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H. R. 2520

To enhance competition in the financial services industry by providing a prudential framework for the affiliation of banks, securities firms, and other financial service providers, to reduce paperwork and additional regulatory burdens for depository institutions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 24, 1995

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

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A BILL

To enhance competition in the financial services industry by providing a prudential framework for the affiliation of banks, securities firms, and other financial service providers, to reduce paperwork and additional regulatory burdens for depository institutions, and for other purposes.

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Financial Services Competitiveness and Regulatory Relief Act of 1995''.

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

Section 1. Short title; table of contents.

TITLE I—BANK SECURITIES ACTIVITIES AND AFFILIATIONS WITH SECURITIES FIRMS AND OTHER FINANCIAL COMPANIES

Subtitle A—Securities Activities

Sec. 101. Anti-affiliation provision of the Banking Act of 1933 repealed.
Sec. 102. Financial services holding companies authorized to have securities affiliates.
Sec. 103. Establishment and operations of securities affiliates.
Sec. 104. Safeguards relating to securities affiliates.
Sec. 105. Ownership of shares of certain companies by financial services holding companies.
Sec. 106. Provisions applicable to limited purpose banks.
Sec. 107. Securities company affiliations of FDIC—insured banks.
Sec. 108. Authority to terminate grandfather rights under the International Banking Act of 1978.
Sec. 109. Effect on State laws prohibiting the affiliation of banks and securities companies.
Sec. 110. Interagency agreement relating to retail sales of certain nondeposit investment products.
Sec. 111. Effective date.

Subtitle B—Investment Bank Holding Companies

Sec. 116. Investment bank holding companies.
Sec. 117. Wholesale financial institutions.

Subtitle C—Financial Activities

Sec. 121. Financial activities.
Sec. 122. No prior approval required for well capitalized and well managed financial services holding companies.
Sec. 123. Streamlined examination and reporting requirements for all financial services holding companies.
Sec. 124. Holding company supervision for financial services holding companies engaged primarily in nonbanking activities.
Sec. 125. Conversion of unitary savings and loan holding companies to financial services holding companies.
Sec. 126. Financial services advisory committee.
Sec. 127. Coordination with State law.
Sec. 129. Conforming amendments to the Bank Holding Company Act Amendments of 1970.

Sec. 130. Credit cards for business purposes.
Sec. 131. Disposition of foreclosed assets.

Subtitle D—Interagency Banking and Financial Services Advisory Committee

Sec. 141. Interagency banking and financial services advisory committee.

Subtitle E—Application and Registration Fees

Sec. 151. Authority to impose fees.

TITLE II—FUNCTIONAL REGULATION

Subtitle A—Brokers and Dealers

Sec. 201. Definition of broker.
Sec. 202. Definition of dealer.
Sec. 203. Power to exempt from the definitions of broker and dealer.
Sec. 204. Margin requirements.
Sec. 205. Effective date.

Subtitle B—Bank Investment Company Activities

Sec. 211. Custody of investment company assets by affiliated bank.
Sec. 212. Use of underwriting proceeds.
Sec. 213. Lending to an affiliated investment company.
Sec. 214. Independent directors.
Sec. 215. Additional SEC disclosure authority.
Sec. 216. Definition of broker under the Investment Company Act of 1940.
Sec. 217. Definition of dealer under the Investment Company Act of 1940.
Sec. 218. Removal of the exclusion from the definition of investment adviser for banks that advise investment companies.
Sec. 219. Definition of broker under the Investment Advisers Act of 1940.
Sec. 220. Definition of dealer under the Investment Advisers Act of 1940.
Sec. 221. Interagency consultation.
Sec. 222. Treatment of bank common trust funds.
Sec. 223. Investment advisers prohibited from having controlling interest in registered investment company.
Sec. 224. Conforming change in definition.
Sec. 225. Effective date.

TITLE III—BANK INSURANCE ACTIVITIES

Sec. 301. Authority of the Comptroller of the Currency.
Sec. 302. National bank community development insurance activities.

TITLE IV—REDUCTIONS IN GOVERNMENT OVERREGULATION

Subtitle A—The Home Mortgage Process

Sec. 401. Regulatory authority over disclosures and escrow accounts under RESPA transferred to Federal Reserve Board.
Sec. 402. Simplification and unification of disclosures required under RESPA and TILA for mortgage transactions.
Sec. 403. Increased regulatory flexibility under the Truth in Lending Act.
Sec. 404. Reductions in RESPA regulatory burdens; clarifying amendments.
Sec. 405. Disclosures for adjustable rate mortgages.

Sec. 406. Treatment of certain debt cancellation and deficiency waiver contracts.
Sec. 407. Recovery of fees.
Sec. 408. Home ownership debt counseling notification.
Sec. 409. Home Mortgage Disclosure Act.

Subtitle B—Community Reinvestment Act Amendments

Sec. 421. Expression of congressional intent.
Sec. 422. Increased incentives for lending to low- and moderate-income communities.
Sec. 423. Prohibition on additional reporting under CRA.
Sec. 424. Technical amendment.
Sec. 425. CRA congressional oversight.
Sec. 426. Consultation among examiners.
Sec. 427. Limitation on regulations.

Subtitle C—Consumer Banking Reforms

Sec. 441. Truth in savings.
Sec. 442. Information sharing.
Sec. 443. Electronic Fund Transfer Act clarification.
Sec. 444. Limit on restitution for truth in lending violations if safety and soundness of violator would be affected.

Subtitle D—Equal Credit Opportunity Act Amendments

Sec. 451. Short title.
Sec. 452. Findings and purpose.
Sec. 453. Equal Credit Opportunity Act amendments.
Sec. 454. Fair Credit Reporting Act amendments.
Sec. 455. Incentives for self-testing.
Sec. 456. Consultation by Attorney General required in nonreferral cases.
Sec. 457. Effective date.

Subtitle E—Consumer Leasing Act Amendments

Sec. 461. Short title.
Sec. 462. Congressional findings and declaration of purpose.
Sec. 463. Regulations.
Sec. 464. Consumer lease advertising.
Sec. 465. Statutory penalties.

TITLE V—STREAMLINING GOVERNMENT REGULATIONS

Subtitle A—Regulatory Approval Issues

Sec. 501. Streamlined bank acquisitions by well capitalized and well managed banking organizations.
Sec. 502. Eliminate filing and approval requirements for insured depository institutions already controlled by the same holding company.
Sec. 503. Eliminate redundant approval requirement for Oakar transactions.
Sec. 504. Elimination of duplicative requirements imposed upon financial services holding companies and other regulatory relief under the Home Owners' Loan Act.
Sec. 505. Eliminate requirement that approval be obtained for divestitures.
Sec. 506. Eliminate unnecessary branch applications.

Sec. 507. Eliminate branch applications and requirements for ATMs and similar facilities.
Sec. 508. Eliminate requirement for approval of investments in bank premises for well capitalized and well managed banks.
Sec. 509. Eliminate unnecessary filing for officer and director appointments.
Sec. 510. Increase in certain credit union loan ceilings.

Subtitle B—Streamlining of Government Regulations; Miscellaneous Provisions

Sec. 521. Eliminate the per-branch capital requirement for national banks and State member banks.
Sec. 522. Branch closures.
Sec. 523. Amendments to the Depository Institutions Management Interlocks Act.
Sec. 524. Acceleration of repayment to Treasury.
Sec. 525. Eliminate unnecessary and duplicative recordkeeping and reporting requirements relating to loans to executive officers and permit participation in employee benefit plans.
Sec. 526. Expanded regulatory discretion for small bank examinations.
Sec. 527. Cost reimbursement.
Sec. 528. Identification of foreign nonbank financial institution customers.
Sec. 529. Paperwork reduction review.
Sec. 530. Daily confirmations for hold-in-custody repurchase transactions.
Sec. 531. Required regulatory review of regulations.
Sec. 532. Country risk requirements.
Sec. 533. Audit costs.
Sec. 534. Standards for director and officer liability.
Sec. 535. Foreign bank applications.
Sec. 536. Duplicate examination of foreign banks.
Sec. 537. Second mortgages.
Sec. 538. Streamlining FDIC approval of new State bank powers.
Sec. 539. Repeal of call report attestation requirement.
Sec. 540. Authorizing bank service companies to organize as limited liability partnerships.
Sec. 541. Bank investments in Edge Act and agreement corporations.
Sec. 542. Report on the reconciliation of differences between regulatory accounting principles and generally accepted accounting principles.
Sec. 543. Waivers authorized for residency requirement for national bank directors.

TITLE VI—LENDER LIABILITY

Sec. 601. Lender liability.

TITLE VII—ANNUAL STUDY AND REPORT ON IMPACT ON LENDING TO SMALL BUSINESS

Sec. 701. Annual study and report.

TITLE I—BANK SECURITIES ACTIVITIES AND AFFILIATIONS WITH SECURITIES FIRMS AND OTHER FINANCIAL COMPANIES

Subtitle A—Securities Activities

SEC. 101. ANTI-AFFILIATION PROVISION OF THE BANKING ACT OF 1933 REPEALED.

(a) SECTION 20 REPEALED.—Section 20 (12 U.S.C. 377) of the Banking Act of 1933 (commonly referred to as the ''Glass-Steagall Act'') is repealed.

(b) CONFORMING AMENDMENT TO SECTION 32.—Section 32 (12 U.S.C. 78) of the Banking Act of 1933 is amended by adding at the end the following sentence: ''This section shall not apply so as to prohibit an officer, director, or employee of a securities affiliate (as defined in section 2 of the Financial Services Company Act of 1995) from serving at the same time as an officer, director, or employee of a member bank affiliated with that securities affiliate pursuant to section 10 of such Act. This section shall not apply so as to prohibit an officer, director, or employee of an investment company registered under the Investment Company Act of 1940 or an investment adviser registered under the Investment Advisers

Act of 1940 from serving at the same time as an officer, director, or employee of a member bank.''.

SEC. 102. FINANCIAL SERVICES HOLDING COMPANIES AUTHORIZED TO HAVE SECURITIES AFFILIATES.

Section 4(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)) is amended—

(1) by striking ''or'' at the end of paragraph (13);

(2) by striking the period at the end of paragraph (14) and inserting ''; or''; and

(3) by adding after paragraph (14) the following new paragraph:

''(15) shares of a securities affiliate in accordance with section 10.''.

SEC. 103. ESTABLISHMENT AND OPERATIONS OF SECURITIES AFFILIATES.

(a) IN GENERAL.—Section 10 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended to read as follows:

''SEC. 10. SECURITIES ACTIVITIES.

''(a) ACTIVITIES PERMISSIBLE FOR SECURITIES AFFILIATES.—

''(1) IN GENERAL.—A securities affiliate may engage in 1 or more of the following activities:

''(A) Underwrite, deal in, broker, place, or distribute securities of any type, provide investment advice regarding securities of any type, and engage in other securities activities.

''(B) Sponsor, organize, control, manage, and act as investment adviser to an investment company.

''(C) Engage in, or acquire the shares of a company engaged in, any activity if—

''(i) a provision of section 4(c) permits financial services holding companies generally to engage in that activity or acquire those shares; and

''(ii) either—

''(I) the Board permits the financial services holding company to engage in that activity or acquire those shares through the securities affiliate; or

''(II) a provision of section 4(c) permits the financial services holding company to engage in such activity or acquire such shares without the Board's approval.

"(2) FACTOR TO BE CONSIDERED.—In making determinations pursuant to this section, the Board shall take into account the need for securities firms affiliated with banks to be innovative and competitive.

"(b) ACQUIRING INTEREST IN SECURITIES AFFILIATE.—

"(1) NOTICE REQUIRED.—A financial services holding company shall not, without complying with and receiving approval pursuant to the notice procedure in section 4(j)(1), directly or indirectly acquire or retain more than 5 percent of the voting shares of, or all or substantially all of the assets of, a securities affiliate (or a company that would be a securities affiliate if the Board permitted the financial services holding company to acquire that company).

"(2) CRITERIA FOR APPROVAL.—The Board shall disapprove a notice required under paragraph (1) unless the Board determines that the requirements of the following subparagraphs have been met:

"(A) CAPITAL.—

"(i) DEPOSITORY INSTITUTIONS.—

"(I) The lead depository institution of the financial services holding company is well capitalized.

"(II) Well capitalized depository institutions control at least 80 percent of the aggregate total risk-weighted assets of depository institutions controlled by the financial services holding company.

"(III) All depository institutions controlled by the financial services holding company are well capitalized or adequately capitalized.

"(ii) RECENTLY ACQUIRED DEPOSITORY INSTITUTIONS.—Depository institutions acquired by a financial services holding company during the 12-month period preceding the submission of a notice under paragraph (1) may be excluded for purposes of clause (i)(II) if—

"(I) the financial services holding company has submitted a plan to the appropriate Federal banking agency to restore the capital of the institution

and the plan has been accepted by such agency; and

''(II) all such institutions that are excluded for the purposes of clause (i)(II) represent, in the aggregate, less than 25 percent of the aggregate total risk-weighted assets of all depository institutions controlled by the financial services holding company.

''(iii) FINANCIAL SERVICES HOLDING COMPANY.—The financial services holding company is (and immediately after the acquisition of a securities affiliate would continue to be) adequately capitalized under the capital standards applicable, if any, to such financial services holding company.

''(iv) FOREIGN BANKS AND COMPANIES.—For purposes of applying this subsection and other provisions of this section, the Board shall establish and apply comparable capital standards for the acquisition, retention, and operation of a securities affiliate in the United States by a foreign bank that operates a branch or agen-

cy or owns or controls a bank or commercial lending company in the United States, and any company that owns or controls such a foreign bank, giving due regard to the principle of national treatment and equality of competitive opportunity.

''(B) ALTERNATIVE CAPITAL TREATMENT FOR WELL CAPITALIZED FINANCIAL SERVICES HOLDING COMPANIES.—

''(i) IN GENERAL.—A financial services holding company and the depository institution subsidiaries of such company shall be deemed to have met the capital requirements set forth in subparagraph (A) if—

''(I) the holding company files a written notice with the Board of such company's election to meet such capital requirements in the manner provided in this subparagraph;

''(II) all depository institutions controlled by the financial services holding company are at least adequately capitalized; and

''(III) the financial services holding company is (and immediately after the acquisition of a securities affiliate would continue to be) well capitalized.

''(ii) LOSSES INCURRED BY FDIC.—A financial services holding company which makes an election under clause (i) in connection with the acquisition of control of any securities affiliate shall be liable for any loss incurred by the Federal Deposit Insurance Corporation, or any loss which the Federal Deposit Insurance Corporation reasonably anticipates incurring in connection with—

''(I) the default of any insured depository institution controlled by the financial services holding company; or

''(II) any assistance provided by the Corporation to any insured depository institution in danger of default that is controlled by the financial services holding company.

''(C) MANAGERIAL RESOURCES.—

"(i) IN GENERAL.—The financial services holding company and each depository institution subsidiary of such company—

"(I) are well managed; and

"(II) were well managed during the 12-month period preceding the acquisition of a securities affiliate (but for purposes of this subparagraph the Board may disregard any depository institution acquired by the financial services holding company during that period).

"(ii) SECURITIES ACTIVITIES.—The financial services holding company has the managerial resources to conduct the proposed securities activities safely and soundly.

"(D) INTERNAL CONTROLS.—The financial services holding company has established adequate policies and procedures to manage financial and operational risks, to provide reasonable assurance of compliance with this section and other applicable laws, and to provide reasonable assurance of maintenance of corporate sepa-

rateness within the financial services holding company.

''(E) NO DETRIMENTAL EFFECT ON FINANCIAL SERVICES HOLDING COMPANY OR ITS SUBSIDIARY DEPOSITORY INSTITUTIONS.—The acquisition of a securities affiliate would not adversely affect the safety and soundness of—

''(i) the financial services holding company; or

''(ii) any depository institution subsidiary of the financial services holding company.

''(F) CONCENTRATION OF RESOURCES.—The acquisition of a securities affiliate would not result in an undue concentration of resources in the financial services business.

''(G) RESPONSIVENESS TO COMMUNITY NEEDS.—The lead insured depository institution subsidiary of the financial services holding company and insured depository institutions controlling at least 80 percent of the aggregate total risk-weighted assets of insured depository institutions controlled by the financial services holding company have achieved a 'satisfactory record of meeting community credit needs', or

better, during the most recent examination of such insured depository institutions.

''(3) LIMITED NOTICE PROCEDURES FOR PROPOSALS BY WELL CAPITALIZED AND WELL MANAGED COMPANIES TO ACQUIRE ADDITIONAL SECURITIES AFFILIATES.—A financial services holding company may, without providing the notice required under paragraph (1), directly or indirectly acquire the shares or substantially all of the assets of any company that is engaged in activities described in subparagraph (A) or (B) of subsection (a)(1), if—

''(A) the financial services holding company previously received the Board's approval under paragraph (1) to control a securities affiliate and continues to control the securities affiliate pursuant to that approval;

''(B) the acquisition proposal qualifies under section 4(j)(4);

''(C) the financial services holding company provides the written notification required in section 4(j)(5); and

''(D) the acquisition would not result in an undue concentration of resources in the financial services business.

"(4) APPLICATION FEE.—Notwithstanding any other provision of this Act, no financial services holding company may acquire any securities affiliate or make any additional investment in a securities affiliate in accordance with subsection (c) unless the Board has received, from the company, full payment of a fee which the Board shall impose in accordance with section 5(h).

"(c) ADDITIONAL INVESTMENT IN SECURITIES AFFILIATE.—

"(1) PRIOR NOTICE REQUIRED.—A financial services holding company that has acquired control of a securities affiliate under this section shall not, directly or indirectly, make any additional investment in the securities affiliate that is considered capital for purposes of any capital requirement imposed on the securities affiliate under the Securities Exchange Act of 1934 (other than an extension of credit under a revolving credit agreement approved by the Board), unless the financial services holding company gives the Board prior written notice of the proposed investment and the Board—

"(A) issues a written statement of the Board's intent not to disapprove the notice; or

''(B) does not disapprove the notice within 30 days after the notice is filed.

''(2) NO PRIOR NOTICE REQUIRED FOR CERTAIN FINANCIAL SERVICES HOLDING COMPANIES.—

''(A) IN GENERAL.—A financial services holding company shall not be required to provide prior notice under paragraph (1) if after making any investment described in paragraph (1)—

''(i) the financial services holding company would be adequately capitalized under the capital standards applicable, if any, to such financial services holding company and each of the financial services holding company's subsidiary depository institutions would be well capitalized; and

''(ii) the financial services holding company and each of its subsidiary depository institutions are well managed (but for purposes of this clause the Board may disregard any depository institution acquired by the financial services holding company during the previous 12-month period).

''(B) SUBSEQUENT NOTICE.—A financial services holding company that makes an invest-

ment pursuant to subparagraph (A) shall provide written notice to the Board of the additional investment within 10 days after making the investment.

''(3) CRITERIA FOR DISAPPROVING NOTICE.—The Board may disapprove a notice filed under paragraph (1) if—

''(A) any depository institution affiliate of the securities affiliate is undercapitalized; or

''(B) the Board determines that the financial services holding company would be undercapitalized under the capital standards applicable, if any, to such financial services holding company after making the investment or that the investment would otherwise be unsafe or unsound.

''(4) EMERGENCY APPROVAL.—Notwithstanding any provision of this subsection, in the event of adverse market conditions, or concerns regarding the financial or operational condition of the securities affiliate, the Board may approve any additional investment in the securities affiliate on an emergency basis if such additional investment does not adversely affect the safety and soundness of all insured depository institution affiliates of such securities af-

filiate and does not diminish the ability of the financial services holding company to maintain an appropriate amount of capital in all such insured depository institutions.

''(d) PROVISIONS APPLICABLE IF AFFILIATED DEPOSITORY INSTITUTION CEASES TO BE WELL CAPITALIZED.—

''(1) HOLDING COMPANY ACTION REQUIRED IF AFFILIATED INSTITUTIONS ARE NOT WELL CAPITALIZED.—

''(A) APPLICABILITY.—This paragraph shall apply if—

''(i) the lead depository institution of the financial services holding company is not well capitalized, or

''(ii) well capitalized depository institutions do not control at least 80 percent of the aggregate total risk-weighted assets of depository institutions affiliated with the securities affiliate.

''(B) CAPITAL MAINTENANCE AGREEMENT.—Within 30 days after subparagraph (A) becomes applicable with respect to any financial services holding company, such company shall execute an agreement with the Board—

"(i) to meet the capital requirements of subparagraph (A) within a reasonable period of time; or

"(ii) to divest control of the depository institution in an orderly manner within 180 days, or within such additional period of time as the Board may determine is reasonably required in order to effect such divestiture.

"(C) RESTRICTIONS ON CERTAIN SECURITIES ACTIVITIES.—If a financial services holding company fails to meet the requirements of, or comply with the agreement executed pursuant to, subparagraph (B), a securities affiliate of such financial services holding company shall not, beginning 180 days after subparagraph (A) becomes applicable with respect to such company, agree to underwrite or deal in, any securities other than—

"(i) securities expressly authorized by section 5136 of the Revised Statutes of the United States as permissible for a national bank to underwrite or deal in;

"(ii) securities backed by or representing interests in notes, drafts, acceptances,

loans, leases, receivables, other obligations, or pools of any such obligations; or

''(iii) securities issued by an open-end investment company registered under the Investment Company Act of 1940.

''(D) EXCEPTION.—The Board may permit the securities affiliate of a financial services holding company described in subparagraph (C) to underwrite or deal in securities not described in clauses (i) through (iii) of such subparagraph for a period of 1 year from the date on which subparagraph (A) first becomes applicable with respect to such company, if—

''(i) the financial services holding company submits a capital restoration plan to the Board specifying the steps the financial services holding company will take to meet the requirements of subsection (b)(2)(A), and containing such other information as the Board may require; and

''(ii) the Board approves the plan.

''(E) EXTENSION OF PERIOD.—

''(i) IN GENERAL.—Upon application by a financial services holding company, the Board may extend, for not more than

1 year at a time, the period provided in subparagraph (C).

''(ii) MAXIMUM EXTENSION.—No extension under clause (i) of the period provided in subparagraph (C) shall, in the aggregate, exceed 2 years.

''(2) DIVESTITURE OF SECURITIES AFFILIATE.—

''(A) IN GENERAL.—A financial services holding company shall divest itself of the securities affiliate if any of the financial services holding company's subsidiary depository institutions has been undercapitalized for more than 6 months.

