 “Secretary”) shall revise the guidelines for the Home Af-  
8 fordable Modification Program of the Making Home Af-  
9 fordable initiative of the Secretary of the Treasury, au-  
10 thorized under the Emergency Economic Stabilization Act  
11 of 2008 (Public Law 110–343), to provide that the data  
12 being collected by the Secretary from each mortgage  
13 servicer and lender participating in the Program is made  
14 public in accordance with subsection (b).

15           (b) PUBLIC AVAILABILITY.—Data shall be made  
16 available according to the following guidelines:

17           (1) Not more than 14 days after each monthly  
18 deadline for submission of data by mortgage  
19 servicers and lenders participating in the Program,  
20 reports shall be made publicly available by means of  
21 a World Wide Web site of the Secretary, and by sub-  
22 mitting a report to the Congress, that shall includes  
23 the following information:

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1           (A) The number of requests for mortgage  
2           modifications under the Program that the  
3           servicer or lender has received.

4           (B) The number of requests for mortgage  
5           modifications under the Program that the  
6           servicer or lender has processed.

7           (C) The number of requests for mortgage  
8           modifications under the Program that the  
9           servicer or lender has approved.

10          (D) The number of requests for mortgage  
11          modifications under the Program that the  
12          servicer or lender has denied.

13          (2) Not more than 60 days after each monthly  
14          deadline for submission of data by mortgage  
15          servicers and lenders participating in the Program,  
16          the Secretary shall make data tables available to the  
17          public at the individual record level. The Secretary  
18          shall issue regulations prescribing—

19                (A) the procedures for disclosing such data  
20                to the public; and

21                (B) such deletions as the Secretary may  
22                determine to be appropriate to protect any pri-  
23                vacy interest of any mortgage modification ap-  
24                plicant, including the deletion or alteration of  
25                the applicant's name and identification number.



1 **SEC. 1484. PROTECTING TENANTS AT FORECLOSURE EX-**  
2 **TENSION AND CLARIFICATION.**

3 The Protecting Tenants at Foreclosure Act is amend-  
4 ed—

5 (1) in section 702 (12 U.S.C. 5220 note)—

6 (A) in subsection (a)(2), by striking “, as  
7 of the date of such notice of foreclosure”; and

8 (B) in subsection (c), by inserting after the  
9 period the following: “For purposes of this sec-  
10 tion, the date of a notice of foreclosure shall be  
11 deemed to be the date on which complete title  
12 to a property is transferred to a successor enti-  
13 ty or person as a result of an order of a court  
14 or pursuant to provisions in a mortgage, deed  
15 of trust, or security deed.”; and

16 (2) in section 704 (12 U.S.C. 5201 note), by  
17 striking “2012” and inserting “2014”.

18 **Subtitle H—Miscellaneous**  
19 **Provisions**

20 **SEC. 1491. SENSE OF CONGRESS REGARDING THE IMPOR-**  
21 **TANCE OF GOVERNMENT-SPONSORED EN-**  
22 **TERPRISES REFORM TO ENHANCE THE PRO-**  
23 **TECTION, LIMITATION, AND REGULATION OF**  
24 **THE TERMS OF RESIDENTIAL MORTGAGE**  
25 **CREDIT.**

26 (a) FINDINGS.—The Congress finds as follows:

1           (1) The Government-sponsored enterprises,  
2 Federal National Mortgage Association (Fannie  
3 Mae) and the Federal Home Loan Mortgage Cor-  
4 poration (Freddie Mac), were chartered by Congress  
5 to ensure a reliable and affordable supply of mort-  
6 gage funding, but enjoy a dual legal status as pri-  
7 vately owned corporations with Government man-  
8 dated affordable housing goals.

9           (2) In 1996, the Department of Housing and  
10 Urban Development required that 42 percent of  
11 Fannie Mae's and Freddie Mac's mortgage financing  
12 should go to borrowers with income levels below the  
13 median for a given area.

14           (3) In 2004, the Department of Housing and  
15 Urban Development revised those goals, increasing  
16 them to 56 percent of their overall mortgage pur-  
17 chases by 2008, and additionally mandated that 12  
18 percent of all mortgage purchases by Fannie Mae  
19 and Freddie Mac be "special affordable" loans made  
20 to borrowers with incomes less than 60 percent of an  
21 area's median income, a target that ultimately in-  
22 creased to 28 percent for 2008.

23           (4) To help fulfill those mandated affordable  
24 housing goals, in 1995 the Department of Housing  
25 and Urban Development authorized Fannie Mae and

1 Freddie Mac to purchase subprime securities that  
2 included loans made to low-income borrowers.

3 (5) After this authorization to purchase  
4 subprime securities, subprime and near-prime loans  
5 increased from 9 percent of securitized mortgages in  
6 2001 to 40 percent in 2006, while the market share  
7 of conventional mortgages dropped from 78.8 per-  
8 cent in 2003 to 50.1 percent by 2007 with a cor-  
9 responding increase in subprime and Alt-A loans  
10 from 10.1 percent to 32.7 percent over the same pe-  
11 riod.

12 (6) In 2004 alone, Fannie Mae and Freddie  
13 Mac purchased \$175,000,000,000 in subprime mort-  
14 gage securities, which accounted for 44 percent of  
15 the market that year, and from 2005 through 2007,  
16 Fannie Mae and Freddie Mac purchased approxi-  
17 mately \$1,000,000,000,000 in subprime and Alt-A  
18 loans, while Fannie Mae's acquisitions of mortgages  
19 with less than 10 percent down payments almost tri-  
20 pled.

21 (7) According to data from the Federal Hous-  
22 ing Finance Agency (FHFA) for the fourth quarter  
23 of 2008, Fannie Mae and Freddie Mac own or guar-  
24 antee 75 percent of all newly originated mortgages,  
25 and Fannie Mae and Freddie Mac currently own

1 13.3 percent of outstanding mortgage debt in the  
2 United States and have issued mortgage-backed se-  
3 curities for 31.0 percent of the residential debt mar-  
4 ket, a combined total of 44.3 percent of outstanding  
5 mortgage debt in the United States.

6 (8) On September 7, 2008, the FHFA placed  
7 Fannie Mae and Freddie Mac into conservatorship,  
8 with the Treasury Department subsequently agree-  
9 ing to purchase at least \$200,000,000,000 of pre-  
10 ferred stock from each enterprise in exchange for  
11 warrants for the purchase of 79.9 percent of each  
12 enterprise's common stock.

13 (9) The conservatorship for Fannie Mae and  
14 Freddie Mac has potentially exposed taxpayers to  
15 upwards of \$5,300,000,000,000 worth of risk.

16 (10) The hybrid public-private status of Fannie  
17 Mae and Freddie Mac is untenable and must be re-  
18 solved to assure that consumers are offered and re-  
19 ceive residential mortgage loans on terms that rea-  
20 sonably reflect their ability to repay the loans and  
21 that are understandable and not unfair, deceptive, or  
22 abusive.

23 (b) SENSE OF THE CONGRESS.—It is the sense of  
24 the Congress that efforts to enhance by the protection,  
25 limitation, and regulation of the terms of residential mort-

1 gage credit and the practices related to such credit would  
2 be incomplete without enactment of meaningful structural  
3 reforms of Fannie Mae and Freddie Mac.

4 **SEC. 1492. GAO STUDY REPORT ON GOVERNMENT EFFORTS**  
5 **TO COMBAT MORTGAGE FORECLOSURE RES-**  
6 **CUE SCAMS AND LOAN MODIFICATION**  
7 **FRAUD.**

8 (a) STUDY.—The Comptroller General of the United  
9 States shall conduct a study of the current inter-agency  
10 efforts of the Secretary of the Treasury, the Secretary of  
11 Housing and Urban Development, the Attorney General,  
12 and the Federal Trade Commission to crackdown on mort-  
13 gage foreclosure rescue scams and loan modification fraud  
14 in order to advise the Congress to the risks and  
15 vulnerabilities of emerging schemes in the loan modifica-  
16 tion arena.

17 (b) REPORT.—

18 (1) IN GENERAL.—The Comptroller General  
19 shall submit a report to the Congress on the study  
20 conducted under subsection (a) containing such rec-  
21 ommendations for legislative and administrative ac-  
22 tions as the Comptroller General may determine to  
23 be appropriate in addition to the recommendations  
24 required under paragraph (2).

1           (2) SPECIFIC TOPICS.—The report made under  
2 paragraph (1) shall include—

3           (A) an evaluation of the effectiveness of  
4 the inter-agency task force current efforts to  
5 combat mortgage foreclosure rescue scams and  
6 loan modification fraud scams;

7           (B) specific recommendations on agency or  
8 legislative action that are essential to properly  
9 protect homeowners from mortgage foreclosure  
10 rescue scams and loan modification fraud  
11 scams; and

12           (C) the adequacy of financial resources  
13 that the Federal Government is allocating to—

14           (i) crackdown on loan modification  
15 and foreclosure rescue scams; and

16           (ii) the education of homeowners  
17 about fraudulent scams relating to loan  
18 modification and foreclosure rescues.

