

ceives the notice, the appropriate Federal banking agency for the State may require, under such terms and conditions as may be imposed by such agency and subject to such extensions of time as may be granted in the discretion of the agency—

“(i) the bank to divest control of each subsidiary engaged in an activity as principal that is not permissible for the bank to engage in directly; or

“(ii) each subsidiary of the bank to cease any activity as principal that is not permissible for the bank to engage in directly.”.

SEC. 123. RULES APPLICABLE TO FINANCIAL SUBSIDIARIES.

(a) TRANSACTIONS BETWEEN FINANCIAL SUBSIDIARIES AND OTHER AFFILIATES.—Section 23A of the Federal Reserve Act (12 U.S.C. 371c) is amended—

(1) by redesignating subsection (e) as subsection (f); and

(2) by inserting after subsection (d), the following new subsection:

“(e) RULES RELATING TO BANKS WITH FINANCIAL SUBSIDIARIES.—

“(1) FINANCIAL SUBSIDIARY DEFINED.—For purposes of this section and section 23B, the term ‘financial subsidiary’ means a company which—

“(A) is a subsidiary of a bank (other than a corporation organized under section 25A of the Federal Reserve Act or a corporation operating under section 25 of such Act); and

“(B) is engaged in a financial activity (as defined in section 5136A(a)(4)) that is not a permissible activity for a national bank to engage in directly.

“(2) APPLICATION TO TRANSACTIONS BETWEEN A FINANCIAL SUBSIDIARY OF A BANK AND THE BANK.—For purposes of applying this section and section 23B to a transaction between a financial subsidiary of a bank and the bank (or between such financial subsidiary and any other subsidiary of the bank which is not a financial subsidiary) and notwithstanding subsection (b)(2) and section 23B(d)(1), the financial subsidiary of the bank—

“(A) shall be an affiliate of the bank and any other subsidiary of the bank which is not a financial subsidiary; and

“(B) shall not be treated as a subsidiary of the bank.

“(3) APPLICATION TO TRANSACTIONS BETWEEN FINANCIAL SUBSIDIARY AND NONBANK AFFILIATES.—

“(A) IN GENERAL.—A transaction between a financial subsidiary and an affiliate of the financial subsidiary shall not be deemed to be a transaction between a subsidiary of a national bank and an affiliate of the bank for purposes of section 23A or section 23B of the Federal Reserve Act.

“(B) CERTAIN AFFILIATES EXCLUDED.—For purposes of subparagraph (A) and notwithstanding paragraph (4), the term ‘affiliate’ shall not include a bank, or a subsidiary of a bank, which is engaged exclusively in activities permissible for a national bank to engage in directly.

“(4) EQUITY INVESTMENTS EXCLUDED SUBJECT TO THE APPROVAL OF THE BANKING AGENCY.—Subsection (a)(1) shall not apply so as to limit the equity investment of a bank in a financial subsidiary of such bank, except that any investment that exceeds the amount of a dividend that the bank could pay at the time of the investment without obtaining prior approval of the appropriate Federal banking agency and is in excess of the limitation which would apply under subsection (a)(1), but for this paragraph, may be made only with the approval of the appropriate Federal banking agency (as defined in section 3(q) of the Federal Deposit Insurance Act) with respect to such bank.”.

(b) TREATMENT OF FINANCIAL SUBSIDIARIES UNDER OTHER PROVISIONS OF LAW.—

(1) BANK HOLDING COMPANY ACT AMENDMENTS OF 1970.—Section 106(a) of the Bank Holding Company Act Amendments of 1970 is amended by adding at the end the following new sentence: “For purposes of this section, a financial subsidiary (as defined in section 5136A(a)(5)(A) of the Revised Statutes of the United States or referenced in the 20th undesignated paragraph of section 9 of the Federal Reserve Act or section 24(d)(3)(A) of the Federal Deposit Insurance Act) shall be deemed to be a subsidiary of a bank holding company, and not a subsidiary of a bank.”; and

(2) FEDERAL RESERVE ACT.—The 20th undesignated paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 335) is amended by adding at the end of the following new sentence: “To the extent permitted under State law, a State member bank may acquire or establish and retain a financial subsidiary (as defined in section 5136A(a)(3)(A) of the Revised Statutes of the United States, except that all references in that section to the Comptroller of the Currency, the Comptroller, or regulations or orders of the Comptroller shall be deemed to be references to the Board or regulations or orders of the Board.”.