''(B) EXTENDING TIME.—The Board may provide additional time, not exceeding 18 months, for a divestiture under subparagraph (A) if—

''(i) the appropriate Federal banking agency or, in the case of a foreign bank or company that owns or controls a foreign bank, the Board, has approved the undercapitalized institution's capital restoration plan; and

"(ii) the Board determines that the securities affiliate poses no significant risk to any affiliated depository institution.

"(e) SECURITIES AFFILIATE EXCLUDED IN DETERMINING WHETHER FINANCIAL SERVICES HOLDING COMPANY IS ADEQUATELY CAPITALIZED.—

"(1) IN GENERAL.—In determining whether a financial services holding company is adequately capitalized—

"(A) the financial services holding company's capital and total assets shall each be reduced by—

"(i) an amount equal to the amount of the financial services holding company's equity investment in any securities affiliate; and

"(ii) an amount equal to the amount of any extensions of credit by the financial services holding company to any securities affiliate that are considered capital for purposes of any capital requirement imposed on the securities affiliate under section 15(c)(3) of the Securities Exchange Act of 1934; and

"(B) the securities affiliate's assets and liabilities shall not be consolidated with those of the financial services holding company.

"(2) EXCEPTION FOR NONSECURITIES ACTIVITIES.—Paragraph (1) shall not apply to the extent that the Board determines by regulation or order that—

"(A) an item described in such paragraph relates to activities which are not described in subparagraph (A) or (B) of subsection (a)(1); or

"(B) another method of adjusting capital is more appropriate to ensure the safety and soundness of depository institutions.

"(3) EXCEPTION FOR COMPANIES ENGAGED PREDOMINANTLY IN SECURITIES ACTIVITIES.—Paragraph (1) shall not apply to an investment bank holding company which is predominantly engaged in securities activities on a consolidated basis.

"(f) SAFEGUARDS.—Each financial services holding company and each subsidiary of any such company shall comply with all applicable safeguard requirements of section 11.

"(g) ACTIVITIES NOT PERMISSIBLE FOR DEPOSITORY INSTITUTIONS.—

"(1) IN GENERAL.—A financial services holding company that acquires control of a securities affiliate shall not, after the end of the 1-year period beginning on the date of such acquisition, permit any depository institution, or any subsidiary of any depository institution, which is controlled by such holding company—

"(A) to engage, directly or indirectly, in the United States—

"(i) in underwriting securities backed by or representing interests in notes, drafts, acceptances, loans, leases, receivables, other obligations, or pools of any such obligations originated or purchased by the institution or its affiliates; or

"(ii) in underwriting or dealing in any other securities,

except securities expressly authorized by section 5136 of the Revised Statutes of the United States as permissible for a national bank to underwrite or deal in; or

"(B) to make an equity investment in any securities affiliate.

"(2) EXCEPTION FOR CERTAIN EDGE ACT AND AGREEMENT CORPORATIONS.—The limitations in

paragraph (1)(A) shall not apply with respect to activities conducted by a subsidiary of a financial services holding company which is held pursuant to section 25 or 25A of the Federal Reserve Act or section 4(c)(13) of this Act.

''(3) RULE OF CONSTRUCTION.—No provision of this subsection shall be construed as permitting a securities affiliate to accept deposits in contravention of section 21 of the Banking Act of 1933.

''(h) APPROVAL OF SECURITIES ACTIVITIES UNDER SECTION 4(c)(8) RESTRICTED.—The Board shall deny any notice or application by a financial services holding company under authority of section 4(c)(8) to engage in, or acquire the shares of a company engaged in, underwriting or dealing in securities in the United States, other than securities expressly authorized by section 5136 of the Revised Statutes of the United States as permissible for a national bank to underwrite or deal in.

''(i) BANKERS' BANKS.—

''(1) IN GENERAL.—For purposes of this section, each shareholder of or participant in a company that controls a depository institution described in section 5169(b)(1) of the Revised Statutes of the United States or in a similar statute of any State, and each subsidiary of such a shareholder or partici-

pant, shall be treated as if such shareholder, participant, or subsidiary were a subsidiary of that company.

''(2) EXCEPTION.—This subsection shall not apply with respect to a shareholder or participant in a company described in subparagraph (A) (or any subsidiary of such shareholder or participant) if the shareholder or participant, and the affiliates of any such shareholder or participant, do not, in the aggregate, control more than 5 percent of any class of voting shares of such company.

''(j) SHARES ACQUIRED IN CONNECTION WITH UNDERWRITING AND INVESTMENT BANKING ACTIVITIES.—

''(1) IN GENERAL.—Notwithstanding section 4(a), a financial services holding company may directly or indirectly acquire or control, whether as principal, on behalf of 1 or more entities (including entities, other than a depository institution or subsidiary of a depository institution, that the financial services holding company controls), or otherwise, shares, assets, or ownership interests (including without limitation debt or equity securities, partnership interests, trust certificates, or other instruments representing ownership) of a company or other entity, whether or not constituting control of

such company or entity, engaged in activities not authorized pursuant to section 4 if—

''(A) the shares, assets, or ownership interests are not acquired or held by a depository institution or a subsidiary of a depository institution;

''(B) such shares, assets, or ownership interests are acquired and held by a securities affiliate or an affiliate of a securities affiliate as part of a bona fide underwriting or investment banking activity, which includes investment activities engaged in for the purpose of appreciation and ultimate resale or other disposition of the investment, and such shares, assets, or ownership interests are held for such a period of time as will permit the sale or disposition thereof on a reasonable basis consistent with the nature of such activities; and

''(C) during the period such shares, assets, or ownership interests are held, the financial services holding company does not actively manage or operate the company or entity except insofar as necessary to achieve the objectives of subparagraph (B).

"(2) NO EXPANSION OF UNDERWRITING ACTIVITIES.—No provision of this subsection shall be construed as authorizing any financial services holding company, or any subsidiary of any such company, to underwrite or deal in any security.

"(3) ACQUISITION FEE.—No financial services holding company may acquire any company or other entity under paragraph (1) unless the Board has received, from the holding company, full payment of a fee which the Board shall impose in accordance with section 5(h).

"(k) REGISTRATION FEES.—In the case of any financial services holding company which controls—

"(1) a securities affiliate; or

"(2) any company or entity pursuant to subsection (j),

the Board shall assess an annual registration fee in accordance with section 5(h) on such holding company with respect to each affiliate, company, or other entity referred to in paragraph (1) or (2) which is controlled by such holding company.

"(l) DEFINITIONS.—For purposes of this section and sections 11 and 12, the following definitions shall apply:

"(1) CAPITAL STOCK AND SURPLUS.—The term 'capital stock and surplus' has the same meaning as in section 23A of the Federal Reserve Act.

"(2) COVERED TRANSACTION.—The term 'covered transaction' has the same meaning as in section 23A of the Federal Reserve Act.

"(3) SECURITY.—

"(A) IN GENERAL.—The term 'security' has the meaning given to such term in section 3(a)(10) of the Securities Exchange Act of 1934.

"(B) EXCEPTIONS.—Notwithstanding any other provision of law, the term 'security' does not include any of the following for purposes of this section other than subsection (a):

"(i) A contract of insurance.

"(ii) A deposit account, savings account, certificate of deposit, or other deposit instrument issued by a depository institution.

"(iii) A share account issued by a savings association if the account is insured by the Federal Deposit Insurance Corporation.

"(iv) A banker's acceptance.

''(v) A letter of credit issued by a depository institution.

''(vi) A debit account at a depository institution arising from a credit card or similar arrangement.

''(vii) A loan or loan participation (as determined by the Board), including any debt security issued in connection with sovereign debt restructuring which a bank purchases and sells pursuant to such bank's lending authority.

''(viii) A qualified financial contract (as defined in section 11(e)(8)(D)(i) of the Federal Deposit Insurance Act), as determined by the Board, after consultation with and consideration of the views of the Securities and Exchange Commission, except that, for purposes of this section other than subsection (a), such term does not include—

''(I) any securities contract (as defined in section 11(e)(8)(D)(ii) of such Act) that is based on or directly relates to a security that is not expressly authorized by section 5136 of

the Revised Statutes of the United States as permissible for a national bank to underwrite or deal in unless the Board determines, after consultation with and consideration of the views of the Securities and Exchange Commission, that such securities contract is appropriate for a bank to underwrite or deal in, taking into account other qualified financial contracts which a bank is permitted to underwrite or deal in; and

''(II) any agreement, contract, or transaction which is determined by the Federal Deposit Insurance Corporation in a regulation prescribed after the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995 to be a qualified financial contract unless the Board determines, after consultation with and consideration of the views of the Securities and Exchange Commission, that such agreement, contract, or transaction shall be treat-

ed as a qualified financial contract for purposes of this section.

''(C) BOARD'S AUTHORITY TO EXEMPT TRADITIONAL BANKING PRODUCTS.—Notwithstanding any other provision of law, the Board may, by regulation or order, exempt a banking product from the definition of security if the Board finds that—

''(i) the product is available in the course of a banking business and is more appropriately regulated as a banking product; and

''(ii) the exemption is otherwise consistent with the purposes of this section, the maintenance of fair and orderly markets, and the protection of investors.

''(D) DEFINITION FOR LIMITED PURPOSE.—The fact that a particular instrument is excluded pursuant to subparagraph (B) or (C) from the definition of security for purposes of this section shall not be construed as finding or implying that such instrument is or is not a security for purposes of Federal securities laws.

''(E) RESERVATION OF AUTHORITY TO CHARTERING AUTHORITY.—A determination by

the Board under this paragraph shall not be construed in any way as authorizing a bank to provide any product or service that the bank is not otherwise authorized to provide under relevant law governing the activities and powers of the bank.

''(F) CONSULTATION WITH COMMISSION.—

''(i) NOTICE AND CONSULTATION REQUIRED.—In determining whether to exempt a banking product pursuant to subparagraph (C), the Board shall provide written notice to, consult with, and consider the views of the Securities and Exchange Commission.

''(ii) RESPONSE AND PUBLICATION.—If the Securities and Exchange Commission comments in writing on a proposed determination of the Board, the Board shall—

''(I) respond in writing to such written comment; and

''(II) at the request of such commission, publish such comment and response in the Federal Register at

the time the determination becomes effective.''.

(b) TRANSITION RULE FOR SECURITIES AFFILIATES APPROVED UNDER SECTION 4(c)(8).—

(1) CONVERSION TO (4)(c)(15) SUBSIDIARY.—

(A) IN GENERAL.—Except as provided in subparagraph (B) and paragraphs (3) and (4), effective 18 months after the date of enactment of this Act, no financial services holding company may engage in, or retain the shares of any company engaged in, underwriting or dealing in securities based on the approval of an application under section 4(c)(8) of the Bank Holding Company Act of 1956 (as in effect before the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995) unless the financial services holding company has obtained the Board's approval to retain the shares of that company under section 10.

(B) EXCEPTION FOR BANK ELIGIBLE SECURITIES.—Subparagraph (A) shall not apply with respect to underwriting or dealing in—

(i) securities expressly authorized by section 5136 of the Revised Statutes of the

United States as permissible for a national bank to underwrite or deal in; and

(ii) municipal securities.

(2) EXTENDING TIME.—

(A) IN GENERAL.—The Board may, for good cause shown, extend the time provided under paragraph (1) for not more than 18 months.

(B) PENDING NOTICES.—If a financial services holding company has filed a notice under section 10(b) of the Bank Holding Company Act of 1956 not later than 180 days after the date of enactment of this Act, paragraph (1) shall not apply with respect to the company engaged in such underwriting or dealing until 180 days after the Board has acted on the notice.

(3) CONVERSION PROCEDURES FOR COMPANIES PREVIOUSLY AUTHORIZED TO CONDUCT SECURITIES ACTIVITIES.—Any financial services holding company that controls a company engaged in underwriting and dealing in corporate debt and equity securities pursuant to an order issued by the Board under section 4(c)(8) of the Bank Holding Company Act of 1956 before the date of enactment of the Financial

Services Competitiveness and Regulatory Relief Act of 1995 shall be treated as follows:

(A) REVENUE TEST AND CERTAIN OTHER RESTRICTIONS.—Upon filing the notice required under section 10(b) of the Financial Services Holding Company Act of 1995, the financial services holding company shall be relieved from—

(i) the limitation contained in such order on the amount of revenue that may be derived from securities underwriting and dealing activities; and

(ii) any other restriction contained in such order that would not be required under section 11 of such Act, as permitted by the Board.

(B) EXAMINATION OF INTERNAL CONTROLS.—The financial services holding company shall not, in connection with action on the notice submitted under section 10(b)(1) of the Financial Services Holding Company Act of 1995, be subject to an examination of internal controls under section 10(b)(2)(D) of such Act.

(4) RETENTION OF COMPANIES CONDUCTING LIMITED SECURITIES ACTIVITIES.—Notwithstanding

paragraph (1), any financial services holding company that controls a company engaged in underwriting and dealing in securities (other than corporate debt or equity securities) pursuant to an order issued by the Board under section 4(c)(8) of the Bank Holding Company Act of 1956 before the date of enactment of the Financial Services Competitiveness Act and Financial Institutions Regulatory Relief of 1995 may retain control of such company, so long as such company complies with all of the limitations, restrictions and conditions, including the limitation on the revenue that may be derived from such underwriting or dealing activities, contained in such order.

SEC. 104. SAFEGUARDS RELATING TO SECURITIES AFFILIATES.

(a) IN GENERAL.—The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended—

(1) by redesignating sections 11 and 12 as sections 13 and 14, respectively; and

(2) by inserting after section 10 (as added by section 103 of this Act) the following new section:

"SEC. 11. SAFEGUARDS RELATING TO SECURITIES AFFILIATES.

''(a) EXTENSIONS OF CREDIT AND ASSET PURCHASES RESTRICTED.—

''(1) IN GENERAL.—No depository institution affiliated with a securities affiliate shall, directly or indirectly, do any of the following:

''(A) Extend credit in any manner to the securities affiliate.

''(B) Issue a guarantee, acceptance, or letter of credit, including an endorsement or a standby letter of credit, for the benefit of the securities affiliate.

''(C) Except as provided in paragraph (3), purchase for its own account, or for the account of any subsidiary of such institution, financial assets of the securities affiliate.

''(2) EXCEPTION FOR CLEARING SECURITIES.—Paragraph (1)(A) shall not apply with respect to an extension of credit by a well capitalized depository institution to acquire or sell securities if the following conditions are met:

''(A) The extension of credit is incidental to clearing transactions in those securities through that depository institution.

''(B) Both the principal of and the interest on the extension of credit are fully secured by those securities.

''(C) Either—

''(i) the extension of credit is to be repaid before the close of business on the same business day; or

''(ii) all of the following conditions are satisfied:

''(I) The securities cannot, in the ordinary course of business, be cleared on that business day.

''(II) The extension of credit is to be repaid before the close of business on the next business day.

''(III) Extensions of credit subject to this clause, when aggregated with all other covered transactions between the institution and all affiliated securities affiliates do not exceed 10 percent of the institution's capital stock and surplus.

''(D) Either—

''(i) the securities are securities expressly authorized by section 5136 of the

Revised Statutes of the United States as permissible for a national bank to underwrite or deal in; or

''(ii) the Board permits transactions under this paragraph in securities not described in clause (i) and the securities affiliate provides the depository institution with such additional security or other assurance of performance, if any, as the Board shall require to prevent such transactions from posing any appreciable risk to the institution.

''(3) EXCEPTIONS FOR CERTAIN SECURITIES PURCHASED FOR A DEPOSITORY INSTITUTION'S OWN ACCOUNT.—Paragraph (1)(C) shall not apply with respect to purchases at the current market value (based on reliable and regularly available price quotations) of—

''(A) securities expressly authorized by section 5136 of the Revised Statutes of the United States as permissible for a national bank to underwrite or deal in; or

''(B) securities that—

''(i) the securities affiliate has been marking to market daily; and

''(ii) are rated investment grade by at least 1 nationally recognized statistical rating organization.

''(4) OTHER EXCEPTIONS.—The Board may make exceptions to paragraph (1) for well capitalized depository institutions if—

''(A) the transaction is fully secured in accordance with section 23A(c) of the Federal Reserve Act; and

''(B) the aggregate amount of covered transactions between the institution and all securities affiliates of the financial services holding company, excluding transactions permitted under paragraph (2)(C)(i) or (3)(A), does not exceed 10 percent of the institution's capital stock and surplus.

''(b) CREDIT ENHANCEMENT RESTRICTED.—

''(1) IN GENERAL.—No depository institution affiliated with a securities affiliate shall, directly or indirectly, extend credit, or issue or enter into a standby letter of credit, asset purchase agreement, indemnity, guarantee, insurance, or other facility, for the purpose of enhancing the marketability of a securities issue underwritten by the securities affiliate.

"(2) DEFINITION OF TERM BY BOARD.—The Board shall prescribe a definition for the term 'for the purpose of enhancing the marketability of a securities issue' for purposes of paragraph (1).

"(3) EXCEPTION FOR BANK ELIGIBLE SECURITIES.—Paragraph (1) shall not apply with regard to securities expressly authorized by section 5136 of the Revised Statutes of the United States as permissible for a national bank to underwrite or deal in.

"(4) APPLICATION TO WELL CAPITALIZED DEPOSITORY INSTITUTIONS.—

"(A) IN GENERAL.—A well capitalized depository institution may engage in a transaction described in paragraph (1) if—

"(i) the depository institution has adopted appropriate limits on exposure on a consolidated basis to any single customer whose securities are underwritten by the securities affiliate; and

"(ii) the institution and its securities affiliate have adopted appropriate procedures, including maintenance of necessary documentary records, to assure that any such extension of credit, standby letter of credit, asset purchase agreement, indem-

nity, guarantee, insurance or other facility, is on an arm's length basis.

''(B) ARM'S LENGTH TRANSACTION DESCRIBED.—An extension of credit may be considered to be on an arm's length basis if the terms and conditions are substantially the same as those prevailing at the time for comparable transactions involving securities that are not underwritten by the securities affiliate.

''(C) COMPLIANCE WITH PARAGRAPH (1).—The Board may require, by regulation or order, compliance with paragraph (1) by well capitalized depository institutions exempt under this paragraph in order to achieve any purpose specified in subsection (l).

''(c) PROHIBITION ON FINANCING PURCHASE OF SECURITY BEING UNDERWRITTEN.—

''(1) IN GENERAL.—No financial services holding company or subsidiary of a financial services holding company (other than a securities affiliate) shall knowingly extend or arrange for the extension of credit, directly or indirectly, secured by or for the purpose of purchasing any security while, or for 30 days after, that security is the subject of a distribution in which a securities affiliate of that financial

services holding company participates as an underwriter or a member of a selling group.

''(2) RELIANCE ON ACKNOWLEDGEMENT.—For purposes of paragraph (1), a financial services holding company or subsidiary may rely on an express written acknowledgement signed by the borrower that the credit is not secured by or for the purpose of purchasing a security described in this subparagraph.

''(3) APPLICATION TO BANK ELIGIBLE SECURITIES.—Paragraph (1) shall not apply with regard to extensions of credit if the securities are securities expressly authorized by section 5136 of the Revised Statutes of the United States as permissible for a national bank to underwrite or deal in.

''(4) APPLICATION TO WELL CAPITALIZED DEPOSITORY INSTITUTIONS.—The Board may make exceptions, by regulation or order, to paragraph (1) for an extension of credit, after consultation with and considering the views of the Securities and Exchange Commission, if—

''(A) the financial services holding company is adequately capitalized;

''(B) the financial services holding company's lead depository institution is well capitalized;

''(C) well capitalized depository institutions control at least 80 percent of the assets of depository institutions controlled by the financial services holding company; and

''(D) all depository institutions controlled by the financial services holding company are well capitalized or adequately capitalized.

''(5) CONSISTENCY WITH THE FEDERAL SECURITIES LAWS.—No provision of this subsection shall be construed as permitting a securities affiliate to extend or maintain credit, or arrange for an extension of credit, except in compliance with applicable provisions of the Securities Exchange Act of 1934 and the regulations prescribed and interpretations issued under such Act.

''(d) RESTRICTION ON EXTENDING CREDIT TO MAKE PAYMENTS ON SECURITIES.—

''(1) IN GENERAL.—No depository institution affiliated with a securities affiliate shall, directly or indirectly, extend credit to an issuer of securities underwritten by the securities affiliate for the purpose

of paying the principal of those securities or interest or dividends on those securities.

''(2) EXCEPTIONS FOR CERTAIN EXTENSIONS OF CREDIT.—Paragraph (1) shall not apply to an extension of credit for a documented purpose (other than paying principal, interest, or dividends) if the timing, maturity, and other terms of the credit, taken as a whole, are substantially different from those of the underwritten securities.

''(3) EXCEPTIONS FOR BANK ELIGIBLE SECURITIES.—Paragraph (1) shall not apply with respect to any security expressly authorized by section 5136 of the Revised Statutes of the United States as permissible for a national bank to underwrite or deal in.

''(4) APPLICATION TO WELL CAPITALIZED DEPOSITORY INSTITUTIONS.—

''(A) IN GENERAL.—Paragraph (1) shall not apply with respect to well capitalized depository institutions if—

''(i) the depository institution has adopted appropriate limits on exposure on a consolidated basis to any single customer whose securities are underwritten by the securities affiliate; and

"(ii) the depository institution has adopted appropriate procedures, including maintenance of necessary documentary records, to assure that any extension of credit by the depository institution to an issuer for the purpose of paying the principal, interest or dividends on securities underwritten by the securities affiliate is on an arm's length basis.

"(B) ARM'S LENGTH TRANSACTION DESCRIBED.—An extension of credit may be considered to have been made on an arm's length basis if the terms and conditions are substantially the same as those prevailing at the time for comparable transactions with issuers whose securities are not underwritten by the securities affiliate.

"(C) COMPLIANCE WITH SUBPARAGRAPH (A).—The Board may require, by regulation or order, compliance with paragraph (1) by well capitalized depository institutions exempt under this paragraph in order to achieve any purpose specified in subsection (l).

"(e) COMMON DIRECTORS AND SENIOR EXECUTIVE OFFICERS.—

''(1) IN GENERAL.—The Board shall, by regulation or order, prescribe the circumstances under which directors and senior executive officers of a securities affiliate may serve at the same time as directors or senior executive officers of any affiliated depository institutions.

''(2) STANDARDS.—The Board, in issuing any regulation or order pursuant to paragraph (1), shall consider appropriate factors including—

''(A) any burdens imposed by restrictions on director and senior executive officer interlocks;

''(B) the safety and soundness of depository institutions and securities affiliates;

''(C) unfair competition in securities activities;

''(D) improper exchange of customer information; or

''(E) harm to customers of securities affiliates or depository institutions that could reasonably result from director and senior officer interlocks.