19 **SEC. 1493. REPORTING OF MORTGAGE DATA BY STATE.**

20           (a) IN GENERAL.—Section 104(a) of the Helping  
21 Families Save Their Homes Act of 2009 (division A of  
22 Public Law 111–22) is amended—

23           (1) in paragraph (2), by striking “resulting”  
24 and inserting “in each State that result”;

1           (2) in paragraph (3), by inserting “each State  
2           for” after “modifications in”; and

3           (3) in paragraph (4), by inserting “in each  
4           State” after “total number of loans”.

5           (b)           CONFORMING           AMENDMENT.—Section  
6   104(b)(1)(A) of such Act is amended by adding at the end  
7   the following sentence: “Not later than 60 days after the  
8   date of the enactment of the Dodd-Frank Wall Street Re-  
9   form and Consumer Protection Act, the Comptroller of the  
10   Currency and the Director of the Office of Thrift Super-  
11   vision shall update such requirements to reflect amend-  
12   ments made to this section by such Act.”.

13   **SEC. 1494. STUDY OF EFFECT OF DRYWALL PRESENCE ON**  
14                               **FORECLOSURES.**

15           (a) STUDY.—The Secretary of Housing and Urban  
16   Development, in consultation with the Secretary of the  
17   Treasury, shall conduct a study of the effect on residential  
18   mortgage loan foreclosures of—

19           (1) the presence in residential structures sub-  
20           ject to such mortgage loans of drywall that was im-  
21           ported from China during the period beginning with  
22           2004 and ending at the end of 2007; and

23           (2) the availability of property insurance for  
24           residential structures in which such drywall is  
25           present.

1 (b) REPORT.—Not later than the expiration of the  
2 120-day period beginning on the date of the enactment  
3 of this Act, the Secretary of Housing and Urban Develop-  
4 ment shall submit to the Congress a report on the study  
5 conducted under subsection (a) containing its findings,  
6 conclusions, and recommendations.

7 **SEC. 1495. DEFINITION.**

8 For purposes of this title, the term “designated  
9 transfer date” means the date established under section  
10 1062 of this Act.

11 **SEC. 1496. EMERGENCY MORTGAGE RELIEF.**

12 (a) EMERGENCY HOMEOWNERS’ RELIEF FUND.—  
13 Effective October 1, 2010, and notwithstanding any other  
14 provision of law, there is hereby made available to the Sec-  
15 retary of Housing and Urban Development such sums as  
16 are necessary to provide \$1,000,000,000 in assistance  
17 through the Emergency Homeowners’ Relief Fund, which  
18 such Secretary shall establish pursuant to section 107 of  
19 the Emergency Housing Act of 1975 (12 U.S.C. 2706),  
20 as such Act is amended by this section, for use for emer-  
21 gency mortgage assistance in accordance with title I of  
22 such Act.

23 (b) REAUTHORIZATION OF EMERGENCY MORTGAGE  
24 RELIEF PROGRAM.—Title I of the Emergency Housing  
25 Act of 1975 is amended—



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1 (1) in section 103 (12 U.S.C. 2702)—

2 (A) in paragraph (2)—

3 (i) by striking “have indicated” and  
4 all that follows through “regulation of the  
5 holder” and insert “have certified”;

6 (ii) by striking “(such as the volume  
7 of delinquent loans in its portfolio)”; and

8 (iii) by striking “, except that such  
9 statement” and all that follows through  
10 “purposes of this title”; and

11 (B) in paragraph (4), by inserting “or  
12 medical conditions” after “adverse economic  
13 conditions”;

14 (2) in section 104 (12 U.S.C. 2703)—

15 (A) in subsection (b), by striking “, but  
16 such assistance” and all that follows through  
17 the period at the end and inserting the fol-  
18 lowing: “. The amount of assistance provided to  
19 a homeowner under this title shall be an  
20 amount that the Secretary determines is rea-  
21 sonably necessary to supplement such amount  
22 as the homeowner is capable of contributing to-  
23 ward such mortgage payment, except that the  
24 aggregate amount of such assistance provided  
25 for any homeowner shall not exceed \$50,000.”;

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1           (B) in subsection (d), by striking “interest  
2           on a loan or advance” and all that follows  
3           through the end of the subsection and inserting  
4           the following: “(1) the rate of interest on any  
5           loan or advance of credit insured under this  
6           title shall be fixed for the life of the loan or ad-  
7           vance of credit and shall not exceed the rate of  
8           interest that is generally charged for mortgages  
9           on single-family housing insured by the Sec-  
10          retary of Housing and Urban Development  
11          under title II of the National Housing Act at  
12          the time such loan or advance of credit is made,  
13          and (2) no interest shall be charged on interest  
14          which is deferred on a loan or advance of credit  
15          made under this title. In establishing rates,  
16          terms and conditions for loans or advances of  
17          credit made under this title, the Secretary shall  
18          take into account a homeowner’s ability to  
19          repay such loan or advance of credit.”; and

20          (C) in subsection (e), by inserting after the  
21          period at the end of the first sentence the fol-  
22          lowing: “Any eligible homeowner who receives a  
23          grant or an advance of credit under this title  
24          may repay the loan in full, without penalty, by  
25          lump sum or by installment payments at any

1 time before the loan becomes due and pay-  
2 able.”;

3 (3) in section 105 (12 U.S.C. 2704)—

4 (A) by striking subsection (b);

5 (B) in subsection (e)—

6 (i) by inserting “and emergency mort-  
7 gage relief payments made under section  
8 106” after “insured under this section”;  
9 and

10 (ii) by striking “\$1,500,000,000 at  
11 any one time” and inserting  
12 “\$3,000,000,000”;

13 (C) by redesignating subsections (c), (d),  
14 and (e) as subsections (b), (c), and (d), respec-  
15 tively; and

16 (D) by adding at the end the following new  
17 subsection:

18 “(e) The Secretary shall establish underwriting  
19 guidelines or procedures to allocate amounts made avail-  
20 able for loans and advances insured under this section and  
21 for emergency relief payments made under section 106  
22 based on the likelihood that a mortgagor will be able to  
23 resume mortgage payments, pursuant to the requirement  
24 under section 103(5).”;

25 (4) in section 107—

1 (A) by striking “(a)”; and

2 (B) by striking subsection (b);

3 (5) in section 108 (12 U.S.C. 2707), by adding

4 at the end the following new subsection:

5 “(d) COVERAGE OF EXISTING PROGRAMS.—The Sec-  
6 retary shall allow funds to be administered by a State that  
7 has an existing program that is determined by the Sec-  
8 retary to provide substantially similar assistance to home-  
9 owners. After such determination is made such State shall  
10 not be required to modify such program to comply with  
11 the provisions of this title.”;

12 (6) in section 109 (12 U.S.C. 2708)—

13 (A) in the section heading, by striking

14 “AUTHORIZATION AND”;

15 (B) by striking subsection (a);

16 (C) by striking “(b)”; and

17 (D) by striking “1977” and inserting

18 “2011”;

19 (7) by striking sections 110, 111, and 113 (12

20 U.S.C. 2709, 2710, 2712); and

21 (8) by redesignating section 112 (12 U.S.C.

22 2711) as section 110.

1 **SEC. 1497. ADDITIONAL ASSISTANCE FOR NEIGHBORHOOD**  
2 **STABILIZATION PROGRAM.**

3 (a) IN GENERAL.—Effective October 1, 2010, out of  
4 funds in the Treasury not otherwise appropriated, there  
5 is hereby made available to the Secretary of Housing and  
6 Urban Development \$1,000,000,000, and the Secretary of  
7 Housing and Urban Development shall use such amounts  
8 for assistance to States and units of general local govern-  
9 ment for the redevelopment of abandoned and foreclosed  
10 homes, in accordance with the same provisions applicable  
11 under the second undesignated paragraph under the head-  
12 ing “Community Planning and Development—Community  
13 Development Fund” in title XII of division A of the Amer-  
14 ican Recovery and Reinvestment Act of 2009 (Public Law  
15 111–5; 123 Stat. 217) to amounts made available under  
16 such second undesignated paragraph, except as follows:

17 (1) Notwithstanding the matter of such second  
18 undesignated paragraph that precedes the first pro-  
19 viso, amounts made available by this section shall re-  
20 main available until expended.

21 (2) The 3rd, 4th, 5th, 6th, 7th, and 15th pro-  
22 visos of such second undesignated paragraph shall  
23 not apply to amounts made available by this section.