It was decided in the negative ..... Yea ..... 140 Nays ..... 281 Answered present 1

44.20 [Roll No. 145] AYES—140

- Aderholt Everett Myrick Archer Ewing Nethercutt Arney Fawell Neumann Bachus Foley Norwood Baker Fox Nussle Barrett (NE) Gallegly Paul Gilchrest Pease Goode Peterson (MN) Goodlatte Peterson (PA) Goss Petri Graham Picking Granger Pombo Boehner Gutknecht Portman Bonilla Hansen Pryce (OH) Bono Hayworth Ramstad Boucher Hefley Redmond Brady Hill Regula Bryant Hilleary Riley Bunning Hoekstra Rogers Buyer Horn Rohrabacher Callahan Hostettler Ryun Camp Hulshof Scarborough Canady Hunter Schaffer, Bob Cannon Hutchinson Sensenbrenner Castle Inglis Sessions Chambliss Istook Shadegg Chenoweth Jenkins Smith (MI) Coble Johnson, Sam Smith (TX) Coburn Jones Snowbarger Collins Kelly Souder Combust Kim Stearns Cook King (NY) Stenholm Cooksey Klug Stump Cox Largent Sununu Cramer Latham Talent Crapo LaTourette Tauzin Davis (VA) Lazio Taylor (MS) Deal Linder Taylor (NC) DeLay Lucas Thornberry Dickey McCollum Thune Doolittle McCrery Thiarh Dreier McNinnis Wamp Duncan McIntosh Watkins Ehrlich McKeon Watts (OK) Emerson Miller (FL) Weldon (FL) English Moran (KS) Wicker Ensign Moran (VA)

NOES—281

- Abercrombie Barrett (WI) Blumenauer Ackerman Bass Blunt Allen Becerra Bonior Andrews Bentsen Borski Baesler Berman Boswell Baldacci Berry Boyd Ballenger Bishop Brown (CA) Barcia Blagojevich Brown (FL) Barr Bliley Brown (OH)