''(3) EXCEPTION FOR SMALL FINANCIAL SERVICES HOLDING COMPANIES.—

"(A) IN GENERAL.—Notwithstanding paragraph (1), a director or senior executive officer of a securities affiliate may serve at the same time as a director or senior executive officer of an affiliated depository institution if that institution and all affiliated depository institutions have, in the aggregate, total assets of not more than $500,000,000.

"(B) INFLATION ADJUSTMENT.—The dollar limitation contained in subparagraph (A) shall be adjusted annually after December 31, 1995, by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics.

"(4) EXCEPTION FOR CERTAIN REGULATION K AFFILIATES.—Paragraph (1) shall not prohibit a director or senior executive officer of a securities affiliate from serving at the same time as a director or senior executive officer of a depository institution which—

"(A) is organized under section 25 or 25A of the Federal Reserve Act;

"(B) is an affiliate of such securities affiliate; and

''(C) principally engages in business outside the United States.

''(f) DISCLOSURE REQUIRED BY SECURITIES AFFILIATE.—

''(1) IN GENERAL.—At the time a securities account is opened, a securities affiliate shall conspicuously disclose in writing to each of its customers that—

''(A) securities sold, offered, or recommended by the securities affiliate—

''(i) are not deposits;

''(ii) are not insured by the Federal Deposit Insurance Corporation;

''(iii) are not guaranteed by an affiliated insured depository institution;

''(iv) are not otherwise an obligation of an insured depository institution (unless such is the case); and

''(v) with regard to any product that includes any investment component, are subject to investment risks including possible loss of principal invested;

''(B) the securities affiliate is not an insured depository institution, and is a corpora-

tion separate from any insured depository institution; and

''(C) the securities affiliate may be underwriting or dealing in the securities being sold, offered or recommended, and if so, would have a financial interest in the transaction.

''(2) FORM OF DISCLOSURE.—The disclosures required by paragraph (1) shall be made in clear and concise language that—

''(A) is readily comprehensible to customers of the securities affiliate, and

''(B) is designed to promote customer understanding that uninsured investment products are not deposits insured by the Federal Deposit Insurance Corporation.

''(3) BOARD AUTHORITY.—Subject to paragraph (2), the Board may, in the Board's discretion, prescribe disclosures in addition to the disclosures prescribed by paragraph (1).

''(g) DISCLOSURE REQUIRED BY INSURED DEPOSITORY INSTITUTIONS.—

''(1) IN GENERAL.—No insured depository institution shall knowingly express any opinion on the value of, or the advisability of purchasing or selling, nonbanking products (as defined by the Board) sold

by the insured depository institution or any affiliate of an insured depository institution unless the insured depository institution conspicuously discloses in writing to the customer that—

''(A) the insured depository institution or affiliate (whichever is applicable) is selling the nonbanking product and has a financial interest in the transaction (if such is the case);

''(B) the nonbanking products—

''(i) are not deposits;

''(ii) are not insured by the Federal Deposit Insurance Corporation;

''(iii) are not guaranteed by the institution or any other affiliated insured depository institution;

''(iv) are not otherwise an obligation of an insured depository institution (unless such is the case); and

''(v) with regard to any nonbanking product that includes any investment component, are subject to investment risks including possible loss of principal invested; and

''(C) an affiliate, if involved, is not an insured depository institution (unless such is the

case), and is a corporation separate from any insured depository institution (unless such is not the case).

''(2) FORM OF DISCLOSURE.—The disclosures required by paragraph (1) shall be made in clear and concise language that—

''(A) is readily comprehensible to customers of the insured depository institution, and

''(B) is designed to promote customer understanding that nonbanking products are not deposits insured by the Federal Deposit Insurance Corporation.

''(3) CUSTOMER ACKNOWLEDGEMENT OF DISCLOSURE.—

''(A) IN GENERAL.—Whenever any insured depository institution or securities affiliate opens an account for the purpose of selling a nondeposit investment product or products to a customer, such insured depository institution or securities affiliate as the case may be, shall obtain a 1-time acknowledgment of receipt by the customer of such disclosures, including the date of receipt with the customer's name, address, and the account number.

"(B) SPECIAL RULE FOR ACCREDITED INVESTORS.—In the case of any customer who is, or meets the requirements for, an accredited investor (as defined in section 2(15) of the Securities Act of 1933), the acknowledgment of the receipt of any disclosure described in subparagraph (A) may be obtained by the insured depository institution or securities affiliate at the time any account is opened by such customer.

"(4) BOARD AUTHORITY.—Subject to paragraph (2), the Board, after consultation with the other appropriate Federal banking agencies, may prescribe disclosures in addition to the disclosures required by paragraph (1).

"(h) IMPROPER DISCLOSURE OF CONFIDENTIAL CUSTOMER INFORMATION PROHIBITED.—

"(1) IN GENERAL.—No depository institution subsidiary of a financial services holding company shall disclose to any affiliate of such institution which is not a depository institution, and no affiliate of such company which is not a depository institution shall disclose to any other affiliate which is a depository institution or a subsidiary of such an institution, any nonpublic customer information (including an evaluation of the creditworthiness of an

issuer or other customer of that institution or securities affiliate), unless it is clearly and conspicuously disclosed that such information may be communicated among such persons and the customer is given the opportunity, before the time that the information is initially communicated, to direct that such information not be communicated among such persons.

''(2) DEFINITION.—For purposes of paragraph (1), the term 'nonpublic customer information' does not include—

''(A) customers' names and addresses (unless a customer has specified otherwise);

''(B) information that could be obtained from unaffiliated credit bureaus or similar companies in the ordinary course of business; or

''(C) information that is customarily provided to unaffiliated credit bureaus or similar companies in the ordinary course of business by—

''(i) depository institutions not affiliated with securities affiliates; or

''(ii) brokers and dealers not affiliated with depository institutions.

"(i) UNDERWRITING SECURITIES REPRESENTING OBLIGATIONS ORIGINATED BY AFFILIATE RESTRICTED.—A securities affiliate shall not underwrite securities secured by or representing an interest in mortgages or other obligations originated or purchased by an affiliated depository institution or subsidiary of such an institution—

"(1) unless those securities—

"(A) are rated by at least 1 unaffiliated, nationally recognized statistical rating organization;

"(B) are issued or guaranteed by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, or the Government National Mortgage Association; or

"(C) represent interests in securities described in subparagraph (B); or

"(2) except as permitted by the Board.

"(j) RECIPROCAL ARRANGEMENTS PROHIBITED.—No financial services holding company and no subsidiary of a financial services holding company may enter into any agreement, understanding, or other arrangement under which—

"(1) 1 financial services holding company (or subsidiary of that financial services holding com-

pany) agrees to engage in a transaction with, or on behalf of, another financial services holding company (or subsidiary of that financial services holding company), in exchange for

''(2) the agreement of the second financial services holding company referred to in paragraph (1) (or a subsidiary of that financial services holding company) to engage in any transaction with, or on behalf of, the first financial services holding company referred to in such paragraph (or any subsidiary of that financial services holding company), for the purpose of evading any requirement or restriction of Federal law on transactions between, or for the benefit of, affiliates of financial services holding companies.

''(k) SAFEGUARDS APPLY TO CERTAIN SUBSIDIARIES.—Except as provided in this section—

''(1) SECURITIES AFFILIATE.—No subsidiary of a securities affiliate may do anything that this section prohibits the securities affiliate from doing.

''(2) DEPOSITORY INSTITUTION.—No subsidiary of a depository institution may do anything that this subsection prohibits the institution from doing.

''(l) AUTHORITY TO MODIFY AND IMPOSE ADDITIONAL SAFEGUARDS; INTERPRETIVE AUTHORITY.—

''(1) IN GENERAL.—The Board may, by regulation or order—

''(A) adopt additional limitations, restrictions or conditions on relationships or transactions among depository institutions, their affiliates, and their customers; and

''(B) make any modification to any limitation, restriction, or condition imposed under this section on relationships or transactions among depository institutions, the affiliates of insured depository institutions, and the customers of such institutions or affiliates, including modifications in addition to those expressly provided for in this section.

''(2) STANDARDS.—The Board may not exercise authority under paragraph (1) unless the Board finds that such action is consistent with the purposes of this Act, including—

''(A) the avoidance of any significant risk to the safety and soundness of depository institutions or the Federal deposit insurance funds;

''(B) the enhancement of the financial stability of financial services holding companies;

''(C) the prevention of the subsidization of securities affiliates by depository institutions;

''(D) the avoidance of conflicts of interest or other abuses; and

''(E) the application of the principle of national treatment and equality of competitive opportunity between securities affiliates owned or controlled by domestic financial services holding companies and securities affiliates owned or controlled by foreign banks operating in the United States.

''(3) BIENNIAL REVIEW.—Beginning 2 years after the date of enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995, the Board shall, on a biennial basis—

''(A) review all restrictions established pursuant to paragraph (1) to determine whether any such restrictions are required any longer to carry out the purposes of this Act; and

''(B) modify or eliminate any such restriction that the Board determines is no longer required to carry out the purposes of this Act.

''(m) COMPLIANCE PROGRAMS REQUIRED.—

''(1) IN GENERAL.—Each appropriate Federal banking agency and the Securities and Exchange Commission shall establish a program for—

''(A) sharing information, including reports of examinations, concerning compliance with subtitle A of title I or subtitle A or B of title II of the Financial Services Competitiveness and Regulatory Relief Act of 1995, and the amendments made by such subtitles, by—

''(i) brokers, dealers, investment advisers, or investment companies that are registered with the Securities and Exchange Commission that are affiliated with depository institutions, or are separately identifiable departments or divisions of depository institutions registered as brokers, dealers, or investment advisers; and

''(ii) depository institutions and their affiliates;

''(B) enforcing compliance with subtitle A of title I of the Financial Services Competitiveness and Regulatory Relief Act of 1995, and the amendments made by such subtitle and paragraphs (4) and (5) of section 3(a) of the Securities Exchange Act of 1934 by entities under its supervision; and

"(C) responding to any complaints from customers about inappropriate cross-marketing of securities products or inadequate disclosure.

"(2) DATA COLLECTION.—

"(A) IN GENERAL.—The appropriate Federal banking agencies, after consultation with and consideration of the views of the Securities and Exchange Commission, shall (except as otherwise provided by the appropriate Federal banking agency after such consultation) require any depository institution that has effected securities transactions pursuant to any exception enumerated in paragraphs (4) and (5) of section 3(a) of the Securities Exchange Act of 1934 to identify the exceptions relied upon and to submit such information necessary to monitor compliance under such paragraphs.

"(B) COMMISSION ACCESS.—The appropriate Federal banking agency shall make any information referred to in subparagraph (A) available to the Securities and Exchange Commission, upon the request of the Commission.

"(C) COMPLIANCE.—In implementing the provisions of this paragraph, the appropriate Federal banking agencies shall ensure that any

information requests to depository institutions take into account the size and activities of the institutions and do not cause undue reporting burdens.

''(3) COMMISSION'S ENFORCEMENT AUTHORITY.—Without limiting in any way the authority of the appropriate Federal banking agencies under this section, the Securities and Exchange Commission shall have the authority to enforce any subsection of this section against a securities affiliate as if such subsection were a provision of the Securities Exchange Act of 1934 to the extent that the subsection applies with respect to the conduct or activities of the securities affiliate.

''(4) EXAMINATION REPORTS.—

''(A) IN GENERAL.—The appropriate Federal banking agencies shall, to the fullest extent possible, use the reports of examination of any broker, dealer, investment adviser, or investment company made by or on behalf of the Securities and Exchange Commission and reports made by or on behalf of a registered securities association or national securities exchange, and shall defer to such examinations for compliance with the Federal securities laws.

"(B) COMPLIANCE WITH SECTION 11 SAFEGUARDS.—The appropriate Federal banking agencies shall—

"(i) to the fullest extent possible, use the reports of examination of any securities affiliate made by the appropriate Federal banking agency for such affiliate; and

"(ii) defer to such examinations for compliance with the provisions of this section.

"(5) INTERPRETATIONS OF THE FEDERAL SECURITIES LAWS.—The appropriate Federal banking agencies shall defer to the Securities and Exchange Commission regarding all interpretations and enforcement of the Federal securities laws relating to the application of the Federal securities laws to the activities and conduct of brokers, dealers, investment advisers, and investment companies.

"(6) NOTICE OF CERTAIN ACTIONS BY SEC.—The Securities and Exchange Commission shall give notice to the appropriate Federal banking agency upon the commencement of any disciplinary or law enforcement proceedings by the Commission and a copy of any order entered by the Commission against—

''(A) any broker, dealer, or investment adviser that—

''(i) is registered with the Securities and Exchange Commission; and

''(ii) is affiliated with, or is a separately identifiable department or division of, a depository institution;

''(B) any investment company registered with the Securities and Exchange Commission that is an affiliate of or is advised by an investment adviser affiliated with a depository institution or by a separately identifiable department or division of a depository institution that is a registered investment adviser; or

''(C) any financial services holding company, depository institution, or subsidiary of such company or institution, if the proposed action relates to subtitle A of title I or subtitle A or B of title II of the Financial Services Competitiveness and Regulatory Relief Act of 1995.

''(7) NOTICE OF CERTAIN ACTIONS BY APPROPRIATE FEDERAL BANKING AGENCIES.—Upon the commencement of any disciplinary or law enforcement proceedings to enforce the provisions of subtitle A of title I of the Financial Services Competi-

tiveness and Regulatory Relief Act of 1995, or any amendment made by such subtitle, by an appropriate Federal banking agency against any broker, dealer, investment adviser, or investment company that is registered under the Federal securities laws and is affiliated with a depository institution or is a separately identifiable department or division of a depository institution, the appropriate Federal banking agency shall give notice to the Securities and Exchange Commission of the proposed action.

''(8) IMMEDIATE ACTION ALLOWED BEFORE NOTICE.—The notice required under paragraph (6) or (7) may be provided promptly after action by the Securities and Exchange Commission or the appropriate Federal banking agency, if—

''(A) the Commission determines that the protection of investors requires immediate action by the Commission and prior notice under paragraph (6) is not practical under the circumstances; or

''(B) the appropriate Federal banking agency determines that concerns for the safety and soundness of a depository institution or its affiliate require immediate action by the agency

and prior notice under paragraph (7) is not practical under the circumstances.

''(9) COORDINATED ENFORCEMENT ACTIONS.—The Securities and Exchange Commission and the appropriate Federal banking agencies shall, to the extent practicable, coordinate supervisory actions based on applicable law where the actions are based on the same or related events or practices.

''(10) INVESTMENT COMPANIES NOT AFFILIATED WITH A DEPOSITORY INSTITUTION.—The appropriate Federal banking agency shall not have authority under this Act or any other provision of law to inspect or examine any investment company registered under the Federal securities laws that is not—

''(A) affiliated with a depository institution; or

''(B) advised by an investment adviser affiliated with a depository institution or by a separately identifiable department or division of a depository institution that is a registered investment adviser.

''(11) USE OF EXAMINATION REPORTS.—The appropriate Federal banking agencies shall—

''(A) to the fullest extent possible, use the reports of examination of any investment adviser or investment company made by or on behalf of the Securities and Exchange Commission; and

''(B) defer to such examinations for compliance with the Federal securities laws.

''(12) DEFINITION.—For purposes of this subsection, the term 'Federal securities laws' means the provisions of Federal law governing securities activities that are within the jurisdiction of the Securities and Exchange Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, the Investment Advisers Act of 1940, and the Trust Indenture Act of 1939.

''(n) FOREIGN BANK FIREWALLS.—

''(1) IN GENERAL.—A foreign bank that operates a branch, agency, or commercial lending company in the United States and accepts no deposits in the United States, either directly or through an affiliate, that are insured under the Federal Deposit Insurance Act, and any affiliate of such foreign bank, shall not be subject to the restrictions of any subsection of this section, other than subsections (l)

and (m), if the conditions described in paragraph (2) are met.

''(2) CONDITIONS FOR APPLICABILITY OF EXCEPTION.—The conditions of this paragraph have been met with respect to any foreign bank referred to in paragraph (1) if—

''(A) transactions between a securities affiliate of such foreign bank and any branch, agency or commercial lending company operated in the United States by such foreign bank comply with the provisions of sections 23A and 23B of the Federal Reserve Act as if the foreign bank were a member bank; and

''(B) such foreign bank has received a determination from the Board that the bank meets capital standards comparable to those established by the Board for well capitalized financial services holding companies, giving due regard to the principle of national treatment and equality of competitive opportunity, subject to any changes the Board may adopt with respect to such standards.

''(3) APPLICABILITY OF SUBSECTION (l) TO FOREIGN BANKS.—Any limitation, restriction, condi-

tion, or modification adopted by the Board under subsection (l) may be applied by the Board to—

''(A) a foreign bank described in paragraph (1) (and any company that owns or controls such foreign bank);

''(B) any branch, agency or commercial lending company operated by such foreign bank in the United States; or

''(C) any other affiliate of such foreign bank in the United States,

if such limitation, restriction, condition, or modification is applied by regulation or order of general applicability under section 12(a)(2)(B)(ii) to wholesale financial institutions and securities affiliates controlled by investment bank holding companies, subject to such modifications, conditions, or exemptions as the Board deems appropriate, giving due regard to the principle of national treatment and equality of competitive opportunity.''.

(b) AMENDMENT TO THE FEDERAL RESERVE ACT.—Section 23B(b)(1)(B) of the Federal Reserve Act (12 U.S.C. 371c–l(b)(1)(B)) is amended by inserting ''and for 30 days thereafter'' after ''during the existence of any underwriting or selling syndicate''.

(c) EXEMPTION FROM SECTION 305(b) OF THE FEDERAL POWER ACT.—Section 305(b) of the Federal Power Act shall not apply to any person now holding, or proposing to hold, at the same time the position of officer or director of a public utility and the position of officer or director of a bank, trust company, banking association, or firm permitted by section 10 of the Financial Services Holding Company Act of 1995 (as amended by section 103(a) of this Act) to underwrite or participate in the marketing of securities (including commercial paper) of a public utility, if that bank, trust company, banking association, or firm does not underwrite or participate in the marketing of securities of the public utility for which the person serves, or proposes to serve, as an officer or director.

(d) AMENDMENT TO THE RIGHT TO FINANCIAL PRIVACY ACT.—Section 1112(e) of the Right to Financial Privacy Act (12 U.S.C. 3412(e)) is amended as follows—

(1) by striking ''this title'' and inserting ''law''; and

(2) by inserting '', examination reports,'' after ''financial records''.

(e) REGULATIONS TO PRESERVE SEPARATION OF BANKING AND COMMERCE.—Section 5(b) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(b)) is

amended by inserting ‘‘, including the protection of depository institutions and the separation of banking and commerce,’’ after ‘‘purposes of this Act’’.

SEC. 105. OWNERSHIP OF SHARES OF CERTAIN COMPANIES BY FINANCIAL SERVICES HOLDING COMPANIES.

Section 4 of the Bank Holding Company Act of 1956 (12 U.S.C. 1843) is amended by adding at the end the following new subsection:

‘‘(k) OWNERSHIP OF SHARES OF CERTAIN COMPANIES BY FINANCIAL SERVICES HOLDING COMPANIES.—

‘‘(1) NONCONFORMING FINANCIAL COMPANIES.—Notwithstanding section 4(a), a financial services holding company may retain direct or indirect ownership or control of voting shares of any company that—

‘‘(A) engages solely in activities that the Board finds to be financial but which the Board has not authorized under section 4(c)(8) (and such other financial activities that the Board has authorized) if—

‘‘(i) the financial services holding company acquired the shares of a company engaged in such activities or of each company to which the company engaged in

such activities is a successor more than 2 years before the date that such financial services holding company becomes a financial services holding company;

''(ii) the aggregate investment by the financial services holding company in shares of all such companies does not exceed 10 percent of the total consolidated capital and surplus of the financial services holding company as of the date that the holding company becomes a financial services holding company or as of the date of any additional investment by the financial services holding company in such shares;

''(iii) more than 50 percent of the aggregate gross revenues of the financial services holding company and the subsidiaries of such holding company for each of the 2 calendar years before the date the holding company becomes a financial services holding company were attributable to securities activities described in subparagraphs (A) and (B) of section 10(a)(1), as determined without taking into account any activities (other than securities activi-

ties) in which financial services holding companies were permitted to engage before the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995; and

''(iv) the company engaged in such activities continues to engage only in activities that such company conducted as of the date that such financial services holding company becomes a financial services holding company (or other activities permitted under section 4(c)(8) or section 10); or

''(B) engages in activities not authorized under section 4 if—

''(i) the financial services holding company held the shares of any company engaged in such activities as of the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995 and the financial services holding company was then exempt from the provisions of section 4 pursuant to section 4(d) as of such date;

''(ii) the company engaged in such activities continues to engage only in the

same general lines of business and related activities that such company conducted as of the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995 (or other activities permitted under section 4(c) or section 10); and

''(iii) 80 percent of the aggregate gross revenues of the financial services holding company and the subsidiaries of such holding company as of the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995 was attributable to—

''(I) ownership and operation of depository institutions;

''(II) activities that are financial in nature as determined by the Board pursuant to section 4(c)(8);

''(III) activities permissible under section 10; and

''(IV) such other activities that would be permissible generally for the holding company as a financial serv-

ices holding company (other than as an investment bank holding company).

''(2) NONFINANCIAL COMPANIES.—

''(A) IN GENERAL.—Notwithstanding section 4(a), a financial services holding company described in paragraph (1)(A)(iii) may, during the 5-year period beginning on the date that the company becomes a financial services holding company, retain direct or indirect ownership or control of voting shares of any company that the financial services holding company owns or controls on the date such holding company becomes a financial services holding company.

''(B) EXTENSION OF DIVESTITURE PERIOD.—The Board may extend the period described in subparagraph (A) for an additional period not to exceed 5 years if the Board—

''(i) determines that such extension is necessary to avert substantial loss to the financial services holding company; and

''(ii) finds that the financial services holding company has made good faith efforts to divest such shares.

''(C) NO EXPANSION OF NONFINANCIAL COMPANIES PRIOR TO DIVESTITURE.—Unless

an acquisition or activity is permitted in accordance with section 3 or 4(c)—

''(i) no financial services holding company, and no company whose shares are owned or controlled by a financial services holding company in accordance with this paragraph, may acquire any interest in or assets of any other company, and

''(ii) no company whose shares are owned or controlled by a financial services holding company pursuant to this paragraph may engage directly or indirectly in any activity that the company did not conduct on the day before the financial services holding company registered as a financial services holding company.