24 (3) Amounts made available by this section  
25 shall be allocated based on a funding formula for  
26 such amounts established by the Secretary in ac-

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1 cordance with section 2301(b) of the Housing and  
2 Economic Recovery Act of 2008 (42 U.S.C. 5301  
3 note), except that—

4 (A) notwithstanding paragraph (2) of such  
5 section 2301(b), the formula shall be estab-  
6 lished not later than 30 days after the date of  
7 the enactment of this Act;

8 (B) notwithstanding such section 2301(b),  
9 each State shall receive, at a minimum, not less  
10 than 0.5 percent of funds made available under  
11 this section;

12 (C) the Secretary may establish a min-  
13 imum grant amount for direct allocations to  
14 units of general local government located within  
15 a State, which shall not exceed \$1,000,000;

16 (D) each State and local government re-  
17 ceiving grant amounts shall establish proce-  
18 dures to create preferences for the development  
19 of affordable rental housing for properties as-  
20 sisted with amounts made available by this sec-  
21 tion; and

22 (E) the Secretary may use not more than  
23 2 percent of the funds made available under  
24 this section for technical assistance to grantees.

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1           (4) Paragraph (1) of section 2301(c) of the  
2           Housing and Economic Recovery Act of 2008 shall  
3           not apply to amounts made available by this section.

4           (5) The fourth proviso from the end of such  
5           second undesignated paragraph shall be applied to  
6           amounts made available by this section by sub-  
7           stituting “2013” for “2012”.

8           (6) Notwithstanding section 2301(a) of the  
9           Housing and Economic Recovery Act of 2008, the  
10          term “State” means any State, as defined in section  
11          102 of the Housing and Community Development  
12          Act of 1974 (42 U.S.C. 5302), and the District of  
13          Columbia, for purposes of this section and this title,  
14          as applied to amounts made available by this sec-  
15          tion.

16          (7)(A) None of the amounts made available by  
17          this section shall be distributed to—

18                 (i) any organization which has been con-  
19                 victed for a violation under Federal law relating  
20                 to an election for Federal office; or

21                 (ii) any organization which employs appli-  
22                 cable individuals.

23          (B) In this paragraph, the term “applicable in-  
24          dividual” means an individual who—

25                 (i) is—

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1 (I) employed by the organization in a  
2 permanent or temporary capacity;

3 (II) contracted or retained by the or-  
4 ganization; or

5 (III) acting on behalf of, or with the  
6 express or apparent authority of, the orga-  
7 nization; and

8 (ii) has been convicted for a violation  
9 under Federal law relating to an election for  
10 Federal office.

11 (8) An eligible entity receiving a grant under  
12 this section shall, to the maximum extent feasible,  
13 provide for the hiring of employees who reside in the  
14 vicinity, as such term is defined by the Secretary, of  
15 projects funded under this section or contract with  
16 small businesses that are owned and operated by  
17 persons residing in the vicinity of such projects.

18 (b) ADDITIONAL AMENDMENTS.—

19 (1) SECTION 2301.—Section 2301(f)(3)(A)(ii) of  
20 the Housing and Economic Recovery Act of 2008  
21 (42 U.S.C. 5301(f)(3)(A)(ii))—

22 (A) is amended by striking “for the pur-  
23 chase and redevelopment of abandoned and  
24 foreclosed upon homes or residential properties  
25 that will be used”; and



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1 (B) shall apply with respect to any unex-  
2 pended or unobligated balances, including re-  
3 captured and reallocated funds made available  
4 under this Act, section 2301 of the Housing  
5 and Economic Recovery Act of 2008 (42 U.S.C.  
6 5301), and the heading “Community Planning  
7 and Development—Community Development  
8 Fund” in title XII of division A of the Amer-  
9 ican Recovery and Reinvestment Act of 2009  
10 (Public Law 111-5; 123 Stat. 217).

11 (2) NOTICE OF FORECLOSURE.—For any  
12 amounts made available under this section, under di-  
13 vision B, title III of the Housing and Economic Re-  
14 covery Act of 2008 (42 U.S.C. 5301), or under the  
15 heading “Community Planning and Development—  
16 Community Development Fund” in title XII of divi-  
17 sion A of the American Recovery and Reinvestment  
18 Act of 2009 (Public Law 111-5; 123 Stat. 217), the  
19 date of a notice of foreclosure shall be deemed to be  
20 the date on which complete title to a property is  
21 transferred to a successor entity or person as a re-  
22 sult of an order of a court or pursuant to provisions  
23 in a mortgage, deed of trust, or security deed.

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1 **SEC. 1498. LEGAL ASSISTANCE FOR FORECLOSURE-RE-**  
2 **LATED ISSUES.**

3 (a) ESTABLISHMENT.—The Secretary of Housing  
4 and Urban Development (hereafter in this section referred  
5 to as the “Secretary”) shall establish a program for mak-  
6 ing grants for providing a full range of foreclosure legal  
7 assistance to low- and moderate-income homeowners and  
8 tenants related to home ownership preservation, home  
9 foreclosure prevention, and tenancy associated with home  
10 foreclosure.

11 (b) COMPETITIVE ALLOCATION.—The Secretary shall  
12 allocate amounts made available for grants under this sec-  
13 tion to State and local legal organizations on the basis  
14 of a competitive process. For purposes of this subsection  
15 “State and local legal organizations” are those State and  
16 local organizations whose primary business or mission is  
17 to provide legal assistance.

18 (c) PRIORITY TO CERTAIN AREAS.—In allocating  
19 amounts in accordance with subsection (b), the Secretary  
20 shall give priority consideration to State and local legal  
21 organizations that are operating in the 125 metropolitan  
22 statistical areas (as that term is defined by the Director  
23 of the Office of Management and Budget) with the highest  
24 home foreclosure rates.

25 (d) LEGAL ASSISTANCE.—

1           (1) IN GENERAL.—Any State or local legal or-  
2           ganization that receives financial assistance pursu-  
3           ant to this section may use such amounts only to as-  
4           sist—

5                   (A) homeowners of owner-occupied homes  
6                   with mortgages in default, in danger of default,  
7                   or subject to or at risk of foreclosure; and

8                   (B) tenants at risk of or subject to eviction  
9                   as a result of foreclosure of the property in  
10                  which such tenant resides.

11           (2) COMMENCE USE WITHIN 90 DAYS.—Any  
12           State or local legal organization that receives finan-  
13           cial assistance pursuant to this section shall begin  
14           using any financial assistance received under this  
15           section within 90 days after receipt of the assist-  
16           ance.

17           (3) PROHIBITION ON CLASS ACTIONS.—No  
18           funds provided to a State or local legal organization  
19           under this section may be used to support any class  
20           action litigation.

21           (4) LIMITATION ON LEGAL ASSISTANCE.—Legal  
22           assistance funded with amounts provided under this  
23           section shall be limited to mortgage-related default,  
24           eviction, or foreclosure proceedings, without regard  
25           to whether such foreclosure is judicial or nonjudicial.

1           (5) EFFECTIVE DATE.—Notwithstanding any  
2 other provision of this Act, this subsection shall take  
3 effect on the date of the enactment of this Act.

4           (e) LIMITATION ON DISTRIBUTION OF ASSIST-  
5 ANCE.—

6           (1) IN GENERAL.—None of the amounts made  
7 available under this section shall be distributed to—

8                   (A) any organization which has been con-  
9 victed for a violation under Federal law relating  
10 to an election for Federal office; or

11                   (B) any organization which employs appli-  
12 cable individuals.

13           (2) DEFINITION OF APPLICABLE INDIVID-  
14 UALS.—In this subsection, the term “applicable indi-  
15 vidual” means an individual who—

16                   (A) is—

17                           (i) employed by the organization in a  
18 permanent or temporary capacity;

19                           (ii) contracted or retained by the or-  
20 ganization; or

21                           (iii) acting on behalf of, or with the  
22 express or apparent authority of, the orga-  
23 nization; and

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1 (B) has been convicted for a violation  
2 under Federal law relating to an election for  
3 Federal office.

4 (f) AUTHORIZATION OF APPROPRIATIONS.—There  
5 are authorized to be appropriated to the Secretary  
6 \$35,000,000 for each of fiscal years 2011 through 2012  
7 for grants under this section.

8 **TITLE XV—MISCELLANEOUS**  
9 **PROVISIONS**

10 **SEC. 1501. RESTRICTIONS ON USE OF UNITED STATES**  
11 **FUNDS FOR FOREIGN GOVERNMENTS; PRO-**  
12 **TECTION OF AMERICAN TAXPAYERS.**

13 The Bretton Woods Agreements Act (22 U.S.C. 286  
14 et seq.) is amended by adding at the end the following:

15 **“SEC. 68. RESTRICTIONS ON USE OF UNITED STATES**  
16 **FUNDS FOR FOREIGN GOVERNMENTS; PRO-**  
17 **TECTION OF AMERICAN TAXPAYERS.**

18 “(a) IN GENERAL.—The Secretary of the Treasury  
19 shall instruct the United States Executive Director at the  
20 International Monetary Fund—

21 “(1) to evaluate, prior to consideration by the  
22 Board of Executive Directors of the Fund , any pro-  
23 posal submitted to the Board for the Fund to make  
24 a loan to a country if—

1           “(A) the amount of the public debt of the  
2           country exceeds the gross domestic product of  
3           the country as of the most recent year for  
4           which such information is available; and

5           “(B) the country is not eligible for assist-  
6           ance from the International Development Asso-  
7           ciation.