- Burr Johnson (WI) Pomeroy Burton Johnson, E. B. Porter Calvert Kanjorski Poshard Campbell Kaptur Price (NC) Capps Kasich Quinn Cardin Kennedy (MA) Rahall Carson Kennedy (RI) Rangel Chabot Kennelly Reyes Clay Kildee Riggs Clayton Kilpatrick Rivers Clement Kind (WI) Rodriguez Clyburn Kingston Roemer Condit Kleczka Rogan Conyers Klink Ros-Lehtinen Costello Knollenberg Rothman Coyne Kolbe Roukema Crane Kucinich Roybal-Allard Cubin LaFalce Royce Cummings LaHood Rush Cunningham Lampson Sabo Danner Lantos Salmon Davis (FL) Leach Sanchez Davis (IL) Lee Sanders DeFazio Levin Sandlin DeGette Lewis (CA) Sanford Delahunt Lewis (GA) Sawyer DeLauro Lewis (KY) Saxton Deutsch Lipinski Schaefer, Dan Diaz-Balart Livingston Schumer Dicks LoBiondo Scott Dingell Lofgren Serrano Dixon Lowey Shaw Doggett Luther Shays Dooley Maloney (CT) Sherman Doyle Maloney (NY) Shimkus Dunn Manton Shuster Edwards Manzullo Sisisky Ehlers Markey Skeen Engel Martinez Skelton Eshoo Mascara Slaughter Etheridge Matsui Smith (NJ) Evans McCarthy (MO) Smith (OR) Farr McCarthy (NY) Smith, Adam Fattah McDade Smith, Linda Fazio McDermott Snyder Filner McGovern Solomon Forbes McHale Spence Ford McHugh Spratt Fossella McIntyre Stabenow Fowler McKinney Stark Frank (MA) McNulty Stokes Franks (NJ) Meehan Strickland Frelinghuysen Meek (FL) Stupak Frost Meeks (NY) Tanner Furse Menendez Tauscher Ganske Metcalf Thomas Gejdenson Mica Thompson Gekas Millender Thurman Gephardt McDonald Tierney Gibbons Miller (CA) Torres Gillmor Minge Towns Gilman Mink Traficant Goodling Moakley Turner Gordon Mollohan Upton Greenwood Morella Velazquez Gutierrez Murtha Vento Hall (OH) Nadler Visclosky Hamilton Neal Walsh Hastings (FL) Hastert Ney Waters Hastings (WA) Northup Watt (NC) Herger Oberstar Waxman Hinchey Olver Weldon (PA) Hinojosa Ortiz Weller Hobson Owens Wexler Holden Oxley Weygand Hooley Packard White Houghton Pallone Whitfield Hoyer Pappas Wise Hyde Parker Pappas Wolf Jackson (IL) Pascrell Woolsey Jackson-Lee Pastor Wynn (TX) Payne Yates Jefferson Pelosi Young (AK) John Pickett Young (FL) Johnson (CT) Pitts

ANSWERED “PRESENT”—1

Hall (TX)

NOT VOTING—10

- Bateman Harman Radanovich Christensen Hefner Skaggs Gonzalez Hilliard Green Paxon

So the amendment was not agreed to. After some further time,

44.21 RECORDED VOTE

A recorded vote by electronic device was ordered in the Committee of the Whole on the following substitute amendment submitted by Mr. LEACH for the amendment submitted by Mrs. ROUKEMA:

Substitute amendment submitted by Mr. LEACH:

Strike subsection (f) of section 6 of the Bank Holding Company Act of 1956, as added by section 103(a) of the amendment in the nature of a substitute (and redesignate subsequent subsections and any cross reference to any such subsection accordingly).

In paragraph (1) of subsection (f) (as so redesignated) of section 6 of the Bank Holding Company Act of 1956, as added by section 103(a) of the amendment in the nature of a substitute, strike "subsection (f)(1) and".

In paragraph (2) of subsection (f) (as so redesignated) of section 6 of the Bank Holding Company Act of 1956, as added by section 103(a) of the amendment in the nature of a substitute—

(1) strike ", as of the day before the company becomes a financial holding company,"; and

(2) insert "(excluding revenues derived from subsidiary depository institutions)" before ", on a consolidated basis".

In paragraph (4) of subsection (f) (as so redesignated) of section 6 of the Bank Holding Company Act of 1956, as added by section 103(a) of the amendment in the nature of a substitute, insert "(excluding revenues derived from subsidiary depository institutions)" before the period at the end.

In paragraph (5) of subsection (f) (as so redesignated) of section 6 of the Bank Holding Company Act of 1956, as added by section 103(a) of the amendment in the nature of a substitute, strike ", subsection (f)".

In paragraph (6) of subsection (f) (as so redesignated) of section 6 of the Bank Holding Company Act of 1956, as added by section 103(a) of the amendment in the nature of a substitute, strike ", subsection (f)".

After paragraph (6) of subsection (f) (as so redesignated) of section 6 of the Bank Holding Company Act of 1956, as added by section 103(a) of the amendment in the nature of a substitute, insert the following new paragraph:

"(7) SUNSET OF GRANDFATHER.—A financial holding company engaged in any activity, or retaining direct or indirect ownership or control of shares of a company, pursuant to this subsection, shall terminate such activity and divest ownership or control of the shares of such company before the end of the 10-year period beginning on the date of the enactment of the Financial Services Act of 1998. The Board may, upon application by a financial holding company, extend such 10-year period by not to exceed an additional 5 years if such extension would not be detrimental to the public interest.