''(3) RESTRICTIONS ON JOINT MARKETING.—No depository institution (and no subsidiary of such institution) shall—

''(A) offer or market, directly or indirectly through any arrangement, any product or service of any affiliate whose shares are owned or controlled by the financial services holding company pursuant to this subsection or section 10(j); or

"(B) permit any of such depository institution's or subsidiary's products or services to be offered or marketed, directly or indirectly through any arrangement, by or through any affiliate whose shares are owned or controlled by the financial services holding company pursuant to this subsection or section 10(j),

unless, in a case involving an affiliate held under this subsection, the product or service is permissible for financial services holding companies to provide under section 4(c)(8) or 10.

"(4) DEPOSITORY INSTITUTION DEFINED.—For purposes of paragraph (3), the term 'depository institution' includes a foreign bank.".

SEC. 106. PROVISIONS APPLICABLE TO LIMITED PURPOSE BANKS.

(a) EXCEPTION TO RESTRICTION ON ASSET GROWTH OF NONBANK BANKS.—

(1) IN GENERAL.—Section 4(f)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(f)(3)) is amended by adding at the end the following new subparagraph:

"(D) EXCEPTION TO RESTRICTION ON ASSET GROWTH, ACTIVITIES, AND CERTAIN CROSS-MARKETING RESTRICTIONS.—

"(i) QUALIFICATION FOR EXCEPTION FROM GROWTH RESTRICTION.—A bank controlled by a company described in paragraph (1) shall not be subject to the limitation contained in subparagraph (B)(iv) if the company meets the requirements of this subparagraph and the requirements of paragraph (14).

"(ii) QUALIFICATION FOR EXCEPTION FROM ACTIVITIES RESTRICTION.—Notwithstanding subparagraph (B)(i), a bank controlled by a company described in paragraph (1) that meets the requirements of clause (i) may engage in an activity authorized under applicable law (other than an activity that would have resulted in the institution being a bank for purposes of this Act, as in effect on the day before the date of the enactment of the Competitive Equality Banking Act of 1987, based on the activities each bank conducted on March 5, 1987, as reported to the Board) if such bank, at least 60 days before commencing such activity, has notified the

Board of the bank's intention to commence such activity and either—

''(I) the Board has notified such bank that the Board will not disapprove the proposed activity as unsafe or unsound; or

''(II) the Board has not, within 60 days after receiving such notice, disapproved the proposal on the basis of such criteria.

''(iii) QUALIFICATION FOR EXCEPTION FROM CROSS-MARKETING RESTRICTION.—Notwithstanding subparagraph (B)(ii), a bank controlled by a company described in paragraph (1) that meets the requirements of clause (i) may offer or market products or services of an affiliate or permit the bank's products or services to be offered or marketed in connection with products or services of an affiliate if such products or services are offered or marketed only to the extent permissible for banks or financial services holding companies to provide by law, regulation, or order under paragraph (8) or (15) of subsection (c).

"(iv) EXCEPTION FROM DIVESTITURE REQUIREMENT FOR BANKS RESTORED TO WELL CAPITALIZED LEVEL.—If any bank controlled by a company that meets the requirements of clause (i) ceases to be well capitalized, the company shall divest control of such bank in accordance with paragraph (4) unless—

"(I) within 12 months after the date the bank ceases to be well capitalized, the capital of the bank is restored to the well capitalized level; and

"(II) after the end of such 12-month period, the bank remains well capitalized, subject to the capital restoration requirements in subclause (I).

"(v) ACTION REQUIRED IF BANK CEASES TO BE ADEQUATELY CAPITALIZED.—If any bank controlled by a company that meets the requirements of clause (i) ceases to be adequately capitalized, the company shall, within 30 days after the date as of which the bank ceases to be adequately capitalized—

"(I) execute an agreement with the Board to divest control of such bank in accordance with paragraph (4); or

"(II) restore the capital of the bank to at least the adequately capitalized level.".

(2) QUALIFICATIONS FOR COMPANIES UNDER PARAGRAPH (3)(D).—Section 4(f) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(f)) is amended by adding at the end the following new paragraph:

"(14) QUALIFICATIONS FOR COMPANIES UNDER PARAGRAPH (3)(D).—A company meets the requirements of paragraph (3)(D)(i) if—

"(A) the company (based on consolidated revenues) engages in activities that are financial (including activities not authorized under subsection (c)(8)) and predominantly in—

"(i) banking;

"(ii) activities that the Board has determined under subsection (c)(8) to be financial in nature or incidental to such financial activities;

''(iii) activities permitted under subparagraph (A) or (B) of section 10(a)(1); and

''(iv) other activities that would be permissible for such company as a financial services holding company (other than as an investment bank holding company);

''(B) all insured depository institutions controlled by such company are well capitalized and well managed;

''(C) the bank and any affiliate of the bank that is engaged in securities activities described in section 10(a) comply with the safeguards contained in section 11 as if that affiliate were a securities affiliate; and

''(D) the company has provided at least 60 days prior written notice to the Board and, during that period, the Board has not disapproved the proposal.''.

(b) AMENDED DIVESTITURE PROCEDURE FOR CERTAIN COMPANIES.—Section 4(f)(4) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(f)(4)) is amended by adding at the end the following: ''If any company described in paragraph (1) which meets the requirements of paragraph (3)(D)(i) fails to qualify for the exemption pro-

vided under paragraph (2), such company shall divest, in accordance with this paragraph, control of each bank the company controls unless, within 12 months after the date that the company fails to comply with the provisions of paragraph (2), the company has corrected the condition or ceased the activity that led to the failure to comply.''.

(c) CONVERSION OF CERTAIN NONBANK HOLDING COMPANIES TO FINANCIAL SERVICES HOLDING COMPANIES.—Section 4(f) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(f)) is amended by inserting after paragraph (14) (as added by subsection (a)(2)) the following new paragraph:

''(15) CONVERSION OF CERTAIN COMPANIES TO FINANCIAL SERVICES HOLDING COMPANIES.—

''(A) IN GENERAL.—During the 18-month period beginning on the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995, any company described in paragraph (1) may become a financial services holding company if—

''(i) the company (on a consolidated basis) engages in activities that are financial (including activities not authorized under subsection (c)(8)) and predominantly in—

''(I) banking;

''(II) activities that the Board has determined under subsection (c)(8) to be financial in nature or incidental to such financial activities;

''(III) activities permitted under subparagraph (A) or (B) of section 10(a)(1); and

''(IV) other activities that would be permissible for such company as a financial services holding company (other than an investment bank holding company);

''(ii) all insured depository institutions controlled by such company are well capitalized and well managed;

''(iii) the company provides written notice to the Board under sections 4 and 10 at least 60 days before the company becomes a financial services holding company;

''(iv) the Board does not object to such transaction before the end of such 60-day period; and

"(v) the Board has received, from the company, full payment of a fee which the Board shall impose in accordance with section 5(h).

"(B) RETENTION OF FINANCIAL COMPANIES.—

"(i) IN GENERAL.—Notwithstanding subsection (a), a company that becomes a financial services holding company pursuant to subparagraph (A) may retain direct or indirect ownership or control of voting shares of any company that engages solely in activities that the Board finds to be financial but which the Board has not authorized under subsection (c)(8) (and such other financial activities that the Board has authorized) if the financial services holding company acquired the shares of such company, or of each company to which such company is a successor, before January 1, 1995.

"(ii) LIMITS ON EXPANSION FOLLOWING REGISTRATION.—A company that becomes a financial services holding company pursuant to this paragraph, and any com-

pany whose shares are owned or controlled by a financial services holding company pursuant to this paragraph, shall be subject to the limitations contained in paragraphs (2)(C) and (3) of section 4(k) as if the activities or shares of such company were conducted or held pursuant to section 4(k)(2).

''(iii) PERIOD TO CONFORM OTHER ACTIVITIES.—Notwithstanding subsection (a), a company that becomes a financial services holding company pursuant to subparagraph (A) may retain direct or indirect ownership or control of voting shares of any company not otherwise permitted under this section for the period provided in, and subject to the conditions contained in, paragraphs (2) and (3) of section 4(k).

''(C) ELECTION FOR REDUCED SUPERVISION.—Any company that becomes a financial services holding company pursuant to subparagraph (A) may elect to be governed by the provisions of paragraphs (3), (4), (5), and (6) of section 5(g), subject to the requirements of such section, if—

''(i) the company, and any insured depository institution controlled by such company, meet the requirements of section 5(g) (other than the requirements of paragraph (2)(A) of such section);

''(ii) the company does not acquire more than 5 percent of the shares of any additional depository institution after the date that such company becomes a financial services holding company; and

''(iii) no depository institution controlled by such company acquires, establishes, or operates an additional branch office after the date that the company becomes a financial services holding company.''.

SEC. 107. SECURITIES COMPANY AFFILIATIONS OF FDIC–INSURED BANKS.

(a) IN GENERAL.—Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by adding at the end the following new subsections:

''(s) SECURITIES AFFILIATIONS OF BANKS.—

''(1) IN GENERAL.—A bank shall not be an affiliate of any company that, directly or indirectly,

acts as an underwriter or dealer of any security, other than—

''(A) a securities affiliate in accordance with section 10 of the Financial Services Holding Company Act of 1995; or

''(B) a company that underwrites or deals only in securities described in section 10(g) of the Financial Services Holding Company Act of 1995.

''(2) EXCEPTIONS.—

''(A) CERTAIN BANKS NOT INCLUDED.—For purposes of this subsection, the term 'bank' does not include—

''(i) an insured bank described in subparagraph (D), (F), or (H) of section 2(c)(2) of the Financial Services Holding Company Act of 1995; and

''(ii) a Federal branch or an insured branch (as defined in section 3 of the Federal Deposit Insurance Act).

''(B) AFFILIATIONS WITH EDGE ACT AND AGREEMENT CORPORATIONS.—Paragraph (1) shall not apply with respect to the affiliation of a bank with a company held pursuant to section 25 or 25A of the Federal Reserve Act or section

4(c)(13) of the Financial Services Holding Company Act of 1995.

''(3) GRANDFATHER PROVISION.—This subsection shall not apply with respect to—

''(A) an affiliation that existed on January 1, 1995; or

''(B) any new affiliation by an insured bank that has an affiliation that would be prohibited if the affiliation were not covered by subparagraph (A).

''(4) DEFINITIONS.—For purposes of this subsection, the following definitions shall apply:

''(A) BROKER.—The term 'broker' has the meaning given to such term in section 3(a)(4) of the Securities Exchange Act of 1934.

''(B) DEALER.—The term 'dealer' has the meaning given to such term in section 3(a)(5) of the Securities Exchange Act of 1934.

''(C) SECURITY.—The term 'security' has the meaning given to such term in section 10(l) of the Financial Services Holding Company Act of 1995.

''(D) UNDERWRITER.—The term 'underwriter' has the meaning given to such term in section 2(11) of the Securities Act of 1933.

"(5) AFFILIATE.—For purposes of this subsection, a separately identifiable department or division (as defined in section 3(a) of the Securities Exchange Act of 1934) of a bank shall be deemed to be a company which is an affiliate of the bank.

"(t) BROKER-DEALER REGISTRATION.—An insured bank may not use the United States mails or any means or instrumentality of interstate commerce to act as a broker or dealer without registration under the Securities Exchange Act of 1934—

"(1) except to the extent permitted under the circumstances described in paragraph (4) or (5) of section 3(a) of such Act; or

"(2) unless otherwise exempt from registrations as a broker or dealer pursuant to regulations prescribed by the Securities and Exchange Commission.

"(u) EXAMINATION REPORTS.—The Federal banking agencies shall, to the fullest extent possible, use the reports of examination of any broker, dealer, investment adviser, or investment company made by or on behalf of the Securities and Exchange Commission and reports made by or on behalf of a registered securities association or national securities exchange and shall defer to such examination for compliance with Federal securities laws.

"(v) INTERPRETATIONS OF THE FEDERAL SECURITIES LAWS.—The appropriate Federal banking agencies shall defer to the Securities and Exchange Commission regarding all interpretations and enforcement of the Federal securities laws relating to the application of the Federal securities laws to the activities and conduct of brokers, dealers, investment advisers, and investment companies.".

(b) STUDY OF RISKS TO DEPOSIT INSURANCE SYSTEM.—

(1) STUDY REQUIRED.—During the 6-month period beginning 18 months after the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995, the Federal Deposit Insurance Corporation shall conduct a study of the risks posed to the deposit insurance funds by—

(A) the affiliation of insured depository institutions with securities affiliates and other institutions described in subsection (s)(1) of section 18 of the Federal Deposit Insurance Act (as added by subsection (a) of this section); or

(B) any activity described in section 10(a) (as added by section 103(a) of this Act) of the Financial Services Holding Company Act of 1995 (as so redesignated by section 128(a) of this Act) in which insured depository institu-

tions may engage in accordance with any provision of Federal or State law.

(2) REPORT TO CONGRESS AND GAO.—

(A) IN GENERAL.—Before the end of the 6-month period described in paragraph (1), the Federal Deposit Insurance Corporation shall submit a report to the Congress on the findings and conclusions of the Corporation with respect to the study conducted under such paragraph, together with such conclusions for administrative or legislative action as the Corporation may determine to be appropriate.

(B) DETAILS OF SPECIFIC RISKS.—If the Federal Deposit Insurance Corporation concludes that certain kinds of activities not specifically authorized by statute for insured depository institutions before the date of the enactment of this Act, or the affiliation of insured depository institutions with securities affiliates engaged in certain kinds of securities activities, pose a greater risk to the deposit insurance funds than activities specifically authorized by statute for national banks before January 1, 1995, the report submitted under subparagraph

(A) shall contain a detailed explanation of the basis for such conclusion.

(C) TRANSMITTAL TO GAO.—The Federal Deposit Insurance Corporation shall transmit a copy of the report referred to in paragraph (1) to the Comptroller General.

(3) ACTION BY FDIC.—If the Federal Deposit Insurance Corporation concludes that any activity or affiliation with respect to insured depository institutions poses a greater risk to any deposit insurance fund than the risk posed by activities specifically authorized by statute for national banks before January 1, 1995, the Federal Deposit Insurance Corporation shall treat such conclusion as a factor to be considered in setting semiannual assessments under section 7(b)(2)(A) of the Federal Deposit Insurance Act.

(4) EVALUATION OF REPORT BY GAO.—The Comptroller General shall—

(A) evaluate the report transmitted by the Federal Deposit Insurance Corporation to the Comptroller General under paragraph (2); and

(B) submit a report to the Congress on such evaluation, including a discussion on the methodology used by the Corporation to assess

risks posed by nonbanking activities to the deposit insurance funds.

SEC. 108. AUTHORITY TO TERMINATE GRANDFATHER RIGHTS UNDER THE INTERNATIONAL BANKING ACT OF 1978.

Section 8(c) of the International Banking Act of 1978 (12 U.S.C. 3106(c)) is amended by adding at the end the following new paragraph:

''(3) PARITY IN CONDUCT OF AUTHORIZED SECURITIES ACTIVITIES.—

''(A) IN GENERAL.—Notwithstanding the provisions of paragraph (1) or any other provision of law, any authority conferred under this subsection on any foreign bank or company with respect to securities activities authorized for financial services holding companies in the United States shall terminate 30 days following approval by the Board of an application by such foreign bank or company under section 10 of the Financial Services Holding Company Act of 1995.

''(B) AUTHORITY TO IMPOSE CONDITIONS.—If a foreign bank or company that engages directly or through an affiliate in any securities activity pursuant to paragraph (1) has

not received approval by the Board under section 10 of the Financial Services Holding Company Act of 1995 to control a securities affiliate by the end of the 3-year period beginning on the effective date of such Act, the Board may impose such limitations and restrictions, including the termination of any activities conducted under paragraph (1) or a requirement that such activities be conducted in compliance with the safeguards of section 11 of such Act, as the Board considers appropriate consistent with the purposes of this Act and the Financial Services Holding Company Act of 1995.''.

SEC. 109. EFFECT ON STATE LAWS PROHIBITING THE AFFILIATION OF BANKS AND SECURITIES COMPANIES.

(a) IN GENERAL.—Section 7 of the Bank Holding Company Act of 1956 (12 U.S.C. 1846) is amended by adding at the end the following new subsection:

''(c) AFFILIATIONS AND ACTIVITIES.—No State may prohibit or limit—

''(1) the affiliation of a bank or financial services holding company with a securities affiliate solely because the securities affiliate is engaged in activi-

ties described in subparagraph (A) or (B) of section 10(a)(1); or

''(2) the insurance or other activities of a subsidiary of a financial services holding company solely because the financial services holding company is no longer exempt under this Act pursuant to section 4(d).''.

(b) BANK ACTIVITIES.—No provision of this Act, and no amendment made by this Act to any other provision of law (other than section 10 or 11 of the Financial Services Holding Company Act of 1995 (as added by sections 103 and 104 of this Act), section 18(s) of the Federal Deposit Insurance Act (as added by section 107 of this Act), or any amendments made by title II of this Act), may be construed as affecting the authority of any bank to engage in any activity authorized for such bank under the law of such bank's home State (as defined in section 2(o)(4) of the Financial Services Holding Company Act of 1995).

SEC. 110. INTERAGENCY AGREEMENT RELATING TO RETAIL SALES OF CERTAIN NONDEPOSIT INVESTMENT PRODUCTS.

Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by inserting after subsection (u)

(as added by section 107 of this Act) the following new subsection:

''(v) JOINT STANDARDS RELATING TO RETAIL SALES OF CERTAIN NONDEPOSIT INVESTMENT PRODUCTS.—

''(1) IN GENERAL.—The appropriate Federal banking agencies shall jointly prescribe, after consulting with and considering the views of the Securities and Exchange Commission, standards applicable to any depository institution which—

''(A) is not registered as a broker under the Securities Exchange Act of 1934; and

''(B) effects transactions in securities, including securities issued by an investment company or annuities.

''(2) SCOPE OF STANDARDS.—The standards required under paragraph (1) with respect to securities and annuities referred to in such paragraph shall, at a minimum, establish requirements with respect to—

''(A) sales practices;

''(B) disclosures and advertising in connection with transactions in such securities and annuities, including—

''(i) the content, form, and timing of any such disclosure; and

''(ii) disclaimers concerning the noninsured status of the security or annuity;

''(C) the compensation of sales personnel with respect to referrals or transactions;

''(D) the training of and qualifications for personnel involved in such transactions, including training in making an accurate judgment about the suitability of a particular investment product for a prospective customer; and

''(E) the setting in which and the circumstances under which transactions may be effected, and referrals made, by sales personnel with respect to such securities and annuities.

''(3) COMPARABILITY REQUIREMENT.—The standards required under paragraph (1) shall be comparable to the standards applicable to brokers and dealers registered under the Securities Exchange Act of 1934 unless the appropriate Federal banking agencies jointly determine that implementation of comparable standards is not necessary or appropriate for the maintenance of fair and orderly markets or the protection of investors or is not in the public interest.''.

SEC. 111. EFFECTIVE DATE.

The amendments made by this subtitle shall take effect at the end of the 90-day period beginning on the date of the enactment of this Act.

Subtitle B—Investment Bank Holding Companies

SEC. 116. INVESTMENT BANK HOLDING COMPANIES.

(a) DEFINITIONS.—

(1) IN GENERAL.—Section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) is amended by adding at the end the following new subsections:

''(s) WHOLESALE FINANCIAL INSTITUTION.—The term 'wholesale financial institution' means any institution that is an uninsured State member bank authorized pursuant to section 9B of the Federal Reserve Act.

''(t) INVESTMENT BANK HOLDING COMPANY.—The term 'investment bank holding company' means any financial services holding company that—

''(1) controls a company engaged in underwriting corporate equity securities pursuant to section 10;

''(2) controls a wholesale financial institution; and

''(3) if the company is a foreign bank that operates a branch, agency or commercial lending com-

pany in the United States, or is a company that controls such foreign bank, is treated as an investment bank holding company because such bank or company meets the criteria in section 12(b) and has received the determination required by such section.''.

(2) DEFINITION OF BANK INCLUDES WHOLESALE FINANCIAL INSTITUTION.—Section 2(c)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)(1)) is amended by adding at the end the following new subparagraph:

''(C) A wholesale financial institution.''.

(b) INVESTMENT BANK HOLDING COMPANIES.—The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended by inserting after section 11 (as added by section 104 of this Act) the following new section:

"SEC. 12. INVESTMENT BANK HOLDING COMPANIES.

''(a) PERMISSIBLE AFFILIATIONS FOR INVESTMENT BANK HOLDING COMPANIES.—

''(1) FINANCIAL ACTIVITIES.—

''(A) ACTIVITIES AUTHORIZED.—An investment bank holding company may directly or indirectly own or control shares of any company engaged in any activity the Board has determined to be financial in nature or incidental to a financial activity (other than activities ex-

pressly limited under subsection (c)(8)), or any activity in compliance with subparagraph (B) or (C).

''(B) INCIDENTAL ACTIVITIES.—

''(i) IN GENERAL.—Notwithstanding subparagraph (A), the aggregate investment by an investment bank holding company in shares of companies that engage in nonfinancial activities and financial activities (other than those otherwise permitted under this section) shall not at any time exceed 7.5 percent (or such greater percentage as the Board may determine to be appropriate) of the consolidated total risk-weighted assets of the investment bank holding company (excluding assets of companies held pursuant to this subparagraph), except that the amount invested by the investment bank holding company in any 1 company (including all affiliates of such company other than preexisting affiliates of such investment bank holding company) may not exceed the amount which is equal to 25 percent of the total capital and

surplus of such investment bank holding company.

''(ii) APPLICABILITY TO SUCCESSOR IN INTEREST.—Any successor to any investment bank holding company referred to in clause (i) may retain any investments made pursuant to this subparagraph—

''(I) during the 5-year period beginning on the date the succession is consummated; and

''(II) with the consent of the Board, for an additional period not to exceed 5 years after the 5-year period referred to in subclause (I),

unless the Board determines that the retention of such investment would jeopardize the safety and soundness of any insured depository institution affiliate of such successor.

''(iii) CROSS MARKETING RESTRICTIONS.—A wholesale financial institution shall not—

''(I) offer or market, directly or through any arrangement, any product or service of an affiliate whose

shares are owned or controlled by the investment bank holding company pursuant to this subparagraph or subparagraph (C); or

''(II) permit any of such wholesale financial institution's or subsidiary's products or services to be offered or marketed, directly or through any arrangement, by or through any such affiliate.