8           “(2) OPPOSITION TO LOANS UNLIKELY TO BE  
9           REPAID IN FULL.—If any such evaluation indicates  
10          that the proposed loan is not likely to be repaid in  
11          full, the Secretary of the Treasury shall instruct the  
12          United States Executive Director at the Fund to use  
13          the voice and vote of the United States to oppose the  
14          proposal.

15          “(b) REPORTS TO CONGRESS.—Within 30 days after  
16          the Board of Executive Directors of the Fund approves  
17          a proposal described in subsection (a), and annually there-  
18          after by June 30, for the duration of any program ap-  
19          proved under such proposals, the Secretary of the Treas-  
20          ury shall report in writing to the Committee on Financial  
21          Services of the House of Representatives and the Com-  
22          mittee on Foreign Relations and the Committee on Bank-  
23          ing, Housing, and Urban Affairs of the Senate assessing  
24          the likelihood that loans made pursuant to such proposals  
25          will be repaid in full, including—

1           “(1) the borrowing country’s current debt sta-  
2           tus, including, to the extent possible, its maturity  
3           structure, whether it has fixed or floating rates,  
4           whether it is indexed, and by whom it is held;

5           “(2) the borrowing country’s external and inter-  
6           nal vulnerabilities that could potentially affect its  
7           ability to repay; and

8           “(3) the borrowing country’s debt management  
9           strategy.”.

10 **SEC. 1502. CONFLICT MINERALS.**

11           (a) SENSE OF CONGRESS ON EXPLOITATION AND  
12 TRADE OF CONFLICT MINERALS ORIGINATING IN THE  
13 DEMOCRATIC REPUBLIC OF THE CONGO.—It is the sense  
14 of Congress that the exploitation and trade of conflict min-  
15 erals originating in the Democratic Republic of the Congo  
16 is helping to finance conflict characterized by extreme lev-  
17 els of violence in the eastern Democratic Republic of the  
18 Congo, particularly sexual- and gender-based violence, and  
19 contributing to an emergency humanitarian situation  
20 therein, warranting the provisions of section 13(p) of the  
21 Securities Exchange Act of 1934, as added by subsection  
22 (b).

23           (b) DISCLOSURE RELATING TO CONFLICT MINERALS  
24 ORIGINATING IN THE DEMOCRATIC REPUBLIC OF THE  
25 CONGO.—Section 13 of the Securities Exchange Act of

1 1934 (15 U.S.C. 78m), as amended by this Act, is amend-  
2 ed by adding at the end the following new subsection:

3 “(p) DISCLOSURES RELATING TO CONFLICT MIN-  
4 ERALS ORIGINATING IN THE DEMOCRATIC REPUBLIC OF  
5 THE CONGO.—

6 “(1) REGULATIONS.—

7 “(A) IN GENERAL.—Not later than 270  
8 days after the date of the enactment of this  
9 subsection, the Commission shall promulgate  
10 regulations requiring any person described in  
11 paragraph (2) to disclose annually, beginning  
12 with the person’s first full fiscal year that be-  
13 gins after the date of promulgation of such reg-  
14 ulations, whether conflict minerals that are nec-  
15 essary as described in paragraph (2)(B), in the  
16 year for which such reporting is required, did  
17 originate in the Democratic Republic of the  
18 Congo or an adjoining country and, in cases in  
19 which such conflict minerals did originate in  
20 any such country, submit to the Commission a  
21 report that includes, with respect to the period  
22 covered by the report—

23 “(i) a description of the measures  
24 taken by the person to exercise due dili-  
25 gence on the source and chain of custody



1 of such minerals, which measures shall in-  
2 clude an independent private sector audit  
3 of such report submitted through the Com-  
4 mission that is conducted in accordance  
5 with standards established by the Comp-  
6 troller General of the United States, in ac-  
7 cordance with rules promulgated by the  
8 Commission, in consultation with the Sec-  
9 retary of State; and

10 “(ii) a description of the products  
11 manufactured or contracted to be manu-  
12 factured that are not DRC conflict free  
13 (‘DRC conflict free’ is defined to mean the  
14 products that do not contain minerals that  
15 directly or indirectly finance or benefit  
16 armed groups in the Democratic Republic  
17 of the Congo or an adjoining country), the  
18 entity that conducted the independent pri-  
19 vate sector audit in accordance with clause  
20 (i), the facilities used to process the con-  
21 flict minerals, the country of origin of the  
22 conflict minerals, and the efforts to deter-  
23 mine the mine or location of origin with  
24 the greatest possible specificity.

1           “(B) CERTIFICATION.—The person sub-  
2           mitting a report under subparagraph (A) shall  
3           certify the audit described in clause (i) of such  
4           subparagraph that is included in such report.  
5           Such a certified audit shall constitute a critical  
6           component of due diligence in establishing the  
7           source and chain of custody of such minerals.

8           “(C) UNRELIABLE DETERMINATION.—If a  
9           report required to be submitted by a person  
10          under subparagraph (A) relies on a determina-  
11          tion of an independent private sector audit, as  
12          described under subparagraph (A)(i), or other  
13          due diligence processes previously determined  
14          by the Commission to be unreliable, the report  
15          shall not satisfy the requirements of the regula-  
16          tions promulgated under subparagraph (A)(i).

17          “(D) DRC CONFLICT FREE.—For pur-  
18          poses of this paragraph, a product may be la-  
19          beled as ‘DRC conflict free’ if the product does  
20          not contain conflict minerals that directly or in-  
21          directly finance or benefit armed groups in the  
22          Democratic Republic of the Congo or an adjoining  
23          country.

24          “(E) INFORMATION AVAILABLE TO THE  
25          PUBLIC.—Each person described under para-

1 graph (2) shall make available to the public on  
2 the Internet website of such person the infor-  
3 mation disclosed by such person under subpara-  
4 graph (A).

5 “(2) PERSON DESCRIBED.—A person is de-  
6 scribed in this paragraph if—

7 “(A) the person is required to file reports  
8 with the Commission pursuant to paragraph  
9 (1)(A); and

10 “(B) conflict minerals are necessary to the  
11 functionality or production of a product manu-  
12 factured by such person.

13 “(3) REVISIONS AND WAIVERS.—The Commis-  
14 sion shall revise or temporarily waive the require-  
15 ments described in paragraph (1) if the President  
16 transmits to the Commission a determination that—

17 “(A) such revision or waiver is in the na-  
18 tional security interest of the United States and  
19 the President includes the reasons therefor; and

20 “(B) establishes a date, not later than 2  
21 years after the initial publication of such ex-  
22 emption, on which such exemption shall expire.

23 “(4) TERMINATION OF DISCLOSURE REQUIRE-  
24 MENTS.—The requirements of paragraph (1) shall  
25 terminate on the date on which the President deter-

1 mines and certifies to the appropriate congressional  
2 committees, but in no case earlier than the date that  
3 is one day after the end of the 5-year period begin-  
4 ning on the date of the enactment of this subsection,  
5 that no armed groups continue to be directly in-  
6 volved and benefitting from commercial activity in-  
7 volving conflict minerals.

8 “(5) DEFINITIONS.—For purposes of this sub-  
9 section, the terms ‘adjoining country’, ‘appropriate  
10 congressional committees’, ‘armed group’, and ‘con-  
11 flict mineral’ have the meaning given those terms  
12 under section 1502 of the Dodd-Frank Wall Street  
13 Reform and Consumer Protection Act.”.

14 (c) STRATEGY AND MAP TO ADDRESS LINKAGES BE-  
15 TWEEN CONFLICT MINERALS AND ARMED GROUPS.—

16 (1) STRATEGY.—

17 (A) IN GENERAL.—Not later than 180  
18 days after the date of the enactment of this  
19 Act, the Secretary of State, in consultation with  
20 the Administrator of the United States Agency  
21 for International Development, shall submit to  
22 the appropriate congressional committees a  
23 strategy to address the linkages between human  
24 rights abuses, armed groups, mining of conflict  
25 minerals, and commercial products.

1 (B) CONTENTS.—The strategy required by  
2 subparagraph (A) shall include the following:

3 (i) A plan to promote peace and secu-  
4 rity in the Democratic Republic of the  
5 Congo by supporting efforts of the Govern-  
6 ment of the Democratic Republic of the  
7 Congo, including the Ministry of Mines  
8 and other relevant agencies, adjoining  
9 countries, and the international commu-  
10 nity, in particular the United Nations  
11 Group of Experts on the Democratic Re-  
12 public of Congo, to—

13 (I) monitor and stop commercial  
14 activities involving the natural re-  
15 sources of the Democratic Republic of  
16 the Congo that contribute to the ac-  
17 tivities of armed groups and human  
18 rights violations in the Democratic  
19 Republic of the Congo; and

20 (II) develop stronger governance  
21 and economic institutions that can fa-  
22 cilitate and improve transparency in  
23 the cross-border trade involving the  
24 natural resources of the Democratic  
25 Republic of the Congo to reduce ex-

1 exploitation by armed groups and pro-  
2 mote local and regional development.