Strike paragraph (1) of section 10(c) of the Bank Holding Company Act of 1956, as added by section 131(a) of the amendment in the nature of a substitute (and redesignate subsequent paragraphs and any cross reference to any such paragraph accordingly).

In subparagraph (A) of paragraph (1) (as so redesignated) of section 10(c) of the Bank Holding Company Act of 1956, as added by section 131(a) of the amendment in the nature of a substitute, strike "paragraph (1)(A) and".

In subparagraph (C) of paragraph (1) (as so redesignated) of section 10(c) of the Bank Holding Company Act of 1956, as added by section 131(a) of the amendment in the nature of a substitute, strike "or (g)".

In subparagraph (B) of paragraph (2) (as so redesignated) of section 10(c) of the Bank

Holding Company Act of 1956, as added by section 131(a) of the amendment in the nature of a substitute, strike "Notwithstanding paragraph (1)(A)(i), the" and insert "The".

In subparagraph (A) of paragraph (3) (as so redesignated) of section 10(c) of the Bank Holding Company Act of 1956, as added by section 131(a) of the amendment in the nature of a substitute, strike ", (2), or (3)" and insert "or (2)".

Amendment submitted by Mrs. ROUKEMA:

Strike subparagraph (A) of section 6(f)(1) of the Bank Holding Company Act of 1956, as added by section 103(a) of the Amendment in the Nature of a Substitute, and insert the following new subparagraph:

"(A) the aggregate annual gross revenues derived from all such activities and all such companies does not exceed 10 percent of the consolidated annual gross revenues of the financial holding company;"

Strike paragraph (2) of section 6(f) of the Bank Holding Company Act of 1956, as added by section 103(a) of the Amendment in the Nature of a Substitute.

Strike paragraph (3) of section 6(f) of the Bank Holding Company Act of 1956, as added by section 103(a) of the Amendment in the Nature of a Substitute, and insert the following new paragraph:

"(2) FOREIGN BANKS.—In lieu of the limitation contained in paragraph (1)(A) in the case of a foreign bank or a company that owns or controls a foreign bank which engages in any activity or acquires or retains ownership or control of shares of any company pursuant to paragraph (1), the aggregate annual gross revenues derived from all such activities and all such companies in the United States shall not exceed 10 percent of the consolidated annual gross revenues of the foreign bank or company in the United States derived from any branch, agency, commercial lending company, or depository institution controlled by the foreign bank or company and any subsidiary engaged in the United States in activities permissible under section 4 or 6."

Strike paragraph (4) of section 6(f) of the Bank Holding Company Act of 1956, as added by section 103(a) of the Amendment in the Nature of a Substitute and insert the following new paragraph:

"(3) FINANCIAL HOLDING COMPANY GROWTH BEYOND CAP.—Notwithstanding paragraph (1), the Board may, on a case by case basis, allow the aggregate annual gross revenues derived by a financial holding company from activities engaged in, or companies the shares of which such holding company owns or controls, under this subsection to exceed the 10 percent limitation contained in subparagraph (A) of such paragraph so long as—

"(A) such aggregate annual gross revenues do not exceed 15 percent of the consolidated annual gross revenues of the financial holding company; and

"(B) the financial holding company does not commence any new activity, or acquire ownership or control of shares of a company, under this subsection after the date on which such gross revenues first exceed 10 percent of the consolidated annual gross revenues."