''(iv) USE OF COMMON NAME.—An investment bank holding company shall not permit a wholesale financial institution to adopt a name which is the same as or similar to, or a variation of, the name or title of an affiliate engaged in activities pursuant to subparagraph (B).

''(C) COMMODITIES.—

''(i) IN GENERAL.—An investment bank holding company predominantly engaged as of January 1, 1995, in securities activities in the United States (or any successor to any such company) may engage in, or directly or indirectly own or control shares of a company engaged in, activities

related to the trading, sale, or investment in commodities and underlying physical properties that were not permissible for bank holding companies to conduct in the United States as of January 1, 1995, provided such investment bank holding company, or any subsidiary of such holding company, was engaged directly, indirectly, or through any such company in any of such activities as of January 1, 1995, in the United States.

''(ii) LIMITATION.—Notwithstanding subparagraphs (A) and (B), the aggregate investment by an investment bank holding company in activities under this subparagraph (other than those otherwise permitted under this section) shall not at any time exceed 5 percent of the total consolidated assets of the investment bank holding company.

''(iii) SUCCESSOR DEFINED.—For purposes of this subparagraph and subparagraph (B), the term 'successor' means, with respect to any investment bank holding company described in clause (i), any

company that merges with, or acquires control of, such investment bank holding company.

''(D) QUALIFIED INVESTOR IN AN INVESTMENT BANK HOLDING COMPANY.—

''(i) IN GENERAL.—Notwithstanding any other provision of Federal or State law, a qualified investor—

''(I) shall not be, or be deemed to be, an investment bank holding company, a financial services holding company, a bank holding company, or any similar organization; and

''(II) shall not be deemed to control any such company or organization or any subsidiary of any such company or organization (other than for purposes of section 23A and 23B of the Federal Reserve Act),

by virtue of the investor's ownership or control of shares of an investment bank holding company.

''(ii) QUALIFIED INVESTOR DEFINED.—For purposes of this subparagraph, the term 'qualified investor' means

any United States company (including a parent company and all subsidiaries of which the parent company holds at least 80 percent of the total voting equity securities) which since February 27, 1995, has directly or indirectly owned or controlled shares of capital stock representing at least 10 percent, and not more than 45 percent, of the outstanding voting shares or voting power of a company that—

''(I) becomes an investment bank holding company or a subsidiary of an investment bank holding company; and

''(II) before such company became an investment bank holding company or a subsidiary of an investment bank holding company, had more than 50 percent of the company's assets employed directly or indirectly in securities activities.

''(iii) CROSS-MARKETING AND COMMON NAME.—A wholesale financial institution shall not—

"(I) offer or market products or services of a qualified investor in the investment bank holding company of which the wholesale financial institution is an affiliate;

"(II) permit the institution's products or services to be offered or marketed in connection with products or services of such qualified investor; or

"(III) adopt a name which is the same as or similar to, or a variation of, the name or title of such qualified investor.

"(iv) EXAMINATION AND REPORTING.—Notwithstanding any other provision of law, the Board may conduct examinations of, or require reports from, a qualified investor only to the extent that the Board reasonably determines that such examinations or reports are necessary—

"(I) to ensure compliance with this subparagraph; or

"(II) to the extent that the qualified investor is an affiliate of a whole-

sale financial institution for purposes of section 23A of the Federal Reserve Act, to ensure compliance with restrictions imposed by law or regulation on transactions between the qualified investor and such wholesale financial institution.

''(E) SPECIAL RULE.—An investment bank holding company that owns and controls shares of a company pursuant to subparagraph (B) or (C) may not own or control shares of a company pursuant to section 4(k).

''(F) CONSOLIDATED TOTAL RISK-WEIGHTED ASSETS.—For purposes of this paragraph, the following definitions shall apply:

''(i) IN GENERAL.—The term 'consolidated total risk-weighted assets' shall have the meaning given to such term in regulations prescribed by the Board as in effect on the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995.

''(ii) APPLICATION TO FOREIGN BANKS.—In the case of a foreign bank or a company that owns or controls a foreign

bank, the term 'consolidated total risk-weighted assets' means total risk-weighted assets held by the foreign bank or company in the United States in any United States branch, agency, or commercial lending company subsidiary, any depository institution controlled by the foreign bank or company, any subsidiary held under the authority of this section, section 3, 4, or 10 (other than paragraph (9) or (13) of section 4(c)), or section 25 or 25A of the Federal Reserve Act.

''(2) SECURITIES ACTIVITIES.—

''(A) INSTITUTIONS MUST BE WELL CAPITALIZED.—The Board shall disapprove a notice under section 10 by an investment bank holding company (or a company seeking to become an investment bank holding company) to acquire a securities affiliate if any wholesale financial institution controlled by the investment bank holding company is not well capitalized or would not be well capitalized following the transaction.

''(B) TRANSACTIONS WITH AFFILIATES.—

"(i) IN GENERAL.—A wholesale financial institution controlled by an investment bank holding company shall be treated as a bank for purposes of the provisions of sections 23A and 23B of the Federal Reserve Act.

"(ii) OTHER RESTRICTIONS REGARDING SECURITIES AFFILIATES DETERMINED BY THE BOARD.—A securities affiliate of an investment bank holding company, and a wholesale financial institution controlled by an investment bank holding company, shall not be subject to the provisions of section 11, except that the securities affiliate and wholesale financial institution shall be subject to subsections (l) and (m) of such section in the same manner and to the same extent such paragraphs would apply if the wholesale financial institution were an insured depository institution.

"(3) LIMITATION ON AFFILIATION WITH INSURED DEPOSITORY INSTITUTIONS.—An investment bank holding company may not, directly or indirectly, own or control—

''(A) any bank, other than a wholesale financial institution;

''(B) any savings association;

''(C) any institution described in section 2(c)(2) (other than subparagraphs (C) and (G) of such section); or

''(D) any institution that accepts—

''(i) initial deposits of $100,000 or less, other than on an incidental or occasional basis, or

''(ii) deposits that are insured under the Federal Deposit Insurance Act.

''(4) NO DEPOSIT INSURANCE FUND LIABILITY.—No Federal deposit insurance funds may be used in connection with the failure of, or any proposed assistance to, a wholesale financial institution or an investment bank holding company.

''(5) CAPITAL OF IBHC.—

''(A) IN GENERAL.—The Board shall not impose any capital requirement on investment bank holding companies or subsidiaries of such companies (other than depository institutions) unless any such requirement is based upon appropriate risk-weighing considerations.

"(B) APPLICABLE ACCOUNTING PRINCIPLES.—In applying any capital standard to investment bank holding companies, or subsidiaries of such companies, the Board shall utilize uniform accounting principles consistent with generally accepted accounting principles in accordance with section 37(a)(2) of the Federal Deposit Insurance Act.

"(b) QUALIFICATION OF FOREIGN BANK AS INVESTMENT BANK HOLDING COMPANY.—

"(1) IN GENERAL.—Any foreign bank that—

"(A) operates a branch, agency or commercial lending company in the United States (and any company that owns or controls such foreign bank), including a foreign bank that does not own or control a wholesale financial institution; and

"(B) controls a security affiliate that engages in underwriting corporate equity securities,

may request a determination from the Board that such bank or company be treated as an investment bank holding company.

"(2) CONDITIONS FOR TREATMENT AS AN INVESTMENT BANK HOLDING COMPANY.—A foreign

bank and a company that owns or controls a foreign bank may not be treated as an investment bank holding company unless the bank and company meet and continue to meet the following criteria:

''(A) NO INSURED DEPOSITS.—No deposits held directly by a foreign bank or through an affiliate are insured under the Federal Deposit Insurance Act.

''(B) CAPITAL STANDARDS.—The foreign bank meets risk-based capital standards comparable to the capital standards required for a wholesale financial institution, giving due regard to the principle of national treatment and equality of competitive opportunity.

''(C) TRANSACTIONS WITH AFFILIATES.—Transactions between a branch, agency, or commercial lending company subsidiary of the foreign bank in the United States, and any securities affiliate or company in which the foreign bank (or any company that owns or controls such foreign bank) has invested pursuant to subsection (a)(1)(B), comply with the provisions of sections 23A and 23B of the Federal Reserve Act in the same manner and to the same extent as such transactions would be required to com-

ply with such sections if the bank were a member bank.

''(3) TREATMENT AS A WHOLESALE FINANCIAL INSTITUTION.—Any foreign bank which is, or is affiliated with a company which is, treated as an investment bank holding company under this subsection shall be treated as a wholesale financial institution for purposes of clauses (iii) and (iv) of subsection (a)(1)(B), subsection (a)(2)(B)(ii), and section 5(g), except that the Board may adopt such modifications, conditions, or exemptions as the Board deems appropriate, giving due regard to the principle of national treatment and equality of competitive opportunity.

''(4) NONAPPLICABILITY OF OTHER EXEMPTION.—Any foreign bank or company which is treated as an investment bank holding company under this subsection shall not be eligible for any exemption described in section 2(h).

''(c) ELIGIBILITY OF FOREIGN BANKS FOR CERTAIN TREATMENT.—

''(1) RECIPROCAL NATIONAL TREATMENT.—

''(A) IN GENERAL.—A foreign bank that operates a branch, agency or commercial lending company in the United States, and any

company that owns or controls such a foreign bank, shall be eligible for the treatment afforded under subsection (b) or section 11(n) only if the home country of such foreign bank or company accords to United States banks the same competitive opportunities in banking as such country accords to domestic banks of such country.

''(B) COORDINATION WITH NAFTA.—Subparagraph (A) shall not apply in derogation of any obligation under the North American Free Trade Agreement.

''(C) HOME COUNTRY DEFINED.—For purposes of subparagraph (A), the term 'home country' means, with respect to any foreign bank or company referred to in subparagraph (A), the country under the laws of which the foreign bank or company is organized.

''(2) PREVENTION OF EVASION.—No foreign bank or bank owned by a former United States national may operate a branch or agency in the United State if the predominance of the assets of such bank were acquired in connection with a merger with, or purchase or assumption of all or substantially all the assets of, a wholesale financial institution.

"(d) RULE FOR FINANCIAL SERVICES HOLDING COMPANIES.—For purposes of section 5(g)(2)(A)(ii), any foreign bank (as defined in section 1(b) of the International Banking Act of 1978) which is directly or indirectly owned, controlled, or operated by a company that—

"(1) as of January 1, 1995, was registered as a bank holding company; or

"(2) is a successor to any such bank holding company,

shall be treated as a wholesale financial institution.".

(c) CONFORMING AMENDMENTS.—

(1) EXCEPTION TO DEPOSIT INSURANCE REQUIREMENT.—Section 3(e) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(e)) is amended by adding at the end the following: "This subsection shall not apply to a wholesale financial institution that is controlled by an investment bank holding company that controls no banks other than wholesale financial institutions.".

(2) APPROPRIATE FEDERAL BANKING AGENCY.—Section 3(q)(2)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1813(q)(2)(A)) is amended to read as follows:

"(A) any State member insured bank (except a District bank) and wholesale financial in-

stitution as authorized pursuant to section 9B of the Federal Reserve Act;''.

SEC. 117. WHOLESALE FINANCIAL INSTITUTIONS.

(a) IN GENERAL.—The Federal Reserve Act (12 U.S.C. 221 et seq.) is amended by inserting after section 9A the following new section:

"SEC. 9B. WHOLESALE FINANCIAL INSTITUTIONS.

''(a) APPLICATION FOR MEMBERSHIP AS WHOLESALE FINANCIAL INSTITUTION.—

''(1) APPLICATION REQUIRED.—

''(A) IN GENERAL.—Any bank incorporated by special law of any State, or organized under the general laws of any State, may apply to the Board of Governors of the Federal Reserve System to become a wholesale financial institution and to subscribe to the stock of the Federal reserve bank organized within the district where the applying bank is located.

''(B) TREATMENT AS STATE MEMBER BANK.—Any application under subparagraph (A) shall be treated as an application to become a State member bank under, and shall be subject to the provisions of, section 9.

''(2) INSURANCE TERMINATION.—No bank that is insured under the Federal Deposit Insurance Act

may become a wholesale financial institution unless it has met all requirements under that Act for voluntary termination of deposit insurance.

''(3) APPLICATION FEE.—No bank or organization may become a wholesale financial institution unless the Board has received, from the bank or organization, full payment of a fee which the Board shall impose in the manner provided under section 5(h) of the Financial Services Holding Company Act of 1995.

''(b) GENERAL REQUIREMENTS APPLICABLE TO WHOLESALE FINANCIAL INSTITUTIONS.—

''(1) FEDERAL RESERVE ACT.—Except as otherwise provided in this section, wholesale financial institutions shall be member banks and shall be subject to the provisions of this Act that apply to member banks to the same extent and in the same manner as State member insured banks, except that a wholesale financial institution may terminate membership under this Act only with the prior written approval of the Board and on terms and conditions that the Board determines are appropriate to carry out the purposes of this Act.

''(2) PROMPT CORRECTIVE ACTION.—A wholesale financial institution shall be deemed to be an in-

sured depository institution for purposes of section 38 of the Federal Deposit Insurance Act except that—

''(A) the relevant capital levels and capital measures for each capital category shall be the levels specified by the Board for wholesale financial institutions in accordance with subsection (c);

''(B) the provisions applicable to well capitalized insured depository institutions shall be inapplicable to wholesale financial institutions;

''(C) the provisions authorizing or requiring an institution to be placed into receivership shall not apply to a wholesale financial institution, and, instead, the Board is authorized or required, as the case may be, to terminate the wholesale financial institution's membership in the Federal Reserve System or place the bank into conservatorship; and

''(D) for purposes of applying the provisions of section 38 of the Federal Deposit Insurance Act to wholesale financial institutions, all references to the appropriate Federal banking agency or to the Corporation in that section shall be deemed to be references to the Board.

"(3) ENFORCEMENT AUTHORITY.—Subsections (j) and (k) of section 7, subsections (b) through (n), (s), (u), and (v) of section 8, and section 19 of the Federal Deposit Insurance Act shall apply to a wholesale financial institution in the same manner and to the same extent as such provisions apply to State member insured banks and any reference in such sections to an insured depository institution shall be deemed, for purposes of this paragraph, to be a reference to a wholesale financial institution.

"(4) CERTAIN OTHER STATUTES APPLICABLE.—A wholesale financial institution shall be deemed to be a banking institution, and the Board shall be the appropriate Federal banking agency for such bank and all such bank's affiliates, for purposes of the International Lending Supervision Act.

"(5) BANK MERGER ACT.—A wholesale financial institution shall be subject to the provisions of sections 18(c) and 44 of the Federal Deposit Insurance Act in the same manner and to the same extent the wholesale financial institution would be subject to such sections if the institution were a State member insured bank.

"(6) REGISTRATION FEE.—The Board shall assess an annual registration fee in the manner pro-

vided in section 5(h) of the Financial Services Holding Company Act of 1995 on each wholesale financial institution.

''(c) SPECIFIC REQUIREMENTS APPLICABLE TO WHOLESALE FINANCIAL INSTITUTIONS.—

''(1) LIMITATIONS ON DEPOSITS.—

''(A) MINIMUM AMOUNT.—

''(i) IN GENERAL.—Pursuant to such regulations as the Board may prescribe, no wholesale financial institution may receive initial deposits of $100,000 or less, other than on an incidental and occasional basis.

''(ii) LIMITATION ON DEPOSITS OF LESS THAN $100,000.—No bank may be treated as a wholesale financial institution if the total amount of the initial deposits of $100,000 or less at such bank constitute more than 5 percent of the bank's total deposits.

''(B) NO DEPOSIT INSURANCE.—No deposits held by a wholesale financial institution shall be insured deposits under the Federal Deposit Insurance Act.

''(C) ADVERTISING AND DISCLOSURE.—The Board shall prescribe regulations pertain-

ing to advertising and disclosure by wholesale financial institutions to ensure that each depositor is notified that deposits at the wholesale financial institution are not federally insured or otherwise guaranteed by the United States Government.

''(2) SPECIAL CAPITAL REQUIREMENTS APPLICABLE TO WHOLESALE FINANCIAL INSTITUTIONS.—

''(A) MINIMUM CAPITAL LEVELS.—

''(i) IN GENERAL.—The Board shall, by regulation, adopt capital requirements for wholesale financial institutions—

''(I) to account for the status of wholesale financial institutions as institutions that accept deposits that are not insured under the Federal Deposit Insurance Act; and

''(II) to provide for the safe and sound operation of the wholesale financial institution without undue risk to creditors or other persons, including Federal reserve banks, engaged in transactions with the bank.

''(ii) MINIMUM TIER 1 CAPITAL RATIO.—The minimum ratio of tier 1 cap-

ital to total risk-weighted assets of wholesale financial institutions shall be not less than the level required for a State member insured bank to be well capitalized unless the Board determines otherwise, consistent with safety and soundness.

''(B) CAPITAL CATEGORIES FOR PROMPT CORRECTIVE ACTION.—For purposes of applying section 38 of the Federal Deposit Insurance Act with respect to any wholesale financial institution, the Board shall, by regulation, establish, for each relevant capital measure specified by the Board under subparagraph (A), the levels at which a wholesale financial institution is well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

''(3) ADDITIONAL REQUIREMENTS APPLICABLE TO WHOLESALE FINANCIAL INSTITUTIONS.—In addition to any requirement otherwise applicable to State member banks or applicable, under this section, to wholesale financial institutions, the Board may prescribe, by regulation or order, for wholesale financial institutions—

''(A) limitations on transactions with affiliates to prevent an affiliate from gaining access to, or the benefits of, credit from a Federal reserve bank, including overdrafts at a Federal reserve bank;

''(B) special clearing balance requirements; and

''(C) any additional requirements that the Board determines to be appropriate or necessary to—

''(i) promote the safety and soundness of the wholesale financial institution, or

''(ii) protect creditors and other persons, including Federal reserve banks, engaged in transactions with the wholesale financial institution.

''(4) EXEMPTIONS FOR WHOLESALE FINANCIAL INSTITUTIONS.—The Board may, by regulation or order, exempt any wholesale financial institution from any provision applicable to a State member bank that is not a wholesale financial institution, if the Board finds that such exemption is not inconsistent with—

''(A) the promotion of the safety and soundness of the wholesale financial institution; and

''(B) the protection of creditors and other persons, including Federal reserve banks, engaged in transactions with the wholesale financial institution.

''(5) NO EFFECT ON OTHER PROVISIONS.—This section shall not be construed as limiting the Board's authority over member banks under any other provision of law, or to create any obligation for any Federal reserve bank to make, increase, renew, or extend any advances or discount under this Act to any member bank or other depository institution.

''(d) CONSERVATORSHIP AUTHORITY.—

''(1) IN GENERAL.—The Board may appoint a conservator to take possession and control of a wholesale financial institution to the same extent and in the same manner as the Comptroller of the Currency may appoint a conservator for a national bank under section 203 of the Bank Conservation Act, and the conservator shall exercise the same powers, functions, and duties, subject to the same limitations, as are provided under such Act for conservators of national banks.

"(2) BOARD AUTHORITY.—The Board shall have the same authority with respect to any conservator appointed under paragraph (1) and the wholesale financial institution for which such conservator has been appointed as the Comptroller of the Currency has under the Bank Conservation Act with respect to a conservator appointed under such Act and a national bank for which the conservator has been appointed.

"(e) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

"(1) WHOLESALE FINANCIAL INSTITUTION.—The term 'wholesale financial institution' means a bank whose application to become a wholesale financial institution and a State member bank has been approved by the Board under this section.

"(2) DEPOSIT.—The term 'deposit' has the meaning given to such term by the Board under this Act.

"(3) STATE MEMBER INSURED BANK.—The term 'State member insured bank' means a State member bank which is an insured bank (as defined in section 3(h) of the Federal Deposit Insurance Act).

''(f) EXCLUSIVE JURISDICTION.—Subsections (c) and (e) of section 43 of the Federal Deposit Insurance Act shall not apply to any wholesale financial institution.''.

(b) VOLUNTARY TERMINATION OF INSURED STATUS BY CERTAIN INSTITUTIONS.—

(1) SECTION 8 DESIGNATIONS.—Section 8(a) of the Federal Deposit Insurance Act (12 U.S.C. 1818(a)) is amended—

(A) by striking paragraph (1); and

(B) by redesignating paragraphs (2) through (9) as paragraphs (1) through (8), respectively.

(2) VOLUNTARY TERMINATION OF INSURED STATUS.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by inserting after section 8 the following new section:

''SEC. 8A. VOLUNTARY TERMINATION OF STATUS AS INSURED DEPOSITORY INSTITUTION.

''(a) IN GENERAL.—Except as provided in subsection (b), an insured State bank or a national bank may voluntarily terminate such bank's status as an insured depository institution in accordance with regulations of the Corporation if—

''(1) the bank provides written notice of the bank's intent to terminate such insured status—

"(A) to the Corporation and the Board of Governors of the Federal Reserve System not less than 6 months before the effective date of such termination; and

"(B) to all depositors at such bank, not less than 6 months before the effective date of the termination of such status; and

"(2) either—

"(A) the deposit insurance fund of which such bank is a member equals or exceeds the fund's designated reserve ratio as of the date the bank provides a written notice under paragraph (1) and the Corporation determines that the fund will equal or exceed the applicable designated reserve ratio for the 2 semiannual assessment periods immediately following such date; or

"(B) the Corporation and the Board of Governors of the Federal Reserve System approve the termination of the bank's insured status and the bank pays an exit fee in accordance with subsection (e).

"(b) EXCEPTION.—Subsection (a) shall not apply with respect to—

"(1) an insured savings association;

"(2) an insured branch that is required to be insured under subsection (a) or (b) of section 6 of the International Banking Act of 1978; or

"(3) any institution described in section 2(c)(2) of the Bank Holding Company Act of 1956.

"(c) ELIGIBILITY FOR INSURANCE TERMINATED.—Any bank that voluntarily elects to terminate the bank's insured status under subsection (a) shall not be eligible for insurance on any deposits or any assistance authorized under this Act after the period specified in subsection (f)(1).

"(d) INSTITUTION MUST BECOME WHOLESALE FINANCIAL INSTITUTION OR TERMINATE DEPOSIT-TAKING ACTIVITIES.—Any depository institution which voluntarily terminates such institution's status as an insured depository institution under this section may not, upon termination of insurance, accept any deposits unless the institution is a wholesale financial institution under section 9B of the Federal Reserve Act.