3 (ii) A plan to provide guidance to  
4 commercial entities seeking to exercise due  
5 diligence on and formalize the origin and  
6 chain of custody of conflict minerals used  
7 in their products and on their suppliers to  
8 ensure that conflict minerals used in the  
9 products of such suppliers do not directly  
10 or indirectly finance armed conflict or re-  
11 sult in labor or human rights violations.

12 (iii) A description of punitive meas-  
13 ures that could be taken against individ-  
14 uals or entities whose commercial activities  
15 are supporting armed groups and human  
16 rights violations in the Democratic Repub-  
17 lic of the Congo.

18 (2) MAP.—

19 (A) IN GENERAL.—Not later than 180  
20 days after the date of the enactment of this  
21 Act, the Secretary of State shall, in accordance  
22 with the recommendation of the United Nations  
23 Group of Experts on the Democratic Republic  
24 of the Congo in their December 2008 report—

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1 (i) produce a map of mineral-rich  
2 zones, trade routes, and areas under the  
3 control of armed groups in the Democratic  
4 Republic of the Congo and adjoining coun-  
5 tries based on data from multiple sources,  
6 including—

7 (I) the United Nations Group of  
8 Experts on the Democratic Republic  
9 of the Congo;

10 (II) the Government of the  
11 Democratic Republic of the Congo,  
12 the governments of adjoining coun-  
13 tries, and the governments of other  
14 Member States of the United Nations;  
15 and

16 (III) local and international non-  
17 governmental organizations;

18 (ii) make such map available to the  
19 public; and

20 (iii) provide to the appropriate con-  
21 gressional committees an explanatory note  
22 describing the sources of information from  
23 which such map is based and the identi-  
24 fication, where possible, of the armed

1 groups or other forces in control of the  
2 mines depicted.

3 (B) DESIGNATION.—The map required  
4 under subparagraph (A) shall be known as the  
5 “Conflict Minerals Map”, and mines located in  
6 areas under the control of armed groups in the  
7 Democratic Republic of the Congo and adjoining  
8 countries, as depicted on such Conflict Min-  
9 erals Map, shall be known as “Conflict Zone  
10 Mines”.

11 (C) UPDATES.—The Secretary of State  
12 shall update the map required under subpara-  
13 graph (A) not less frequently than once every  
14 180 days until the date on which the disclosure  
15 requirements under paragraph (1) of section  
16 13(p) of the Securities Exchange Act of 1934,  
17 as added by subsection (b), terminate in accord-  
18 ance with the provisions of paragraph (4) of  
19 such section 13(p).

20 (D) PUBLICATION IN FEDERAL REG-  
21 ISTER.—The Secretary of State shall add min-  
22 erals to the list of minerals in the definition of  
23 conflict minerals under section 1502, as appro-  
24 priate. The Secretary shall publish in the Fed-  
25 eral Register notice of intent to declare a min-



1           eral as a conflict mineral included in such defi-  
2           nition not later than one year before such dec-  
3           laration.

4           (d) REPORTS.—

5           (1) BASELINE REPORT.—Not later than 1 year  
6           after the date of the enactment of this Act and an-  
7           nually thereafter until the termination of the disclo-  
8           sure requirements under section 13(p) of the Securi-  
9           ties Exchange Act of 1934, the Comptroller General  
10          of the United States shall submit to appropriate con-  
11          gressional committees a report that includes an as-  
12          sessment of the rate of sexual- and gender-based vio-  
13          lence in war-torn areas of the Democratic Republic  
14          of the Congo and adjoining countries.

15          (2) REGULAR REPORT ON EFFECTIVENESS.—  
16          Not later than 2 years after the date of the enact-  
17          ment of this Act and annually thereafter, the Comp-  
18          troller General of the United States shall submit to  
19          the appropriate congressional committees a report  
20          that includes the following:

21                  (A) An assessment of the effectiveness of  
22                  section 13(p) of the Securities Exchange Act of  
23                  1934, as added by subsection (b), in promoting  
24                  peace and security in the Democratic Republic  
25                  of the Congo and adjoining countries.

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1 (B) A description of issues encountered by  
2 the Securities and Exchange Commission in  
3 carrying out the provisions of such section  
4 13(p).

5 (C)(i) A general review of persons de-  
6 scribed in clause (ii) and whether information is  
7 publicly available about—

8 (I) the use of conflict minerals by  
9 such persons; and

10 (II) whether such conflict minerals  
11 originate from the Democratic Republic of  
12 the Congo or an adjoining country.

13 (ii) A person is described in this clause  
14 if—

15 (I) the person is not required to file  
16 reports with the Securities and Exchange  
17 Commission pursuant to section  
18 13(p)(1)(A) of the Securities Exchange  
19 Act of 1934, as added by subsection (b);  
20 and

21 (II) conflict minerals are necessary to  
22 the functionality or production of a prod-  
23 uct manufactured by such person.

24 (3) REPORT ON PRIVATE SECTOR AUDITING.—

25 Not later than 30 months after the date of the en-

1 actment of this Act, and annually thereafter, the  
2 Secretary of Commerce shall submit to the appro-  
3 priate congressional committees a report that in-  
4 cludes the following:

5 (A) An assessment of the accuracy of the  
6 independent private sector audits and other due  
7 diligence processes described under section  
8 13(p) of the Securities Exchange Act of 1934.

9 (B) Recommendations for the processes  
10 used to carry out such audits, including ways  
11 to—

12 (i) improve the accuracy of such au-  
13 dits; and

14 (ii) establish standards of best prac-  
15 tices.

16 (C) A listing of all known conflict mineral  
17 processing facilities worldwide.

18 (e) DEFINITIONS.—For purposes of this section:

19 (1) ADJOINING COUNTRY.—The term “adjoin-  
20 ing country”, with respect to the Democratic Repub-  
21 lic of the Congo, means a country that shares an  
22 internationally recognized border with the Demo-  
23 cratic Republic of the Congo.

1           (2) APPROPRIATE CONGRESSIONAL COMMIT-  
2           TEES.—The term “appropriate congressional com-  
3           mittees” means—

4                   (A) the Committee on Appropriations, the  
5                   Committee on Foreign Affairs, the Committee  
6                   on Ways and Means, and the Committee on Fi-  
7                   nancial Services of the House of Representa-  
8                   tives; and

9                   (B) the Committee on Appropriations, the  
10                  Committee on Foreign Relations, the Com-  
11                  mittee on Finance, and the Committee on  
12                  Banking, Housing, and Urban Affairs of the  
13                  Senate.

14           (3) ARMED GROUP.—The term “armed group”  
15           means an armed group that is identified as perpetra-  
16           tors of serious human rights abuses in the annual  
17           Country Reports on Human Rights Practices under  
18           sections 116(d) and 502B(b) of the Foreign Assist-  
19           ance Act of 1961 (22 U.S.C. 2151n(d) and 2304(b))  
20           relating to the Democratic Republic of the Congo or  
21           an adjoining country.

22           (4) CONFLICT MINERAL.—The term “conflict  
23           mineral” means—

24                   (A) columbite-tantalite (coltan), cassiterite,  
25                   gold, wolframite, or their derivatives; or

1 (B) any other mineral or its derivatives de-  
2 termined by the Secretary of State to be financ-  
3 ing conflict in the Democratic Republic of the  
4 Congo or an adjoining country.

5 (5) UNDER THE CONTROL OF ARMED  
6 GROUPS.—The term “under the control of armed  
7 groups” means areas within the Democratic Repub-  
8 lic of the Congo or adjoining countries in which  
9 armed groups—

10 (A) physically control mines or force labor  
11 of civilians to mine, transport, or sell conflict  
12 minerals;

13 (B) tax, extort, or control any part of  
14 trade routes for conflict minerals, including the  
15 entire trade route from a Conflict Zone Mine to  
16 the point of export from the Democratic Repub-  
17 lic of the Congo or an adjoining country; or

18 (C) tax, extort, or control trading facilities,  
19 in whole or in part, including the point of ex-  
20 port from the Democratic Republic of the  
21 Congo or an adjoining country.