After paragraph (3) (as so redesignated) of section 6(f) of the Bank Holding Company Act of 1956, as added by section 103(a) of the Amendment in the Nature of a Substitute insert the following new paragraph:

"(4) DOMESTIC GROWTH OF FOREIGN BANK BEYOND CAP.—Notwithstanding paragraph (2), the Board may, on a case by case basis, allow the aggregate annual gross revenues derived by a foreign bank from activities engaged in, or companies the shares of which such foreign bank owns or controls, in the United States under this subsection to exceed the 10

percent limitation contained in such paragraph so long as—

"(A) such aggregate annual gross revenues do not exceed 15 percent of the consolidated annual gross revenues of the foreign bank or company in the United States derived from any branch, agency, commercial lending company, or depository institution controlled by the foreign bank or company and any subsidiary engaged in the United States in activities permissible under section 4 or 6; and

"(B) the foreign bank does not commence any new activity, or acquire ownership or control of shares of a company, under this subsection after the date on which such aggregate annual gross revenues first exceed the 10 percent limitation contained in paragraph (2)."

Strike subsection (g) of section 6 of the Bank Holding Company Act of 1956, as added by section 103(a) of the Amendment in the Nature of a Substitute (and redesignate the subsequent subsection and amend any cross reference to any such subsection accordingly).

It was decided in the { Yeas ..... 229  
affirmative ..... } Nays ..... 193

44.22 [Roll No. 146] AYES—229

Abercrombie	Ehlers	Lofgren
Aderholt	Emerson	Lucas
Andrews	Ensign	Luther
Archer	Evans	Maloney (NY)
Bachus	Ewing	Manzullo
Baessler	Fawell	Markey
Baldacci	Filner	Martinez
Ballenger	Fowler	Matsui
Barr	Fox	McCarthy (MO)
Barrett (NE)	Franks (NJ)	McCrery
Barrett (WI)	Frelinghuysen	McDade
Barton	Gallegly	McDermott
Bass	Ganske	McHugh
Becerra	Gejdenson	McInnis
Bereuter	Gephardt	McIntosh
Berman	Gibbons	McIntyre
Berry	Gilchrest	McKeon
Bilirakis	Gillmor	Menendez
Bishop	Gilman	Metcalf
Blagojevich	Goode	Mica
Bliley	Goodling	Millender-
Blunt	Goss	McDonald
Boehkert	Graham	Miller (CA)
Bonilla	Gutierrez	Miller (FL)
Bonior	Gutknecht	Minge
Borski	Hamilton	Moran (KS)
Boswell	Hansen	Nadler
Boyd	Hastings (WA)	Nethercutt
Brady	Herger	Northup
Calvert	Hilleary	Norwood
Camp	Hinchey	Nussle
Campbell	Hinojosa	Oberstar
Canady	Hobson	Obey
Cannon	Horn	Olver
Cardin	Hostettler	Ortiz
Chabot	Houghton	Oxley
Chambliss	Hoyer	Packard
Chenoweth	Hulshof	Pallone
Clement	Hutchinson	Pappas
Coble	Hyde	Parker
Coburn	Inglis	Pease
Collins	Istook	Pelosi
Combest	Jackson (IL)	Peterson (MN)
Condit	Jenkins	Peterson (PA)
Conyers	John	Petri
Cooksey	Johnson (CT)	Pickering
Costello	Johnson (WI)	Pickett
Cox	Kanjorski	Pombo
Cramer	Kaptur	Pomeroy
Crane	Kasich	Portman
Crapo	Kennedy (MA)	Poshard
Cubin	Kennedy (RI)	Pryce (OH)
Cummings	Kildee	Quinn
Danner	Kim	Redmond
Davis (VA)	Kingston	Regula
Deal	Kleczka	Reyes
DeFazio	Klug	Riley
Delahunt	Kolbe	Rivers
Diaz-Balart	Kucinich	Rodriguez
Dicks	Latham	Rogers
Dixon	Leach	Ros-Lehtinen
Doolittle	Lewis (CA)	Rothman
Duncan	Lipinski	Roybal-Allard
Edwards	LoBiondo	Rush