"(e) EXIT FEES.—

"(1) IN GENERAL.—Any bank that voluntarily terminates such bank's status as an insured depository institution under this section shall pay an exit fee in an amount that the Corporation determines is sufficient to account for the institution's pro rata

share of the amount (if any) which would be required to restore the relevant deposit insurance fund to the fund's designated reserve ratio as of the date the bank provides a written notice under subsection (a)(1).

''(2) PROCEDURES.—The Corporation shall prescribe, by regulation, procedures for assessing any exit fee under this subsection.

''(f) TEMPORARY INSURANCE OF DEPOSITS INSURED AS OF TERMINATION.—

''(1) TRANSITION PERIOD.—The insured deposits of each depositor in a State bank or a national bank on the effective date of the voluntary termination of the bank's insured status, less all subsequent withdrawals from any deposits of such depositor, shall continue to be insured for a period of not less than 6 months and not more than 2 years, as determined by the Corporation. During such period, no additions to any such deposits, and no new deposits in the depository institution made after the effective date of such termination shall be insured by the Corporation.

''(2) TEMPORARY ASSESSMENTS; OBLIGATIONS AND DUTIES.—During the period specified in paragraph (1) with respect to any bank, the bank shall

continue to pay assessments under section 7 as if the bank were an insured depository institution. The bank shall, in all other respects, be subject to the authority of the Corporation and the duties and obligations of an insured depository institution under this Act during such period, and in the event that the bank is closed due to an inability to meet the demands of the bank's depositors during such period, the Corporation shall have the same powers and rights with respect to such bank as in the case of an insured depository institution.

''(g) ADVERTISEMENTS.—

''(1) IN GENERAL.—A bank that voluntarily terminates the bank's insured status under this section shall not advertise or hold itself out as having insured deposits, except that the bank may advertise the temporary insurance of deposits under subsection (f) if, in connection with any such advertisement, the advertisement also states with equal prominence that additions to deposits and new deposits made after the effective date of the termination are not insured.

''(2) CERTIFICATES OF DEPOSIT, OBLIGATIONS, AND SECURITIES.—Any certificate of deposit or other obligation or security issued by a State bank

or a national bank after the effective date of the voluntary termination of the bank's insured status under this section shall be accompanied by a conspicuous, prominently displayed notice that such certificate of deposit or other obligation or security is not insured under this Act.

''(h) NOTICE REQUIREMENTS.—

''(1) NOTICE TO THE CORPORATION.—The notice required under subsection (a)(1)(A) shall be in such form as the Corporation may require.

''(2) NOTICE TO DEPOSITORS.—The notice required under subsection (a)(1)(B) shall be—

''(A) sent to each depositor's last address of record with the bank; and

''(B) in such manner and form as the Corporation finds to be necessary and appropriate for the protection of depositors.''.

(3) DEFINITION.—Section 19(b)(1)(A)(i) of the Federal Reserve Act (12 U.S.C. 461(b)(1)(A)(i)) is amended after ''such Act'' by inserting '', or any wholesale financial institution as defined in section 9B of this Act''.

(c) REPORTS ON DISCOUNTS AND ADVANCES TO WHOLESALE FINANCIAL INSTITUTIONS.—Section 10B of

the Federal Reserve Act (12 U.S.C. 347(b)) is amended by adding at the end the following new subsection:

''(c) REPORTS ON DISCOUNTS AND ADVANCES TO WHOLESALE FINANCIAL INSTITUTIONS.—

''(1) IN GENERAL.—The Board shall submit a report to the Congress at the end of any year in which any wholesale financial institution has obtained a discount, advance, or other extension of credit from a Federal reserve bank.

''(2) CONTENTS.—Any report submitted under paragraph (1) shall explain the circumstances and need for any discount, advance, or other extension of credit to a wholesale financial institution during the period covered by the report, including the type and amount of credit extended and the amount of credit remaining outstanding as of the date of the report.''.

Subtitle C—Financial Activities

SEC. 121. FINANCIAL ACTIVITIES.

Section 4(c)(8) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)(8)) is amended—

(1) by striking ''shares of any company'' and all that follows through ''for a bank holding company to provide'' and inserting ''shares of any company the activities of which the Board after due notice has determined (by order, regulation, or advisory opinion)

to be financial in nature or incidental to such financial activities. In determining whether an activity is financial in nature or incidental to financial activities, the Board shall take into account changes or reasonably expected changes in the marketplace in which financial services holding companies compete as well as changes or reasonably expected changes in the technology by which these services are delivered. In addition, the Board shall take into account activities considered financial activities or banking or financial operations for purposes of the regulation of the Board designated as 'Regulation K' (12 C.F.R. 211.23 (f)(5)(iii)(B)) as in effect on the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995. Any activity that the Board has determined, by order or regulation that is in effect on such date to be so closely related to banking or managing or controlling banks as to be a proper incident thereto shall be deemed to be of a financial nature for purposes of this paragraph without further action by the Board (subject to the same terms and conditions contained in such order or regulation, unless modified by the Board), but for purposes of this subsection it shall not be closely related to banking or managing or

controlling banks or financial in nature or incidental to a financial activity for a financial services holding company to provide'';

(2) in the 3d sentence, by inserting ''and between activities commenced by affiliates of different classes of banks'' before the period at the end; and

(3) by striking the 2d sentence.

SEC. 122. NO PRIOR APPROVAL REQUIRED FOR WELL CAPITALIZED AND WELL MANAGED FINANCIAL SERVICES HOLDING COMPANIES.

Section 4(j) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(j)) is amended—

(1) in paragraph (1), by striking ''No'' and inserting ''Except as provided in paragraph (3) or section 10(b)(3), no''; and

(2) by adding at the end the following new paragraphs:

''(3) NO NOTICE REQUIRED FOR CERTAIN TRANSACTIONS.—Notwithstanding paragraph (1), no notice under subsection (c)(8) or (a)(2)(B) is required for a proposal by a financial services holding company to engage in any activity (other than an activity described in subparagraph (A) or (B) of section 10(a)(1)) or acquire or retain the shares or as-

sets of any company (other than a securities affiliate) if the proposal qualifies under paragraph (4).

''(4) CRITERIA FOR STATUTORY APPROVAL.—A proposal qualifies under this paragraph if all of the following criteria are met:

''(A) FINANCIAL CRITERIA.—Both before and immediately after the proposed transaction—

''(i) the acquiring financial services holding company is well capitalized;

''(ii) the lead depository institution of such holding company is well capitalized;

''(iii) well capitalized depository institutions control at least 80 percent of the aggregate total risk-weighted assets of depository institutions controlled by such holding company; and

''(iv) no depository institution controlled by such holding company is undercapitalized.

''(B) MANAGERIAL CRITERIA.—

''(i) WELL MANAGED.—At the time of the transaction, the acquiring financial services holding company, the lead depository institution of such holding company,

and depository institutions that control at least 80 percent of the aggregate total risk-weighted assets of depository institutions controlled by such holding company are well managed.

''(ii) LIMITATION ON POORLY MANAGED INSTITUTIONS.—No depository institution which is controlled by the acquiring financial services holding company has received any of the lowest 2 composite ratings at the later of the institution's most recent examination or subsequent review.

''(iii) RECENTLY ACQUIRED INSTITUTIONS.—Depository institutions acquired by the financial services holding company during the 12-month period ending on the date of the proposed transaction may be excluded for purposes of clause (ii) if—

''(I) the financial services holding company has developed a plan acceptable to the appropriate Federal banking agency for the institution to restore the capital and management of the institution; and

''(II) all such depository institutions represent, in the aggregate, less than 25 percent of the total risk-weighted assets of all depository institutions controlled by the financial services holding company.

''(C) ACTIVITIES PERMISSIBLE.—Following consummation of the proposed transaction, the financial services holding company engages directly or through a subsidiary solely in—

''(i) activities that are permissible under subsection (c)(8), as determined by the Board by any regulation, order, or advisory opinion under such subsection that is in effect at the time of the proposed transaction, subject to all of the restrictions, terms, and conditions of such subsection and such regulation, order, or advisory opinion; and

''(ii) such other activities as are otherwise permissible under this Act, subject to the restrictions, terms and conditions, including any prior notice or approval requirements, provided in this Act.

''(D) SIZE OF ACQUISITION.—

"(i) ASSET SIZE.—The book value of the total risk-weighted assets acquired does not exceed 10 percent of the consolidated total risk-weighted assets of the acquiring financial services holding company.

"(ii) CONSIDERATION.—The gross consideration to be paid for the securities or assets does not exceed 15 percent of the consolidated tier 1 capital of the acquiring financial services holding company.

"(E) NOTICE NOT OTHERWISE WARRANTED.—For proposals described in paragraph (5)(B), the Board has not, before the conclusion of the period described in such paragraph, advised the financial services holding company that a notice under paragraph (1) is required.

"(5) NOTIFICATION.—

"(A) COMMENCEMENT OF ACTIVITIES APPROVED BY RULE.—A financial services holding company that qualifies under paragraph (4) and proposes to engage de novo, directly or through a subsidiary, in any activity that is permissible under subsection (c)(8), as determined

by the Board by regulation, may commence that activity without prior notice to the Board.

''(B) SUBSEQUENT NOTICE.—A financial services holding company that commences an activity under subsection (c)(8) without prior notice to the Board shall provide written notice to the Board no later than 10 business days after commencing the activity.

''(C) ACTIVITIES PERMITTED BY ORDER AND ACQUISITIONS.—

''(i) IN GENERAL.—At least 12 business days prior to commencing any activity (other than an activity described in subparagraph (A)) or acquiring shares or assets of any company in a proposal that qualifies under paragraph (4), the financial services holding company shall provide written notice to the Board of the proposal, unless the Board determines that no notice or a shorter notice period is appropriate.

''(ii) DESCRIPTION OF PROPOSED ACTIVITIES.—A notice under clause (i) shall include a description of the proposed ac-

tivities and the terms of any proposed acquisition.

''(6) ADJUSTMENT OF AMOUNTS.—The Board may, by regulation, adjust the amounts and the manner in which the percentage of depository institutions is calculated under subparagraph (B)(i), (B)(iii)(II), or (D) of paragraph (4) if the Board determines that any such adjustment is consistent with safety and soundness and the purposes of this Act.

''(7) EXPEDITED PROCEDURE FOR NEW ACTIVITIES.—

''(A) EXPEDITED PREACQUISITION REVIEW.—After the end of the 12-day period referred to in paragraph (5)(C) and subject to any final ruling under subparagraph (B), a financial services holding company may acquire a company engaged in activities that the company believes are financial in nature for purposes of subsection (c)(8) and that the Board has not previously reviewed under such subsection if—

''(i) the proposal qualifies under all of the criteria in paragraph (4) other than paragraph (4)(C);

''(ii) the financial services holding company provides the notice required

under paragraph (5)(C), and includes with such notice an explanation of the facts and circumstances that provide a reasonable basis for concluding that the proposed activities are financial in nature or incidental to such financial activities; and

''(iii) before the end of such 12-day period, the Board has not—

''(I) required a notice under paragraph (1) with respect to the proposed transaction; or

''(II) advised the financial services holding company that the company has failed to provide a reasonable basis for concluding that the proposed activities are financial in nature or incidental to such financial activities.

''(B) POSTACQUISITION REVIEW.—

''(i) NOTICE PROCEDURE.—A financial services holding company which is permitted to make an acquisition under this paragraph shall file a notice with the Board in accordance with paragraph (1) before the end of the 30-day period begin-

ning on the date of the consummation of the acquisition.

''(ii) LIMITED REVIEW.—The Board's review of a postconsummation notice required under this subparagraph shall be limited to determining whether the proposed activities are permissible under subsection (c)(8), including whether the proposal meets the criteria in paragraph (2)(A).

''(iii) CONDITIONAL ACTION.—No provision of this paragraph shall be construed as limiting in any way the authority of the Board under this section to impose conditions on the conduct of any activity or the ownership of any company.

''(iv) DIVESTITURE OF IMPERMISSIBLE ACTIVITIES.—If the Board determines that any proposed activity is not permissible under subsection (c)(8), the financial services holding company shall terminate the activity or divest the company acquired in reliance on this paragraph before the end of the 2-year period beginning on the date of such determination.

"(C) INITIAL DECISION NOT PREJUDICIAL TO SUBSEQUENT DETERMINATION.—A decision by the Board under subparagraph (A) not to require a notice under paragraph (1) during the 12-day period referred to in such subparagraph shall not prejudice the Board's decision under subparagraph (B).".

SEC. 123. STREAMLINED EXAMINATION AND REPORTING REQUIREMENTS FOR ALL FINANCIAL SERVICES HOLDING COMPANIES.

Section 5(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)) is amended to read as follows—

"(c) REPORTS AND EXAMINATIONS.—

"(1) PURPOSES.—

"(A) IN GENERAL.—The purpose of this subsection is to authorize the Board, through reports and examinations, to gather information from a financial services holding company and the subsidiaries of any such holding company regarding the structure, activities, and financial condition of the financial services holding company and such subsidiaries so that the Board can monitor risks within the holding company system that could adversely affect any depository institution subsidiary of the holding com-

pany and may monitor and enforce compliance with this Act.

''(B) PURPOSE NOT TO IMPOSE ADDITIONAL BURDENS ON HOLDING COMPANIES.—It is the intended purpose of this subsection that the Board shall—

''(i) exercise the Board's authority to collect information under this section in a manner that is the least burdensome to financial services holding companies and the subsidiaries of such companies; and

''(ii) rely, to the fullest extent possible, on reports prepared for and examinations conducted by or for other Federal and State supervisors.

''(C) PURPOSE TO REQUIRE CAREFULLY TAILORED EXAMINATIONS.—It is the intended purpose of this subsection that the Board shall tailor the focus and scope of any examination under this section to a financial services holding company or to any subsidiary of such company which, because of financial conditions, activities, operations of such subsidiary, the transactions between such subsidiary and other affiliates, or the size of any such subsidiary poses a potential

material risk to a depository institution subsidiary of such holding company.

''(2) REPORTS.—

''(A) IN GENERAL.—The Board from time to time may require any financial services holding company and any subsidiary of such company to submit reports under oath to keep the Board informed as to—

''(i) the company's or the subsidiary's activities, financial condition, policies, systems for monitoring and controlling financial and operational risks, and transactions with depository institution subsidiaries of the holding company; and

''(ii) the extent to which the company or subsidiary has complied with the provisions of this Act and regulations prescribed and orders issued under this Act.

''(B) USE OF EXISTING REPORTS.—

''(i) IN GENERAL.—The Board shall, to the fullest extent possible, accept reports in fulfillment of the Board's reporting requirements under this paragraph that a financial services holding company or any subsidiary of such company has

been required to provide to other Federal and State supervisors or to appropriate self-regulatory organizations.

''(ii) AVAILABILITY.—A financial services holding company or a subsidiary of such company shall provide to the Board, at the request of the Board, a report referred to in clause (i).

''(3) EXAMINATIONS.—

''(A) LIMITED USE OF EXAMINATION AUTHORITY.—The Board may make examinations of each financial services holding company and each subsidiary of such company in order to—

''(i) inform the Board of the nature of the operations and financial condition of the financial services holding company and such subsidiaries;

''(ii) inform the Board of the—

''(I) financial and operational risks within the financial services holding company system that may affect any depository institution owned by such holding company; and

''(II) the systems of the holding company and such subsidiaries for

monitoring and controlling those risks; and

''(iii) monitor compliance with the provisions of this Act and those governing transactions and relationships between any depository institution controlled by a financial services holding company and any of the company's other subsidiaries.

''(B) RESTRICTED FOCUS OF EXAMINATIONS.—The Board shall, to the fullest extent possible, limit the focus and scope of any examination of a financial services holding company to—

''(i) the holding company; and

''(ii) to any subsidiary (other than a depository institution subsidiary) of the holding company which, because of the size, condition, or activities of the subsidiary, the nature or size of transactions between such subsidiary and any depository institution affiliate, or the centralization of functions within the holding company system, could have a materially adverse effect on the safety and soundness of any deposi-

tory institution affiliate of the subsidiary or of the holding company.

''(C) DEFERENCE TO BANK EXAMINATIONS.—The Board shall, to the fullest extent possible, use the report of examinations of depository institutions made by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision or the appropriate State depository institution supervisory authority for the purposes of this section.

''(D) DEFERENCE TO OTHER EXAMINATIONS.—The Board shall, to the fullest extent possible, use the reports of examination made of—

''(i) any registered broker or dealer by or on behalf of the Securities Exchange Commission, and

''(ii) any other subsidiary that the Board finds to be comprehensively supervised under relevant Federal or State law by a Federal or state agency or authority.

''(E) CONFIDENTIALITY OF REPORTED INFORMATION.—

"(i) IN GENERAL.—Notwithstanding any other provision of law, the Board shall not be compelled to disclose any information required to be reported under this paragraph, or any information supplied to the Board by any domestic or foreign regulatory agency, that relates to the financial or operational condition of any financial services holding company or any subsidiary of such company.

"(ii) COMPLIANCE WITH REQUESTS FOR INFORMATION.—No provision of this subparagraph shall be construed as authorizing the Board to withhold information from Congress, or preventing the Board from complying with a request for information from any other Federal department or agency for purposes within the scope of such department's or agency's jurisdiction, or from complying with an order of a court of competent jurisdiction in an action brought by the United States or the Board.

"(iii) COORDINATION WITH OTHER LAW.—For purposes of section 552 of title

5, United States Code, this subparagraph shall be considered to be a statute described in subsection (b)(3)(B) of such section.

''(iv) DESIGNATION OF CONFIDENTIAL INFORMATION.—In prescribing regulations to carry out the requirements of this subsection, the Board shall designate information described in or obtained pursuant to this paragraph as confidential information.

''(F) COSTS.—The cost of any examination conducted by the Board under this section may be assessed against, and made payable by, such holding company.''.

SEC. 124. HOLDING COMPANY SUPERVISION FOR FINANCIAL SERVICES HOLDING COMPANIES ENGAGED PRIMARILY IN NONBANKING ACTIVITIES.

Section 5 of the Bank Holding Company Act of 1956 (12 U.S.C. 1844) is amended by adding at the end the following new subsection:

''(g) REDUCED SUPERVISION OF COMPANIES CONTROLLING PRINCIPALLY NONDEPOSITORY INSTITUTIONS.—

''(1) ELECTION.—

"(A) IN GENERAL.—Any financial services holding company that qualifies under paragraph (2) may make an election to be governed by the approval, capital, reporting and examination requirements of paragraphs (3), (4), (5) and (6) by—

"(i) filing a written notice of such election with the Board; and

"(ii) if applicable, providing a written guarantee to the Federal Deposit Insurance Corporation pursuant to paragraph (2).

"(B) EFFECTIVE PERIOD OF ELECTION.—An election under subparagraph (A) shall remain in effect—

"(i) so long as the financial services holding company continues to qualify under paragraph (2); or

"(ii) until the financial services holding company revokes the election.

"(2) CRITERIA FOR ELECTION.—A financial services holding company may make an election under paragraph (1) if the company meets all of the following criteria:

"(A) COMPANY PRINCIPALLY CONTROLS NONDEPOSITORY COMPANIES.—

"(i) FINANCIAL SERVICES HOLDING COMPANIES WITH DEPOSITORY INSTITUTIONS.—In the case of a financial services holding company (other than an investment bank holding company), the consolidated total risk-weighted assets of all depository institutions and foreign banks (as defined in section 1(b)(7) of the International Banking Act of 1978) controlled by the financial services holding company—

"(I) constitute less than 10 percent of the consolidated total risk-weighted assets of such company; and

"(II) are less than $5,000,000,000.

"(ii) INVESTMENT BANK HOLDING COMPANIES.—In the case of an investment bank holding company, the consolidated total risk-weighted assets of all wholesale financial institutions controlled by the investment bank holding company—

"(I) constitute less than 25 percent of the consolidated total risk-weighted assets of such company; and

"(II) are less than $15,000,000,000.

"(iii) INFLATION ADJUSTMENT.—The dollar limitation contained in clauses (i)(II) and (ii)(II) shall be adjusted annually after December 31, 1995, by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics.

"(iv) AUTHORITY TO INCREASE LIMITS.—The Board may increase any the percentages referred to in clauses (i)(I) and (ii)(I) and the dollar amounts described in clauses (i)(II) and (ii)(II) as the Board may determine to be appropriate.

"(B) WELL CAPITALIZED INSTITUTIONS.—Each depository institution controlled by the financial services holding company is well capitalized.

"(C) WELL MANAGED INSTITUTIONS.—

"(i) IN GENERAL.—Each depository institution controlled by the financial services holding company received a CAMEL composite rating of 1 or 2 (or an equivalent rating under an equivalent rating system) in the most recent examination of such institution.

"(ii) EXCLUSION FOR NEWLY ACQUIRED INSTITUTIONS.—A depository institution acquired by a financial services holding company during the 12-month period ending on the date of the election by such company under paragraph (1) may be excluded for purposes of clause (i) if the financial services holding company has developed a plan acceptable to the appropriate Federal banking agency (for such institution) to restore the capital and management of the institution.

"(D) HOLDING COMPANY GUARANTEE.—

"(i) IN GENERAL.—The financial services holding company provides a written guarantee acceptable to the Federal Deposit Insurance Corporation to maintain the capital levels of each insured deposi-

tory institution controlled by the financial services holding company at not less than the levels required for such institution to remain well capitalized.

''(ii) LIMITATION ON LIABILITY.—The liability of a financial services holding company under a guarantee provided under this subparagraph shall not exceed an amount equal to 10 percent of the total risk-weighted assets of the insured depository institution, measured as of the date that the institution becomes undercapitalized.

''(iii) DURATION OF GUARANTEE.—Notwithstanding paragraph (1), a financial services holding company that has elected treatment under this subsection shall continue to be bound by the guarantee made under this subsection until released in accordance with this subparagraph.

''(iv) RELEASE FROM LIABILITY.—The Board shall release a financial services holding company from the guarantee applicable with respect to any depository institution subsidiary of such company—

''(I) upon the written request of the financial services holding company to revoke the company's election under paragraph (1) if the Board determines that each depository institution controlled by the financial services holding company is well capitalized and well managed at the time of such revocation;

''(II) in the case of a financial services holding company which no longer meets the requirements of subparagraph (A), upon a determination by the Board that each depository institution controlled by the financial services holding company is well capitalized and well managed;

''(III) upon the written request of the financial services holding company following the divestiture of control of the depository institution in a transaction that does not require Federal assistance if the Board determines that, immediately following the

divestiture, the depository institution is or will be well capitalized; or

''(IV) upon a determination by the Board, after consultation with the Federal Deposit Insurance Corporation, that, subject to the limit on liability provided in clause (ii), the financial services holding company has fully performed under the guarantee.