22 **SEC. 1503. REPORTING REQUIREMENTS REGARDING COAL**  
23 **OR OTHER MINE SAFETY.**

24 (a) REPORTING MINE SAFETY INFORMATION.—Each  
25 issuer that is required to file reports pursuant to section

1 13(a) or 15(d) of the Securities Exchange Act of 1934  
2 (15 U.S.C. 78m, 78o) and that is an operator, or that  
3 has a subsidiary that is an operator, of a coal or other  
4 mine shall include, in each periodic report filed with the  
5 Commission under the securities laws on or after the date  
6 of enactment of this Act, the following information for the  
7 time period covered by such report:

8 (1) For each coal or other mine of which the  
9 issuer or a subsidiary of the issuer is an operator—

10 (A) the total number of violations of man-  
11 datory health or safety standards that could  
12 significantly and substantially contribute to the  
13 cause and effect of a coal or other mine safety  
14 or health hazard under section 104 of the Fed-  
15 eral Mine Safety and Health Act of 1977 (30  
16 U.S.C. 814) for which the operator received a  
17 citation from the Mine Safety and Health Ad-  
18 ministration;

19 (B) the total number of orders issued  
20 under section 104(b) of such Act (30 U.S.C.  
21 814(b));

22 (C) the total number of citations and or-  
23 ders for unwarrantable failure of the mine oper-  
24 ator to comply with mandatory health or safety

1 standards under section 104(d) of such Act (30  
2 U.S.C. 814(d));

3 (D) the total number of flagrant violations  
4 under section 110(b)(2) of such Act (30 U.S.C.  
5 820(b)(2));

6 (E) the total number of imminent danger  
7 orders issued under section 107(a) of such Act  
8 (30 U.S.C. 817(a));

9 (F) the total dollar value of proposed as-  
10 sessments from the Mine Safety and Health  
11 Administration under such Act (30 U.S.C. 801  
12 et seq.); and

13 (G) the total number of mining-related fa-  
14 talities.

15 (2) A list of such coal or other mines, of which  
16 the issuer or a subsidiary of the issuer is an oper-  
17 ator, that receive written notice from the Mine Safe-  
18 ty and Health Administration of—

19 (A) a pattern of violations of mandatory  
20 health or safety standards that are of such na-  
21 ture as could have significantly and substan-  
22 tially contributed to the cause and effect of coal  
23 or other mine health or safety hazards under  
24 section 104(e) of such Act (30 U.S.C. 814(e));  
25 or

1 (B) the potential to have such a pattern.

2 (3) Any pending legal action before the Federal  
3 Mine Safety and Health Review Commission involv-  
4 ing such coal or other mine.

5 (b) REPORTING SHUTDOWNS AND PATTERNS OF  
6 VIOLATIONS.—Beginning on and after the date of enact-  
7 ment of this Act, each issuer that is an operator, or that  
8 has a subsidiary that is an operator, of a coal or other  
9 mine shall file a current report with the Commission on  
10 Form 8–K (or any successor form) disclosing the following  
11 regarding each coal or other mine of which the issuer or  
12 subsidiary is an operator:

13 (1) The receipt of an imminent danger order  
14 issued under section 107(a) of the Federal Mine  
15 Safety and Health Act of 1977 (30 U.S.C. 817(a)).

16 (2) The receipt of written notice from the Mine  
17 Safety and Health Administration that the coal or  
18 other mine has—

19 (A) a pattern of violations of mandatory  
20 health or safety standards that are of such na-  
21 ture as could have significantly and substan-  
22 tially contributed to the cause and effect of coal  
23 or other mine health or safety hazards under  
24 section 104(e) of such Act (30 U.S.C. 814(e));  
25 or



1 (B) the potential to have such a pattern.

2 (c) RULE OF CONSTRUCTION.—Nothing in this sec-  
3 tion shall be construed to affect any obligation of a person  
4 to make a disclosure under any other applicable law in  
5 effect before, on, or after the date of enactment of this  
6 Act.

7 (d) COMMISSION AUTHORITY.—

8 (1) ENFORCEMENT.—A violation by any person  
9 of this section, or any rule or regulation of the Com-  
10 mission issued under this section, shall be treated  
11 for all purposes in the same manner as a violation  
12 of the Securities Exchange Act of 1934 (15 U.S.C.  
13 78a et seq.) or the rules and regulations issued  
14 thereunder, consistent with the provisions of this  
15 section, and any such person shall be subject to the  
16 same penalties, and to the same extent, as for a vio-  
17 lation of such Act or the rules or regulations issued  
18 thereunder.

19 (2) RULES AND REGULATIONS.—The Commis-  
20 sion is authorized to issue such rules or regulations  
21 as are necessary or appropriate for the protection of  
22 investors and to carry out the purposes of this sec-  
23 tion.

24 (e) DEFINITIONS.—In this section—



1 significant actions relating to oil, natural gas,  
2 or minerals, or the acquisition of a license for  
3 any such activity, as determined by the Com-  
4 mission;

5 “(B) the term ‘foreign government’ means  
6 a foreign government, a department, agency, or  
7 instrumentality of a foreign government, or a  
8 company owned by a foreign government, as de-  
9 termined by the Commission;

10 “(C) the term ‘payment’—

11 “(i) means a payment that is—

12 “(I) made to further the commer-  
13 cial development of oil, natural gas, or  
14 minerals; and

15 “(II) not de minimis; and

16 “(ii) includes taxes, royalties, fees (in-  
17 cluding license fees), production entitle-  
18 ments, bonuses, and other material bene-  
19 fits, that the Commission, consistent with  
20 the guidelines of the Extractive Industries  
21 Transparency Initiative (to the extent  
22 practicable), determines are part of the  
23 commonly recognized revenue stream for  
24 the commercial development of oil, natural  
25 gas, or minerals;

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1           “(D) the term ‘resource extraction issuer’  
2 means an issuer that—

3           “(i) is required to file an annual re-  
4 port with the Commission; and

5           “(ii) engages in the commercial devel-  
6 opment of oil, natural gas, or minerals;

7           “(E) the term ‘interactive data format’  
8 means an electronic data format in which pieces  
9 of information are identified using an inter-  
10 active data standard; and

11           “(F) the term ‘interactive data standard’  
12 means standardized list of electronic tags that  
13 mark information included in the annual report  
14 of a resource extraction issuer.

15           “(2) DISCLOSURE.—

16           “(A) INFORMATION REQUIRED.—Not later  
17 than 270 days after the date of enactment of  
18 the Dodd-Frank Wall Street Reform and Con-  
19 sumer Protection Act, the Commission shall  
20 issue final rules that require each resource ex-  
21 traction issuer to include in an annual report of  
22 the resource extraction issuer information relat-  
23 ing to any payment made by the resource ex-  
24 traction issuer, a subsidiary of the resource ex-  
25 traction issuer, or an entity under the control

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1 of the resource extraction issuer to a foreign  
2 government or the Federal Government for the  
3 purpose of the commercial development of oil,  
4 natural gas, or minerals, including—

5 “(i) the type and total amount of such  
6 payments made for each project of the re-  
7 source extraction issuer relating to the  
8 commercial development of oil, natural gas,  
9 or minerals; and

10 “(ii) the type and total amount of  
11 such payments made to each government.

12 “(B) CONSULTATION IN RULEMAKING.—In  
13 issuing rules under subparagraph (A), the Com-  
14 mission may consult with any agency or entity  
15 that the Commission determines is relevant.

16 “(C) INTERACTIVE DATA FORMAT.—The  
17 rules issued under subparagraph (A) shall re-  
18 quire that the information included in the an-  
19 nual report of a resource extraction issuer be  
20 submitted in an interactive data format.

21 “(D) INTERACTIVE DATA STANDARD.—

22 “(i) IN GENERAL.—The rules issued  
23 under subparagraph (A) shall establish an  
24 interactive data standard for the informa-

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1                   tion included in the annual report of a re-  
2                   source extraction issuer.

3                   “(ii) ELECTRONIC TAGS.—The inter-  
4                   active data standard shall include elec-  
5                   tronic tags that identify, for any payments  
6                   made by a resource extraction issuer to a  
7                   foreign government or the Federal Govern-  
8                   ment—

9                   “(I) the total amounts of the  
10                  payments, by category;

11                  “(II) the currency used to make  
12                  the payments;

13                  “(III) the financial period in  
14                  which the payments were made;

15                  “(IV) the business segment of  
16                  the resource extraction issuer that  
17                  made the payments;

18                  “(V) the government that re-  
19                  ceived the payments, and the country  
20                  in which the government is located;

21                  “(VI) the project of the resource  
22                  extraction issuer to which the pay-  
23                  ments relate; and

24                  “(VII) such other information as  
25                  the Commission may determine is nec-

1                   essary or appropriate in the public in-  
2                   terest or for the protection of inves-  
3                   tors.

4                   “(E) INTERNATIONAL TRANSPARENCY EF-  
5                   FORTS.—To the extent practicable, the rules  
6                   issued under subparagraph (A) shall support  
7                   the commitment of the Federal Government to  
8                   international transparency promotion efforts re-  
9                   lating to the commercial development of oil,  
10                  natural gas, or minerals.

11                  “(F) EFFECTIVE DATE.—With respect to  
12                  each resource extraction issuer, the final rules  
13                  issued under subparagraph (A) shall take effect  
14                  on the date on which the resource extraction  
15                  issuer is required to submit an annual report  
16                  relating to the fiscal year of the resource ex-  
17                  traction issuer that ends not earlier than 1 year  
18                  after the date on which the Commission issues  
19                  final rules under subparagraph (A).

20                  “(3) PUBLIC AVAILABILITY OF INFORMATION.—

21                  “(A) IN GENERAL.—To the extent prac-  
22                  ticable, the Commission shall make available  
23                  online, to the public, a compilation of the infor-  
24                  mation required to be submitted under the rules  
25                  issued under paragraph (2)(A).

1           “(B) OTHER INFORMATION.—Nothing in  
2           this paragraph shall require the Commission to  
3           make available online information other than  
4           the information required to be submitted under  
5           the rules issued under paragraph (2)(A).

6           “(4) AUTHORIZATION OF APPROPRIATIONS.—  
7           There are authorized to be appropriated to the Com-  
8           mission such sums as may be necessary to carry out  
9           this subsection.”.

10 **SEC. 1505. STUDY BY THE COMPTROLLER GENERAL.**

11           (a) IN GENERAL.—Not later than 1 year after the  
12           date of enactment of this Act, the Comptroller General  
13           of the United States shall issue a report assessing the rel-  
14           ative independence, effectiveness, and expertise of presi-  
15           dentially appointed inspectors general and inspectors gen-  
16           eral of designated Federal entities, as such term is defined  
17           under section 8G of the Inspector General Act of 1978,  
18           and the effects on independence of the amendments to the  
19           Inspector General Act of 1978 made by this Act.

20           (b) REPORT.—The report required by subsection (a)  
21           shall be issued to the Committees on Financial Services  
22           and Oversight and Government Reform of the House of  
23           Representatives and the Committees on Banking, Hous-  
24           ing, and Urban Affairs and Homeland Security and Gov-  
25           ernmental Affairs of the Senate.



1 **SEC. 1506. STUDY ON CORE DEPOSITS AND BROKERED DE-**  
2 **POSITS.**

3 (a) **STUDY.**—The Corporation shall conduct a study  
4 to evaluate—

5 (1) the definition of core deposits for the pur-  
6 pose of calculating the insurance premiums of banks;

7 (2) the potential impact on the Deposit Insur-  
8 ance Fund of revising the definitions of brokered de-  
9 posits and core deposits to better distinguish be-  
10 tween them;

11 (3) an assessment of the differences between  
12 core deposits and brokered deposits and their role in  
13 the economy and banking sector of the United  
14 States;

15 (4) the potential stimulative effect on local  
16 economies of redefining core deposits; and

17 (5) the competitive parity between large institu-  
18 tions and community banks that could result from  
19 redefining core deposits.

20 (b) **REPORT TO CONGRESS.**—Not later than 1 year  
21 after the date of enactment of this Act, the Corporation  
22 shall submit to the Committee on Banking, Housing, and  
23 Urban Affairs of the Senate and the Committee on Finan-  
24 cial Services of the House of Representatives a report on  
25 the results of the study under subsection (a) that includes  
26 legislative recommendations, if any, to address concerns

1 arising in connection with the definitions of core deposits  
2 and brokered deposits.

3 **TITLE XVI—FINANCIAL CRISIS**  
4 **ASSESSMENT AND FUND**

5 **SEC. 1601. FINANCIAL CRISIS SPECIAL ASSESSMENT.**

6 (a) SPECIAL ASSESSMENT.—The Council shall im-  
7 pose, and the Corporation shall collect on behalf of the  
8 Council, one or more special assessments on the financial  
9 companies identified in subsections (e) and (f) to collect,  
10 in the aggregate, the lesser of—

11 (1) \$19,000,000,000; and

12 (2) the product of  $1\frac{1}{3}$  and the amount nec-  
13 essary to fully offset the net deficit effects of the  
14 provisions of this Act (excluding the effects of sec-  
15 tions 1601 and 1602) for the period starting on the  
16 date of enactment of this Act and through Sep-  
17 tember 30, 2020, which amount shall be determined  
18 by the Director of the Office of Management and  
19 Budget—

20 (A) by reference to the latest statement  
21 submitted for printing in the Congressional  
22 Record by the Chairmen of the House and Sen-  
23 ate Budget Committees titled “Budgetary Ef-  
24 fects of PAYGO Legislation” for this Act, ex-  
25 cluding the net deficit effects of the special as-

1            assessments imposed under sections 1601 and  
2            1602, provided that such statement has been  
3            submitted prior to the vote on passage in the  
4            House acting first on the conference report for  
5            that Act; or

6            (B) in all other circumstances, using the  
7            Director's estimate of such amount upon the  
8            enactment of this Act, provided that such esti-  
9            mate shall be based on the approaches to  
10           scorekeeping set forth in section 308 of the  
11           Congressional Budget Act of 1974, and section  
12           4(g)(4) of the Statutory Pay-As-You-Go Act of  
13           2010, and shall use the same economic and  
14           technical assumptions as used in the most re-  
15           cent budget submitted by the President under  
16           section 1105(a) of title 31 of the United States  
17           Code.

18           (b) TIMING OF PAYMENTS.—The special assessments  
19           described under subsection (a) shall be collected on an an-  
20           nual basis, with the first payment due no later than Sep-  
21           tember 30, 2012, and subsequent payments due no later  
22           than September 30, 2013, no later than September 30,  
23           2014, and no later than September 30, 2015, respectively.

24           (c) ASSESSMENTS PLACED IN THE FINANCIAL CRISIS  
25           SPECIAL ASSESSMENT FUND.—Special assessments col-

1 lected pursuant to this section shall be deposited by the  
2 Corporation as follows:

3           (1) The first \$15,000,000 in special assess-  
4           ments collected pursuant to this section shall be de-  
5           posited in an account to be maintained by the Cor-  
6           poration for the payment of reasonable implementa-  
7           tion and administrative expenses of the Corporation  
8           associated with the collection of assessments for the  
9           Financial Crisis Special Assessment Fund estab-  
10          lished under section 1602; and

11           (2) the remainder of the special assessments  
12          shall be deposited into the Financial Crisis Special  
13          Assessment Fund established under section 1602.

14          (d) RULEMAKING REQUIREMENT.—The Chairperson  
15          of the Council shall prescribe regulations to carry out this  
16          section.

17          (e) COMPANIES SUBJECT TO ASSESSMENT.—The  
18          Council shall impose risk-based assessments on and the  
19          Corporation shall collect such assessments from financial  
20          companies in such amount and manner and subject to  
21          such terms and conditions that the Council determines are  
22          necessary in order to satisfy the requirements of sub-  
23          sections (a), (f), (g) and (h).

24          (f) MINIMUM ASSESSMENT THRESHOLD.—

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1           (1) IN GENERAL.—The Council shall not assess  
2           financial companies with less than \$50,000,000,000,  
3           adjusted for inflation, in assets on a consolidated  
4           basis and shall assess financial companies with  
5           \$50,000,000,000, adjusted for inflation, or more in  
6           assets in accordance with subsections (g) and (h).

7           (2) HEDGE FUNDS.—The Council shall not as-  
8           sess financial companies that manage hedge funds  
9           (as defined by the Council, in consultation with the  
10          Securities and Exchange Commission, for purposes  
11          of this section) with less than \$10,000,000,000, ad-  
12          justed for inflation, of assets under management on  
13          a consolidated basis, and shall assess any financial  
14          companies that manage hedge funds with  
15          \$10,000,000,000 or more of assets under manage-  
16          ment in accordance with subsections (g) and (h).

17          (g) FACTORS.—The Council shall establish a risk ma-  
18          trix to be used in establishing the special assessment that  
19          takes into account—

20                 (1) the need to satisfy the requirement of sub-  
21                 section (a);

22                 (2) any assessments imposed on a financial  
23                 company or an affiliate of a financial company  
24                 that—

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1 (A) is an insured depository institution, as-  
2 sessed pursuant to section 7 or 13(c)(4)(G) of  
3 the Federal Deposit Insurance Act;

4 (B) is a member of the Securities Investor  
5 Protection Corporation, assessed pursuant to  
6 section 4 of the Securities Investor Protection  
7 Act of 1970 (15 U.S.C. 78ddd);

8 (C) is an insured credit union, assessed  
9 pursuant to section 202(c)(1)(A)(i) of the Fed-  
10 eral Credit Union Act (12 U.S.C.  
11 1782(c)(1)(A)(i)); or

12 (D) is an insurance company, assessed  
13 pursuant to applicable State law to cover (or re-  
14 imburse payments made to cover) the costs of  
15 the rehabilitation, liquidation, or other State in-  
16 solvency proceeding with respect to 1 or more  
17 insurance companies;

18 (3) the extent of the company's leverage;

19 (4) the extent and nature of the company's off  
20 balance sheet exposures;

21 (5) the extent and nature of the company's  
22 transactions and relationships with other financial  
23 companies;

24 (6) the company's importance as a source of  
25 credit for households, businesses, and State and

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1 local governments and as a source of liquidity for  
2 the financial system;

3 (7) the company's importance as a source of  
4 credit for low-income, minority, or underserved com-  
5 munities and the impact the failure of such company  
6 would have on the availability of credit in such com-  
7 munities;

8 (8) the extent to which assets are simply man-  
9 aged and not owned by the financial company and  
10 the extent to which ownership of assets under man-  
11 agement is diffuse;

12 (9) the nature, scope, and mix of the company's  
13 activities;

14 (10) the degree to which the company is already  
15 regulated by one or more Federal financial regu-  
16 latory agencies or, in the case of a foreign financial  
17 parent, the extent to which such foreign parent is  
18 subject to prudential standards on a consolidated  
19 basis in the home country of such financial parent  
20 that are administered and enforced by a comparable  
21 foreign supervisory authority;

22 (11) the amount and nature of the company's  
23 financial assets;

1           (12) the amount and nature of the company's  
2           liabilities, including the degree of reliance on short  
3           term funding; and

4           (13) such other risk-related factors as the  
5           Council may determine to be appropriate.