''(E) RESPONSIVENESS TO COMMUNITY NEEDS.—The lead insured depository institution subsidiary of the financial services holding company and insured depository institutions controlling at least 80 percent of the aggregate total risk-weighted assets of insured depository institutions controlled by the financial services holding company have achieved a 'satisfactory record of meeting community credit needs', or better, during the most recent examination of such insured depository institutions.

''(3) NO NOTICE OR APPROVAL REQUIRED FOR CERTAIN PURPOSES UNDER PARAGRAPHS (8), (13), OR (15) OF SECTION 4(C).—

''(A) IN GENERAL.—Notwithstanding paragraphs (8), (13), and, in the case of an in-

vestment bank holding company, (15) of section 4(c), a financial services holding company that has in effect an election under paragraph (1), and any subsidiary of such holding company, may, without prior notice to, or the approval of, the Board under paragraph (8), (13), or, in the case of an investment bank holding company, (15) of section 4(c), engage de novo in any activity, or acquire shares of any company engaged in any activity, if—

''(i) the Board has determined, by order or regulation in effect at the time the company or subsidiary commences to engage in such activity or acquire such shares, that the activity is permissible for a financial services holding company or a subsidiary of such company to engage in under paragraph (8) or (13) of section 4(c) (and regulations prescribed under such paragraphs); and

''(ii) the activity is conducted in compliance with all conditions and limitations applicable to such activity under any regulation, order, or advisory opinion prescribed or issued by the Board.

"(B) SUBSEQUENT NOTICE.—A financial services holding company that commences to engage in an activity, or makes an acquisition, in accordance with subparagraph (A) shall inform the Board of such fact, in writing, not later than 10 days after commencing the activity or consummating the acquisition.

"(4) CAPITAL.—

"(A) IN GENERAL.—The Board shall not (by regulation or order), directly or indirectly, establish or apply minimum capital requirements to a financial services holding company which has in effect an election under paragraph (1) unless the Board concludes, on the basis of all information available to the Board, that the financial services holding company is not maintaining sufficient financial resources to meet fully any guarantee required under paragraph (2).

"(B) CRITERIA FOR CONSIDERATION.—For purposes of making a determination under subparagraph (A), the Board shall consider, in addition to any other relevant considerations, the financial condition and the adequacy of the capital of each of the depository institutions con-

trolled by the financial services holding company.

''(5) REPORTS.—

''(A) IN GENERAL.—The reporting requirements contained in subsection (c)(2) shall apply to a financial services holding company which qualifies under this subsection, to the extent provided by the Board.

''(B) EXEMPTIONS FROM REPORTING REQUIREMENTS.—

''(i) IN GENERAL.—The Board may, by regulation or order, exempt any company or class of companies, under such terms and conditions and for such periods as the Board shall provide in such regulation or order, from the provisions of this paragraph and any regulations prescribed under this paragraph.

''(ii) CRITERIA FOR CONSIDERATION.—In granting any exemption under clause (i), the Board shall consider, among other factors—

''(I) whether information of the type required under this paragraph is available from a supervisory agency

(as defined in section 1101(7) of the Right to Financial Privacy Act of 1978), the Commodity Futures Trading Commission, or a foreign regulatory body of a similar type;

''(II) the primary business of the company; and

''(III) the nature and extent of domestic or foreign regulations of the company's activities.

''(6) EXAMINATIONS.—

''(A) LIMITED USE OF EXAMINATION AUTHORITY FOR FINANCIAL SERVICES HOLDING COMPANIES.—The Board shall not examine, under this section, any financial services holding company described in paragraph (2)(A)(i) for which an election is in effect under paragraph (1) or any subsidiary (other than a depository institution) of such holding company unless—

''(i) the Board determines, on the basis of all information available to the Board, that—

''(I) the operations or activities of the financial services holding com-

pany or any subsidiary of such company, or any transaction involving such company or subsidiary and an affiliated depository institution, may pose a material risk to the safety and soundness of any depository institution owned by such holding company; or

''(II) the financial services holding company does not appear to have sufficient resources to meet the guarantee required under paragraph (2); or

''(ii) the Board is unable to accomplish the purposes described in subsection (c)(3)(A) without such examinations.

''(B) LIMITED USE OF EXAMINATION AUTHORITY FOR INVESTMENT BANK HOLDING COMPANIES.—The Board shall not examine, under this section, any investment bank holding company described in paragraph (2)(A)(ii) which has an election in effect under paragraph (1) or any subsidiary (other than a depository institution) of such holding company unless—

''(i) the Board determines that the operations or activities of the investment bank holding company or any subsidiary of such company, or any transaction involving such company or subsidiary and an affiliated depository institution, may pose a material risk to the safety and soundness of any depository institution owned by such holding company; or

''(ii) the Board is unable to determine from reports the nature of the operations, financial condition, activities, or effectiveness of the risk management systems of the investment bank holding company or any subsidiary of such company, or to assess compliance with the provisions of this Act and those governing transactions and relationships between any depository institution controlled by the investment bank holding company and the investment bank holding company or any of such subsidiaries.

''(C) RESTRICTED FOCUS AND DEFERENCE IN EXAMINATIONS.—The Board shall limit the focus and scope of any examination, under this

section, of a financial services holding company or investment bank holding company for which an election is in effect under paragraph (1) or of any subsidiary (other than a depository institution) of such holding company and shall defer to examinations conducted by the Securities Exchange Commission or other supervisors in accordance with subparagraphs (B), (C), and (D) of subsection (c)(3).''.

SEC. 125. CONVERSION OF UNITARY SAVINGS AND LOAN HOLDING COMPANIES TO FINANCIAL SERVICES HOLDING COMPANIES.

The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended by inserting after section 5 the following new section:

"SEC. 6. CONVERSION OF UNITARY SAVINGS AND LOAN HOLDING COMPANIES TO FINANCIAL SERVICES HOLDING COMPANIES.

''(a) STREAMLINED PROCEDURE FOR CONVERSION.—

''(1) IN GENERAL.—During the 18-month period beginning on the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995, no approval shall be required under section 3(a) or paragraph (8) or (13) of sec-

tion 4(c) for any qualified savings and loan holding company to become a financial services holding company for any company that, both prior to January 1, 1995, and on the date of enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995, is a savings and loan holding company if the requirements of paragraph (2) are met.

''(2) ELIGIBILITY REQUIREMENTS.—A qualified savings and loan holding company shall be eligible to become a financial services holding company pursuant to paragraph (1) if—

''(A) the company becomes a financial services holding company as the result of the conversion of a savings association controlled by such company as of the date of enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995 into a bank;

''(B) the company is adequately capitalized before and immediately after the conversion referred to in subparagraph (A);

''(C) all depository institutions controlled by such company are well capitalized before and immediately after such conversion;

''(D) all depository institutions controlled by such company are well managed before the conversion;

''(E) the Board would not be prohibited under any provision of section 3(d) from approving the transaction;

''(F) the activities of the company and of each subsidiary of the company comply with this Act (and regulations prescribed under this Act); and

''(G) the company provides the Board with at least 30 days written notice of the proposed conversion, and, before the expiration of such 30-day period, the Board has not objected to the company becoming a financial services holding company based on the criteria contained in this subsection.

''(3) QUALIFIED SAVINGS AND LOAN HOLDING COMPANY DEFINED.—For purposes of this subsection, the term 'qualified savings and loan holding company' means any company which became a savings and loan holding company before January 1, 1995, and is a savings and loan holding company as of the date of the enactment of the Financial Serv-

ices Competitiveness and Regulatory Relief Act of 1995.

''(b) LIMITED RETENTION OF EXISTING INVESTMENTS.—Any holding company which converts to a financial services holding company in accordance with subsection (a) may retain direct or indirect ownership or control of voting shares of any company as provided in, and subject to, section 4(k) if—

''(1) the holding company controlled 1 or more savings associations in accordance with section 10(c)(3) of the Home Owners Loan Act before January 1, 1995, and as of the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995;

''(2) the investment in voting shares and the financial services holding company meet the requirements of section 4(k) (other than paragraph (1)(A)(iii) of such section); and

''(3) more than 75 percent of the revenues of the financial services holding company for each of the 2 calendar years before the date such company became a financial services holding company involved securities activities described in subparagraphs (A) and (B) of section 10(a)(1) and activities that the

Board has determined to be permissible under section 4(c)(8).

''(c) CONVERSION FEE.—No qualified savings and loan holding company may become a financial services holding company pursuant to this section unless the Board has received, from such company, full payment of a fee which the Board shall impose in accordance with section 5(h).''.

SEC. 126. FINANCIAL SERVICES ADVISORY COMMITTEE.

(a) ESTABLISHMENT.—There is hereby established the Financial Services Advisory Committee (hereinafter in this section referred to as the ''Committee'').

(b) MEMBERSHIP.—

(1) IN GENERAL.—The Committee shall consist of 9 members, appointed as follows from among individuals who are not officers or employees of the Federal Government and who are especially qualified to serve on such committee by virtue of their education, training, or experience:

(A) 1 member appointed by the Secretary of the Treasury.

(B) 2 members appointed by the Comptroller of the Currency.

(C) 2 members appointed by the Director of the Office of Thrift Supervision.

(D) 2 members appointed by the Board of Governors of the Federal Reserve System.

(E) 2 members appointed by the Board of Directors of the Federal Deposit Insurance Corporation.

(2) REPRESENTATION OF SMALL AND INDEPENDENT DEPOSITORY INSTITUTIONS.—Of the members appointed under subparagraphs (B), (C), (D), and (E) of paragraph (1), 1 of the 2 members appointed under each such paragraph shall be appointed from among individuals who are especially qualified to represent the interests of depository institutions which—

(A) have total assets of less than $500,000,000; or

(B) are not controlled by any depository institution holding company.

(c) VACANCIES.—Any vacancy on the Committee shall be filled in the same manner in which the original appointment was made.

(d) PAY AND EXPENSES.—Members of the Committee shall serve without pay, but each member shall be reimbursed for expenses incurred in connection with attendance of such members at meetings of the Committee by

the agency which appointed such member to the Committee.

(e) TERMS.—Members shall be appointed for terms of 1 year.

(f) AUTHORITY OF THE COMMITTEE.—The Committee may select a chairperson, vice chairperson, and secretary, and adopt methods of procedure, and shall have power—

(1) to confer with each Federal banking agency on general and special business conditions and regulatory and other matters relating to the financial services industry in the United States and the impact of this Act, and the amendments made by this Act, on the financial service industry, especially with regard to depository institutions described in subsection (b)(2); and

(2) to request information from, and to make recommendations to, each of the Federal banking agencies with respect to matters within the jurisdiction of such agency.

(g) MEETINGS.—The Committee shall meet at least 2 times each year at the call of the chairperson or a majority of the members.

(h) REPORTS.—The Committee shall submit a semiannual written report to the Committee on Banking and

Financial Services of the House and to the Committee on Banking, Housing, and Urban Affairs of the Senate. Such report shall describe the activities of the Committee for such semiannual period and contain such recommendations as the Committee considers appropriate.

(i) PROVISION OF STAFF AND OTHER RESOURCES.—Each of the Federal banking agencies shall provide the Committee with the use of such resources, including staff, as the Committee reasonably shall require to carry out its duties, including the preparation and submission of reports to Congress, under this section.

(j) DEFINITIONS.—For purposes of this section, the terms ''insured depository institution'' and ''Federal banking agencies'' have the meaning given to such terms in section 3 of the Federal Deposit Insurance Act.

(k) FEDERAL ADVISORY COMMITTEE ACT DOES NOT APPLY.—The Federal Advisory Committee Act shall not apply to the Committee.

(l) SUNSET.—The Committee shall cease to exist 10 years after the enactment of this section.

SEC. 127. COORDINATION WITH STATE LAW.

Except as specifically provided in section 109, no provision of this Act, and no amendment made by this Act to any other provision of law, may be construed as superseding any provision of the law of any State which imposes

additional requirements or establishes higher standards for the safe and sound operation and condition of depository institutions (as defined in section 3 of the Federal Deposit Insurance Act) and the protection of consumers than the requirements imposed or the standards established under this Act and the amendments made by this Act to other provisions of law (including capital standards and other safeguards placed on affiliates).

SEC. 128. CONFORMING AMENDMENTS TO THE BANK HOLDING COMPANY ACT OF 1956.

(a) SHORT TITLE; TABLE OF CONTENTS.—The first section of the Bank Holding Company Act of 1956 (12 U.S.C. 1841 nt.) is amended to read as follows:

"SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

''(a) SHORT TITLE.—This Act may be cited as the 'Financial Services Holding Company Act of 1995'.

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

''Sec. 1. Short title; table of contents.
''Sec. 2. Definitions.
''Sec. 3. Acquisition of bank shares or assets.
''Sec. 4. Interests in nonbanking organizations.
''Sec. 5. Administration.
''Sec. 6. Conversion of unitary savings and loan holding companies to financial services holding companies.
''Sec. 7. Reservation of rights to States.
''Sec. 8. Penalties.
''Sec. 9. Judicial review.
''Sec. 10. Securities activities.
''Sec. 11. Safeguards relating to securities activities.
''Sec. 12. Investment bank holding companies and other financial activities.
''Sec. 13. Saving provision.
''Sec. 14. Separability of provisions.

"(c) REFERENCES IN OTHER LAWS.—Any reference in any Federal or State law to a provision of the Bank Holding Company Act of 1956 shall be deemed to be a reference to the corresponding provision of this Act.".

(b) DEFINITIONS.—

(1) Subsection (n) of section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(n)) is amended by inserting "'depository institution'," before "'insured depository institution'".

(2) Subsection (o) of section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(o)) is amended—

(A) by striking paragraph (1) and inserting the following new paragraph:

"(1) LEAD DEPOSITORY INSTITUTION.—The term 'lead depository institution' means the largest depository institution controlled by the financial services holding company, based on a comparison of the average total assets controlled by each depository institution during the previous 12-month period."; and

(B) by adding at the end the following new paragraphs:

"(8) INSURED DEPOSITORY INSTITUTION FOR CERTAIN SECTIONS.—Notwithstanding subsection

(n), the terms 'depository institution' and 'insured depository institution' include, for purposes of paragraph (1) and sections 4(k), 10, and 11, any branch, agency, or commercial lending company operated in the United States by a foreign bank.

''(9) WELL MANAGED.—The term 'well managed' means—

''(A) in the case of any company or depository institution which receives examinations, the achievement of—

''(i) a CAMEL composite rating of 1 or 2 (or an equivalent rating under an equivalent rating system) in connection with the most recent examination or subsequent review of such company or institution; and

''(ii) at least a satisfactory rating for management, if such rating is given; or

''(B) in the case of a company or depository institution that has not received an examination rating, the existence and use of managerial resources which the Board determines are satisfactory.''.

(3) Section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841) (as amended by sec-

tion 116(a)(1) of this Act) is amended by inserting after subsection (o) the following new subsections:

''(p) SECURITIES AFFILIATE.—The term 'securities affiliate' means any company—

''(1) that is (or is required to be) registered under the Securities Exchange Act of 1934 as a broker or dealer; and

''(2) the acquisition or retention of the shares or assets of which the Board has approved under section 10.

''(q) CAPITAL TERMS.—

''(1) DEPOSITORY INSTITUTIONS.—With respect to depository institutions, the terms 'well capitalized,' 'adequately capitalized' and 'undercapitalized' have the meanings given to such terms in accordance with section 38(b) of the Federal Deposit Insurance Act.

''(2) FINANCIAL SERVICES HOLDING COMPANY.—The following definitions shall apply with respect to financial services holding companies:

''(A) ADEQUATELY CAPITALIZED.—The term 'adequately capitalized' means a level of capitalization which meets or exceeds the required minimum level established by the Board

for each relevant capital measure for financial services holding companies.

''(B) WELL CAPITALIZED.—The term 'well capitalized' means a level of capitalization which meets or exceeds the required capital levels established by the Board for well capitalized financial services holding companies.

''(3) OTHER CAPITAL TERMS.—The terms 'tier 1' and 'risk-weighted assets' have the meaning given those terms in the capital guidelines or regulations established by the Board for financial services holding companies.

''(r) FOREIGN BANK TERMS.—For purposes of subsections (s) and (u), sections 4(k), 10, and 11, and subsections (b) and (c) of section 12—

''(1) the terms 'agency', 'branch', and 'commercial lending company' have the same meaning as in section 1(b) of the International Banking Act of 1978.

''(2) the term 'foreign bank' means a foreign bank (as defined in section 1(b) of the International Banking Act of 1978) which operates a branch, agency or commercial lending company, or owns or controls a bank, in the United States.''.

(c) AMENDMENT REGARDING CONDITIONAL APPROVAL OF NOTICES.—Section 4(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(a)(2)) is amended by striking ''paragraph (8)'' and all that follows through ''issued by the Board under such paragraph'' and inserting ''subsection (c)(8) or section 4(k), 10, or 11, subject to all the conditions specified in those provisions or in any order or regulation issued by the Board under those provisions''.

(d) AMENDMENT TO NOTICE PROCEDURES.—Section 4(j) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(j)) (as amended by section 122 of this title) is amended—

(1) in paragraph (1)(A), by striking ''subsection (c)(8) or (a)(2)'' and inserting ''subsection (a)(2), (c)(8), (c)(15), or (k)'';

(2) in paragraph (1)(E)—

(A) by striking ''subsection (c)(8) or (a)(2)'' and inserting ''subsection (a)(2), (c)(8), (c)(15), or (k)''; and

(B) by striking the last sentence and inserting the following: ''In no event may the Board, without the agreement of the financial services holding company submitting the notice, extend the notice period under this subpara-

graph beyond the period that ends 180 days after the date that a notice is filed with the Board or the relevant Federal reserve bank in accordance with the regulations of the Board.''; and

(3) in paragraph (2), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and inserting after subparagraph (A) the following new subparagraph:

''(B) CRITERIA FOR NOTICES INVOLVING SECURITIES AFFILIATES.—In considering any notice that involves the acquisition of shares of a securities affiliate pursuant to section 4(c)(15), the Board shall apply the criteria and safeguards contained in this paragraph and in sections 10 and 11.''.

(e) ELIMINATION OF OBSOLETE PROVISIONS.—The Bank Holding Company Act of 1956 (12 U.S.C. 1841 through 1849) is amended—

(1) in section 4(a)(2)—

(A) by striking ''or in the case of a company'' and ending ''after December 31, 1980,''; and

(B) by striking the sentence beginning ''Notwithstanding any other provision of this paragraph'';

(2) in section 4(b), by striking ''After two years from the date of enactment of this Act, no'' and inserting ''No''; and

(3) in section 5(a)—

(A) by striking ''Within one hundred and eighty days after the date of enactment of this Act, or within'' and inserting ''Within''; and

(B) by striking ''whichever is later,''.

(f) CONFORMING AMENDMENTS.—The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended as follows:

(1) In section 3(c)(4), by striking ''one-bank holding company'' each place such term appears and inserting ''1-bank financial services holding company''.

(2) In section 3(f)(5), by striking ''bank holding company'' the first and second time such term appears and inserting ''financial services holding company''.

(3) In section 4(i)(3)(A), by striking ''is acquired'' and inserting ''was acquired''.

(4) By striking ''bank holding companies'' each place such appears in the following sections and inserting ''financial services holding companies'':

(A) Section 3(d).

(B) Section 4(f).

(C) Section 7(a).

(5) By striking ''bank holding company's'' each place such term appears in section 4(c)(14) and inserting ''financial services holding company's''.

(6) By striking ''bank holding company'' each place such term appears in the following sections and inserting ''financial services holding company'':

(A) Subsections (a), (d), (e), (g), (h), and (o) of section 2.

(B) Subsections (a), (b), (d), (f)(1), (f)(2), and (f)(3) of section 3.

(C) Subsections (a), (d), (e), (g), (h), and (j) of section 4.

(D) Clause (ii) in the portion of section 4(c) which precedes paragraph (1) of such section.

(E) Paragraphs (2), (3), (7), (8), (10), (11), (12)(A), and (14) of section 4(c).

(F) Paragraphs (4), (5), and (9) of section 4(f).

(G) Paragraphs (1) and (2) of section 4(i).

(H) Sections 5, 7(b), 8, and 11.

(7) In section 4(f)(1), by striking ''bank holding company'' the 2d place such term appears and inserting ''financial services holding company''.

(8) In the headings for section 3(f) and 4(f), by striking ''BANK HOLDING'' and inserting ''FINANCIAL SERVICES HOLDING''.

(9) In the heading the heading for section 2(o)(7), by striking ''BANK'' and inserting ''FINANCIAL SERVICES''.

(g) TREATMENT OF EXISTING BANK HOLDING COMPANIES.—Section 2(a)(6) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(a)(6)) is amended by inserting at the end the following: ''Any company that was a bank holding company on the day before the date of enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995 shall, for purposes of this chapter, be deemed to have been a financial services holding company as of the date on which the company became a bank holding company.''.

(h) OTHER REFERENCES.—Any reference in any Federal law to ''bank holding company'' or ''bank holding companies'' as those terms were defined under the Bank Holding Company Act of 1956 before the enactment of

this Act shall be deemed to include a reference to ''financial services holding company'' and ''financial services holding companies'', respectively, as such terms are defined under the Financial Services Holding Company Act of 1995.

SEC. 129. CONFORMING AMENDMENTS TO THE BANK HOLDING COMPANY ACT AMENDMENTS OF 1970.

Section 106 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1971 through 1978) is amended by striking ''bank holding company'' each place such term appears and inserting ''financial services holding company''.

SEC. 130. CREDIT CARDS FOR BUSINESS PURPOSES.

Section 2(c)(2)(F) of the Bank Holding Company Act of 1956 (relating to the definition of credit card banks) is amended—

(1) in clause (i), by inserting ''including the provision of credit card accounts for business purposes'' before the semicolon; and

(2) in clause (v), by inserting ''(other than the provision of credit card accounts for business purposes in connection with the credit card operations referred to in clause (i))'' before the period.

SEC. 131. DISPOSITION OF FORECLOSED ASSETS.