6           (h) REQUIREMENT FOR EQUITABLE TREATMENT IN  
7 ASSESSMENTS.—In establishing the special assessment  
8 system under this section, the Council shall consider dif-  
9 ferences among financial companies based on complexity  
10 of operations or organization, interconnectedness, size, di-  
11 rect or indirect activities, and any other risk-related fac-  
12 tors the Council may deem appropriate to ensure that the  
13 assessments charged take into account the risk posed to  
14 the financial system by particular classes of financial com-  
15 panies.

16           (i) INFORMATION GATHERING AND VERIFICATION;  
17 PAYMENTS.—

18           (1) IN GENERAL.—The Council may require  
19           each financial company to make available such infor-  
20           mation as the Council may require—

21                   (A) for purposes of—

22                           (i) determining the financial com-  
23                           pany's assessments under this section; and

24                           (ii) verifying the accuracy of informa-  
25                           tion; and



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1 (B) for such other purposes as may be ap-  
2 propriate and necessary to determine appro-  
3 priate risk-based assessments in accordance  
4 with this section.

5 (2) USE OF EXISTING REPORTS.—The Council  
6 shall, to the fullest extent possible, accept—

7 (A) reports that a financial company has  
8 provided or been required to provide to other  
9 Federal or State supervisors or to appropriate  
10 self-regulatory organizations;

11 (B) information that is otherwise required  
12 to be reported publicly; and

13 (C) externally audited financial statements.

14 (3) AUTHORITY FOR ON-SITE INSPECTION.—  
15 The appropriate Federal supervisory agency (or the  
16 Board of Governors in the absence of any such agen-  
17 cy) may make on-site inspections of a financial com-  
18 pany's books and records as necessary to carry out  
19 the purposes of this subsection.

20 (4) RULEMAKING.—The Chairperson of the  
21 Council, in consultation with the Corporation, may  
22 promulgate such regulations as are necessary or ap-  
23 propriate to implement this subsection.

24 (5) PAYMENTS OF ASSESSMENTS REQUIRED.—

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1 (A) IN GENERAL.—Any financial company  
2 subject to an assessment under this section  
3 shall pay to the Corporation such assessment.

4 (B) COLLECTION OF ASSESSMENTS.—The  
5 assessments required under this section shall be  
6 collected in such manner and at such time or  
7 times as the Corporation, in consultation with  
8 the Council, shall prescribe by regulation.

9 (6) PENALTY FOR FAILURE TO TIMELY PAY AS-  
10 SEMENTS.—Any financial company that fails or  
11 refuses to pay any assessment under this section  
12 shall be subject to a penalty under section 18(h) of  
13 the Federal Deposit Insurance Act, as if that finan-  
14 cial company were an insured depository institution.

15 (j) DEFINITIONS.—For purposes of this section, the  
16 following definitions shall apply:

17 (1) COUNCIL.—The term “Council” means the  
18 Financial Stability Oversight Council established  
19 under section 111.

20 (2) FINANCIAL COMPANY.—The term “financial  
21 company” means any company that—

22 (A) is incorporated or organized under  
23 Federal law or the laws of any State;

24 (B) is—

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1 (i) any bank holding company as de-  
2 fined in section 2(a) of the Bank Holding  
3 Company Act of 1956 (12 U.S.C.  
4 1841(a));

5 (ii) any savings and loan holding com-  
6 pany as defined in section 10(a)(1)(D) of  
7 the Home Owners' Loan Act (12 U.S.C.  
8 1467a(a)(1)(D));

9 (iii) any nonbank financial company  
10 supervised by the Board of Governors of  
11 the Federal Reserve System, as defined in  
12 section 113;

13 (iv) any insurance company;

14 (v) any company predominantly en-  
15 gaged in activities that are financial in na-  
16 ture or incidental thereto for purposes of  
17 section 4(k) of the Bank Holding Company  
18 Act of 1956 (12 U.S.C. 1843(k)) or activi-  
19 ties that the Council identified as war-  
20 ranting new or heightened prudential  
21 standards under section 120; or

22 (vi) any subsidiary of companies de-  
23 scribed in clause (i), (ii), (iii), (iv), or (v)  
24 (other than an insured depository institu-  
25 tion or any broker or dealer registered with

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1           the Securities and Exchange Commission  
2           under section 15(b) of the Securities Ex-  
3           change Act of 1934 (15 U.S.C. 78o(b))  
4           that is a member of the Securities Investor  
5           Protection Corporation);

6           (C) that is not a Farm Credit System in-  
7           stitution chartered under and subject to the  
8           provisions of the Farm Credit Act of 1971 (12  
9           U.S.C. 2001 et seq.);

10          (D) that is not a Federal home loan bank,  
11          the Federal National Mortgage Association, or  
12          the Federal Home Loan Mortgage Corporation;

13          (E) that is not an investment company  
14          registered with the Securities and Exchange  
15          Commission under the Investment Company  
16          Act of 1940;

17          (F) that is not a common trust fund de-  
18          scribed under section 3(c)(3) of the Investment  
19          Company Act of 1940;

20          (G) that is not a collective investment fund  
21          described under section 3(c)(3) of the Invest-  
22          ment Company Act of 1940; and

23          (H) is not an insured depository institution  
24          (as defined in section 3(c) of the Federal De-  
25          posit Insurance act), a Federal credit union or

1 a State-chartered credit union (as such terms  
2 are defined in section 101 of the Federal Credit  
3 Union Act), or a government-sponsored enter-  
4 prise (as such term is defined in section 1004(f)  
5 of the Financial Institutions Reform, Recovery  
6 and Enforcement Act of 1989 (12 U.S.C. 1811  
7 note)).

8 **SEC. 1602. FINANCIAL CRISIS SPECIAL ASSESSMENT FUND.**

9 (a) **ESTABLISHMENT.**—There is established in the  
10 Treasury of the United States a separate fund to be  
11 known as the Financial Crisis Special Assessment Fund  
12 (hereafter in this section referred to as the “Fund”).

13 (b) **SEPARATE HOLDING.**—Assessments deposited  
14 into the Fund—

15 (1) shall be assets of the Fund only; and

16 (2) may not be consolidated with any other  
17 funds within the Treasury of the United States.

18 (c) **SOURCE OF FUNDS.**—The Fund shall be funded  
19 from assessments in accordance with section 1601. Such  
20 assessments shall only be imposed and collected from fi-  
21 nancial companies as described in such section.

22 (d) **INVESTMENT OF FUNDS.**—Funds held in the  
23 Fund shall be invested in obligations of the United States  
24 issued directly to the Fund having suitable maturities and

1 paying suitable interest rates, as determined by the Sec-  
2 retary.

3 (e) RECORDKEEPING.—The Secretary of the Treas-  
4 ury shall establish books and records reflecting the assets  
5 attributable to the Fund, which shall include all earnings  
6 from investments and which shall be updated as appro-  
7 priate.

8 (f) LIMITATION.—The Fund shall not be used in con-  
9 nection with the liquidation of any financial company  
10 under title II or any financial stabilization action taken  
11 under this Act.

12 (g) TERMINATION OF FUND.—Amounts in the Fund  
13 shall not be utilized, expended, or otherwise made avail-  
14 able for any obligation or purpose for a period of 25 years  
15 from the date of the enactment of this Act and at the  
16 conclusion of such period shall only be used for the pur-  
17 pose of reducing the debt of the United States Govern-  
18 ment.

19 **SEC. 1603. CERTAIN SWAPS, ETC., NOT TREATED AS SEC-**  
20 **TION 1256 CONTRACTS.**

21 (a) IN GENERAL.—Subsection (b) of section 1256 of  
22 the Internal Revenue Code of 1986 is amended—

23 (1) by redesignating paragraphs (1) through  
24 (5) as subparagraphs (A) through (E), respectively,

1 and by indenting such subparagraphs (as so redesignated) accordingly,

2 (2) by striking “For purposes of” and inserting the following:

3 “(1) IN GENERAL.—For purposes of”, and

4 (3) by striking the last sentence and inserting the following new paragraph:

5 “(2) EXCEPTIONS.—The term ‘section 1256 contract’ shall not include—

6 “(A) any securities futures contract or option on such a contract unless such contract or option is a dealer securities futures contract, or

7 “(B) any interest rate swap, currency swap, basis swap, interest rate cap, interest rate floor, commodity swap, equity swap, equity index swap, credit default swap, or similar agreement.”.

8 (b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.