Section 4(c)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)(2)) is amended—

(1) by striking ''for not more than one year at a time''; and

(2) by striking ''but no such extensions shall extend beyond a date five years'' and inserting ''and, in the case of a financial services holding company which has not disposed of such shares within 5 years of the date such shares were acquired, the Board may, upon the application of such company, grant additional exemptions if, in the Board's judgment, such extension would not be detrimental to the public interest and either the financial services holding company has made a good faith attempt to dispose of such shares during such 5-year period or the disposal of such shares during such 5-year period would have been detrimental to the company, but the aggregate duration of such extensions shall not extend 10 years''.

Subtitle D—Interagency Banking and Financial Services Advisory Committee

SEC. 141. INTERAGENCY BANKING AND FINANCIAL SERVICES ADVISORY COMMITTEE.

(a) ESTABLISHMENT; COMPOSITION.—There is established the Banking and Financial Services Advisory Committee which shall consist of 6 members as follows:

(1) The Secretary of the Treasury.

(2) The Chairman of the Board of Governors of the Federal Reserve System.

(3) The Chairperson of the Board of Directors of the Federal Deposit Insurance Corporation.

(4) The Chairman of the Securities and Exchange Commission.

(5) The Chairperson of the Commodities Futures Trading Commission.

(6) The Comptroller of the Currency.

(b) CHAIRPERSON.—The chairperson of the Committee shall be the Secretary of the Treasury.

(c) DESIGNATION OF OFFICERS AND EMPLOYEES.—The members of the Committee may, from time to time, designate other officers or employees of their respective agencies to carry out their duties on the Committee.

(d) COMPENSATION AND EXPENSES.—Each member of the Committee shall serve without additional compensation but shall be entitled to reasonable expenses incurred in carrying out official duties as a member.

(e) FUNCTION OF THE COMMITTEE.—

(1) IN GENERAL.—The Committee shall meet as appropriate to consider matters of mutual interest to the members and to consider making recommendations to the Board of Governors of the Federal Reserve System regarding the types of activities that may be financial in nature for purposes of the Financial Services Holding Company Act and to the Comptroller of the Currency regarding the types of activities that may be incidental to banking for purposes of section 5136 of the Revised Statutes of the United States.

(2) CONSIDERATION OF RECOMMENDATIONS.—The Board of Governors of the Federal Reserve System and the Comptroller of the Currency, as appropriate, shall take into account any recommendation made to the respective agency by the Committee and, if the agency does not adopt the recommendation, shall provide a written explanation to the Committee.

(f) IMPROVING THE SUPERVISION, EFFICIENCY, AND COMPETITIVENESS OF THE FINANCIAL SERVICES INDUSTRY.—

(1) IN GENERAL.—The Committee shall seek to improve the supervision, efficiency, and competitiveness of the financial services industry by making recommendations for such legislative or administrative action as the Committee determines to be appropriate to the Congress, each agency or office represented by a member on the Committee, and other agencies or departments of the United States, including recommendations for changes in law and in the regulations, policies, and procedures of any department or agency.

(2) PRINTING IN FEDERAL REGISTER.—Recommendations from paragraph (1) shall be printed in the Federal Register and submitted to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate.

Subtitle E—Application and Registration Fees

SEC. 151. AUTHORITY TO IMPOSE FEES.

Section 5 of the Bank Holding Company Act of 1956 (12 U.S.C. 1844) is amended by inserting after subsection

(g) (as added by section 124 of the bill) the following new subsection:

''(h) FEES.—In connection with the administration of this Act, the Board may impose fees on any financial services holding company, or any company controlled directly or indirectly by such holding company—

''(1) for such purposes as the Board determines to be reasonable and appropriate; and

''(2) in amounts, determined by the Board, which are at least sufficient to meet the Board's expenses in carrying out this Act with respect to the activity, application, examination, or other incident or status (of such company) for which a fee is imposed under this subsection.''.

TITLE II—FUNCTIONAL REGULATION

Subtitle A—Brokers and Dealers

SEC. 201. DEFINITION OF BROKER.

Section 3(a)(4) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(4)) is amended to read as follows:

''(4) BROKER.—

''(A) IN GENERAL.—The term 'broker' means any person engaged in the business of effecting transactions in securities for the account of others.

"(B) EXCLUSION OF BANKS.—The term 'broker' does not include a bank unless such bank—

"(i) publicly solicits the business of effecting securities transactions for the account of others; or

"(ii) is compensated for such business by the payment of commissions or similar remuneration based on effecting transactions in securities (other than fees calculated as a percentage of assets under management) in excess of the bank's incremental costs directly attributable to effecting such transactions (hereafter referred to as 'incentive compensation').

"(C) EXEMPTION FOR CERTAIN BANK ACTIVITIES.—A bank shall not be considered to be a broker because the bank engages in any of the following activities under the conditions described:

"(i) THIRD PARTY BROKERAGE ARRANGEMENTS.—The bank enters into a contractual or other arrangement with a broker or dealer registered under this title under which the broker or dealer offers

brokerage services on or off the premises of the bank if—

''(I) such broker or dealer is clearly identified as the person performing the brokerage services;

''(II) the broker or dealer performs brokerage services in an area that is clearly marked and, unless made impossible by space or personnel considerations, physically separate from the routine deposit-taking activities of the bank;

''(III) any materials used by the bank to advertise or promote generally the availability of brokerage services under the contractual or other arrangement clearly indicate that the brokerage services are being provided by the broker or dealer and not by the bank;

''(IV) any materials used by the bank to advertise or promote generally the availability of brokerage services under the contractual or other arrangement are in compliance with the

Federal securities laws before distribution;

''(V) bank employees perform only clerical or ministerial functions in connection with brokerage transactions, including scheduling appointments with the associated persons of a broker or dealer and, on behalf of a broker or dealer, transmitting orders or handling customers funds or securities, except that bank employees who are not so qualified may describe in general terms investment vehicles under the contractual or other arrangement and accept customer orders on behalf of the broker or dealer if such employees have received training that is substantially equivalent to the training required for personnel qualified to sell securities pursuant to the requirements of a self-regulatory organization (as defined in section 3(a) of the Securities Exchange Act of 1934);

''(VI) bank employees do not directly receive incentive compensation for any brokerage transaction unless such employees are associated persons of a broker or dealer and are qualified pursuant to the requirements of a self-regulatory organization (as so defined) except that the bank employees may receive nominal cash and noncash compensation for customer referrals if the cash compensation is a 1-time fee of a fixed dollar amount and the payment of the fee is not contingent on whether the referral results in a transaction;

''(VII) such services are provided by the broker or dealer on a basis in which all customers which receive any services are fully disclosed to the broker or dealer; and

''(VIII) the broker or dealer informs each customer that the brokerage services are provided by the broker or dealer and not by the bank and that the securities are not depos-

its or other obligations of the bank, are not guaranteed by the bank, and are not insured by the Federal Deposit Insurance Corporation.

''(ii) TRUST ACTIVITIES.—The bank engages in trust activities (including effecting transactions in the course of such trust activities) permissible for national banks under the first section of the Act of September 28, 1962, or for State banks under relevant State trust statutes or law (including securities safekeeping, self-directed individual retirement accounts, or managed agency accounts or other functionally equivalent accounts of a bank) unless the bank—

''(I) publicly solicits brokerage business, other than by advertising that it effects transactions in securities in conjunction with advertising its other trust activities; or

''(II) receives incentive compensation for such brokerage activities.

"(iii) PERMISSIBLE SECURITIES TRANSACTIONS.—The bank effects transactions in exempted securities, other than municipal securities, in commercial paper, bankers acceptances, commercial bills, qualified Canadian Government obligations as defined in section 5136 of the Revised Statues, obligations of the Washington Metropolitan Area Transit Authority which are guaranteed by the Secretary of Transportation under section 9 of the National Capital Transportation Act of 1969, obligations of the North American Development Bank, and obligations of any local public agency (as defined in section 110(h) of the Housing Act of 1949) or any public housing agency (as defined in the United States Housing Act of 1937) that are expressly authorized by section 5136 of the Revised Statutes of the United States as permissible for a national bank to underwrite or deal in.

"(iv) MUNICIPAL SECURITIES.—The bank effects transactions in municipal securities.

"(v) EMPLOYEE AND SHAREHOLDER BENEFIT PLANS.—The bank effects transactions as part of any bonus, profit-sharing, pension, retirement, thrift, savings, incentive, stock purchase, stock ownership, stock appreciation, stock option, dividend reinvestment, or similar plan for employees or shareholders of an issuer or its subsidiaries.

"(vi) SWEEP ACCOUNTS.—The bank effects transactions as part of a program for the investment or reinvestment of bank deposit funds into any no-load, open-end management investment company registered under the Investment Company Act of 1940 that holds itself out as a money market fund.

"(vii) AFFILIATE TRANSACTIONS.—The bank effects transactions for the account of any affiliate of the bank, as defined in section 2 of the Financial Services Holding Company Act of 1995.

"(viii) PRIVATE SECURITIES OFFERINGS.—The bank—

''(I) effects sales as part of a primary offering of securities by an issuer, not involving a public offering, pursuant to section 3(b), 4(2), or 4(6) of the Securities Act of 1933 and the rules and regulations issued thereunder; and

''(II) effects such sales exclusively to an accredited investor, as defined in section 3 of the Securities Act of 1933.

''(ix) DE MINIMIS EXEMPTION.—If the bank does not have a subsidiary or affiliate registered as a broker or dealer under section 15, the bank effects, other than in transactions referred to in clauses (i) through (viii), not more than—

''(I) 800 transactions in any calendar year in securities for which a ready market exists, and

''(II) 200 other transactions in securities in any calendar year.

''(x) SAFEKEEPING AND CUSTODY SERVICES.—The bank, as part of customary banking activities—

''(I) provides safekeeping or custody services with respect to securities, including the exercise of warrants or other rights on behalf of customers;

''(II) clears or settles transactions in securities;

''(III) effects securities lending or borrowing transactions with or on behalf of customers as part of services provided to customers pursuant to subclauses (I) and (II) or invests cash collateral pledged in connection with such transactions; or

''(IV) holds securities pledged by 1 customer to another customer or securities subject to resale agreements between customers or facilitates the pledging or transfer of such securities by book entry.

''(xi) BANKING PRODUCTS.—The bank effects transactions in products that—

''(I) are described in section 10(l)(3)(B) of the Financial Services Holding Company Act of 1995; or

"(II) have been exempted by the Board of Governors of the Federal Reserve System pursuant to section 10(l)(3)(C) of such Act.

"(D) EXEMPTION FOR ENTITIES SUBJECT TO SECTION 15(e).—The term 'broker' does not include a bank that—

"(i) was, immediately prior to the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995, subject to section 15(e); and

"(ii) is subject to such restrictions and requirements as the Commission considers appropriate.".

SEC. 202. DEFINITION OF DEALER.

Section 3(a)(5) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(5)) is amended to read as follows:

"(5) DEALER.—

"(A) IN GENERAL.—The term 'dealer' means any person engaged in the business of buying and selling securities for such person's own account through a broker or otherwise.

"(B) EXCEPTION FOR PERSON NOT ENGAGED IN THE BUSINESS OF DEALING.—The term 'dealer' does not include a person that

buys or sells securities for such person's own account, either individually or in a fiduciary capacity, but not as a part of a regular business.

''(C) EXEMPTION FOR CERTAIN BANK ACTIVITIES.—A bank shall not be considered to be a dealer because the bank engages in any of the following activities under the conditions described:

''(i) The bank buys and sells commercial paper, bankers acceptances, exempted securities (other than municipal securities), qualified Canadian Government obligations as defined in section 5136 of the Revised Statues, obligations of the Washington Metropolitan Area Transit Authority which are guaranteed by the Secretary of Transportation under section 9 of the National Capital Transportation Act of 1969, obligations of the North American Development Bank, and obligations of any local public agency (as defined in section 110(h) of the Housing Act of 1949) or any public housing agency (as defined in the United States Housing Act of 1937) that are expressly authorized by section 5136 of the

Revised Statutes of the United States as permissible for a national bank to underwrite or deal in.

''(ii) The bank buys and sells municipal securities.

''(iii) The bank buys and sells securities for investment purposes for the bank or for accounts for which the bank acts as a trustee or fiduciary.

''(iv) The bank—

''(I) has not been affiliated with a securities affiliate under section 10 of the Financial Services Holding Company Act of 1995 for more than 1 year; and

''(II) engages in the issuance or sale, through a grantor trust or otherwise, of securities backed by or representing an interest in notes, drafts, acceptances, loans, leases, receivables, other obligations, or pools of any such obligations originated or purchased by the bank or any affiliate of the bank.

''(v) The bank buys and sells products that—

''(I) are described in section 10(l)(3)(B) of the Financial Services Holding Company Act of 1995; or

''(II) have been exempted by the Board of Governors of the Federal Reserve System pursuant to section 10(l)(3)(C) of such Act.''.

SEC. 203. POWER TO EXEMPT FROM THE DEFINITIONS OF BROKER AND DEALER.

Section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c) is amended by adding at the end the following:

''(e) EXEMPTION FROM DEFINITION OF BROKER OR DEALER.—The Commission, by regulation or order, upon its own motion or upon application, may conditionally or unconditionally exclude any person or class of persons from the definitions of 'broker' or 'dealer', if the Commission finds that such exclusion is consistent with the public interest, the protection of investors, and the purposes of this title.''.

SEC. 204. MARGIN REQUIREMENTS.

(a) Section 7(d) of the Securities Exchange Act of 1934 (15 U.S.C. 15g(d)) is amended by striking ''or (E)'' and inserting ''(E) to a loan to a broker or dealer by a member bank or any other person that has entered into

an agreement pursuant to section 8(a) if the proceeds of the loan are to be used in the ordinary course of the broker's or dealer's business other than for the purpose of funding the purchase of securities for the account of such broker or dealer, or (F)''.

(b) Section 8(a) of the Securities and Exchange Act of 1934 is amended—

(1) by striking ''nonmember bank'' and inserting ''person other than a member bank''; and

(2) by striking ''such bank'' in the second sentence and inserting ''such person''.

SEC. 205. EFFECTIVE DATE.

This subtitle shall become effective 270 days after the date of enactment of this Act.

Subtitle B—Bank Investment Company Activities

SEC. 211. CUSTODY OF INVESTMENT COMPANY ASSETS BY AFFILIATED BANK.

(a) MANAGEMENT COMPANIES.—Section 17(f) of the Investment Company Act of 1940 (15 U.S.C. 80a–17(f)) is amended—

(1) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively;

(2) by striking ''(f) Every registered'' and inserting ''(f) CUSTODY OF SECURITIES.—

''(1) Every registered'';

(3) by designating the 2d, 3d, 4th, and 5th sentences of such subsection as paragraphs (2) through (5), respectively, and indenting the left margin of such paragraphs appropriately; and

(4) by adding at the end the following new paragraph:

''(6) Notwithstanding any provision of this subsection, if a bank described in paragraph (1) or an affiliated person of such bank is an affiliated person, promoter, organizer, or sponsor of, or principal underwriter for the registered company, such bank may serve as custodian under this subsection in accordance with such rules, regulations, or orders as the Commission may prescribe, consistent with the protection of investors, after consulting in writing with the appropriate Federal banking agency, as defined in section 3 of the Federal Deposit Insurance Act.''.

(b) UNIT INVESTMENT TRUSTS.—Section 26(a)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a–26(a)(1)) is amended by inserting before the semicolon at the end the following: '', except that, if the trustee or custodian described in this subsection is an affiliated person of such underwriter or depositor, the Commission may adopt rules and regulations or issue orders, consistent

with the protection of investors, prescribing the conditions under which such trustee or custodian may serve, after consulting in writing with the appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act)''.

(c) FIDUCIARY DUTY OF CUSTODIAN.—Section 36(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–35(a)) is amended—

(1) in paragraph (1), by striking ''or'' at the end;

(2) in paragraph (2), by striking the period at the end and inserting ''; or ''; and

(3) by inserting after paragraph (2) the following:

''(3) as custodian.''.

SEC. 212. USE OF UNDERWRITING PROCEEDS.

Section 10(f) of the Investment Company Act of 1940 (15 U.S.C. 80a–10(f)) is amended—

(1) in the 1st sentence, by striking ''issuer) a principal underwriter'' and inserting ''issuer)—

''(1) a principal underwriter''; and

(2) by striking ''for the issuer. The Commission'' and inserting ''for the issuer; or

''(2) if the registration statement, or any other offering document pursuant to which the security is

issued, states that any material part of the proceeds will be used to discharge indebtedness owed to the adviser of such registered investment company or any person controlling, controlled by, or under common control with the adviser.

The Commission''.

SEC. 213. LENDING TO AN AFFILIATED INVESTMENT COMPANY.

Section 18 of the Investment Company Act of 1940 (15 U.S.C. 80a–18) is amended by adding at the end the following:

''(l) Notwithstanding any provision of this section, it shall be unlawful for any affiliated person of a registered investment company or any affiliated person of such a person to loan money to such investment company in contravention of such rules, regulations, or orders as the Commission may prescribe in the public interest and consistent with the protection of investors.''.

SEC. 214. INDEPENDENT DIRECTORS.

(a) IN GENERAL.—Section 2(a)(19)(A) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(19)(A)) is amended—

(1) by striking clause (v) and inserting the following new clause:

"(v) any person (other than a registered investment company) that, at any time during the preceding 6 months, has executed any portfolio transactions for, engaged in any principal transactions with, or distributed shares for—

"(I) the investment company,

"(II) any other investment company having the same investment adviser as such investment company or holding itself out to investors as a related company for purposes of investment or investor services, or

"(III) any account over which the investment company's investment adviser has brokerage placement discretion,

or any affiliated person of such a person,";

(2) by redesignating clause (vi) as clause (vii); and

(3) by inserting after clause (v) the following new clause:

"(vi) any person (other than a registered investment company) that, at any

time during the preceding 6 months, has loaned money to—

''(I) the investment company,

''(II) any other investment company having the same investment adviser as such investment company or holding itself out to investors as a related company for purposes of investment or investor services, or

''(III) any account for which the investment company's investment adviser has borrowing authority,

or any affiliated person of such a person, or''.

(b) AFFILIATION OF DIRECTORS.—Section 10(c) of the Investment Company Act of 1940 (15 U.S.C. 80a–10(c)) is amended by striking ''bank, except'' and inserting ''bank (and its subsidiaries) or any single financial services holding company (and its affiliates and subsidiaries), as those terms are defined in the Financial Services Holding Company Act of 1995, except''.

(c) EFFECTIVE DATE.—The provisions of subsection (a) of this section shall become effective 1 year after the date of enactment of this subtitle.

SEC. 215. ADDITIONAL SEC DISCLOSURE AUTHORITY.

(a) MISREPRESENTATION.—Section 35(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–34(a)) is amended to read as follows:

''(a) MISREPRESENTATION OF GUARANTEES.—

''(1) IN GENERAL.—It shall be unlawful for any person, issuing or selling any security of which a registered investment company is the issuer, to represent or imply in any manner whatsoever that such security or company—

''(A) has been guaranteed, sponsored, recommended, or approved by the United States, or any agency, instrumentality or officer of the United States;

''(B) has been insured by the Federal Deposit Insurance Corporation; or

''(C) is guaranteed by or is otherwise an obligation of any bank or insured depository institution.

''(2) DISCLOSURES.—Any person issuing or selling the securities of a registered investment company shall prominently disclose that the investment company or any security issued by the investment company—

''(A) is not insured by the Federal Deposit Insurance Corporation;

''(B) is not guaranteed by an affiliated insured depository institution; and

''(C) is not otherwise an obligation of any bank or insured depository institution,

in accordance with such rules, regulations, or orders as the Commission may prescribe as reasonably necessary or appropriate in the public interest for the protection of investors, after consulting in writing with the appropriate Federal banking agencies.

''(3) DEFINITIONS.—The terms 'insured depository institution' and 'appropriate Federal banking agency' have the meanings given to such terms in section 3 of the Federal Deposit Insurance Act.''.

(b) DECEPTIVE USE OF NAMES.—Section 35(d) of the Investment Company Act of 1940 (15 U.S.C. 80a–34(d)) is amended to read as follows:

''(d)(1) It shall be unlawful for any registered investment company to adopt as part of the name or title of such company, or of any securities of which it is the issuer, any word or words that the Commission finds are materially deceptive or misleading. The Commission may adopt such rules or regulations or issue such orders as are necessary or appropriate to prevent the use of deceptive or misleading names or titles by investment companies.

''(2) It shall be deceptive and misleading for any registered investment company—

''(A) that is an affiliated person of a bank or an affiliated person of such a person, or

''(B) for which a bank or an affiliated person of a bank acts as investment adviser, sponsor, promoter, or principal underwriter,

to adopt, as part of the name or title of such company, or of any security of which it is an issuer, any word that is the same or similar to, or a variation of, the name or title of such bank or affiliated person thereof, in contravention of such rules, regulations, or orders as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.''.

SEC. 216. DEFINITION OF BROKER UNDER THE INVESTMENT COMPANY ACT OF 1940.

Section 2(a)(6) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(6)) is amended to read as follows:

''(6) The term 'broker' has the same meaning as in the Securities Exchange Act of 1934, except that such term does not include any person solely by reason of the fact that such person is an underwriter for 1 or more investment companies.''.

SEC. 217. DEFINITION OF DEALER UNDER THE INVESTMENT COMPANY ACT OF 1940.

Section 2(a)(11) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(11)) is amended to read as follows:

> ''(11) The term 'dealer' has the same meaning as in the Securities Exchange Act of 1934, but does not include an insurance company or investment company.''.

SEC. 218. REMOVAL OF THE EXCLUSION FROM THE DEFINITION OF INVESTMENT ADVISER FOR BANKS THAT ADVISE INVESTMENT COMPANIES.

(a) INVESTMENT ADVISER.—Section 202(a)(11) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(11)) is amended in subparagraph (A), by striking ''investment company'' and inserting ''investment company, except that the term 'investment adviser' includes any bank or financial services holding company to the extent that such bank or financial services holding company acts as an investment adviser to a registered investment company, or if, in the case of a bank, such services are performed through a separately identifiable department or division, the department or division, and not the bank itself, shall be deemed to be the investment adviser''.

(b) SEPARATELY IDENTIFIABLE DEPARTMENT OR DIVISION.—Section 202(a) of the Investment Advisers Act

of 1940 (15 U.S.C. 80b–2(a)) is amended by adding at the end the following:

''(25) The term 'separately identifiable department or division' of a bank means a unit—

''(A) that is under the direct supervision of an officer or officers designated by the board of directors of the bank as responsible for the day-to-day conduct of the bank's investment adviser activities for 1 or more investment companies, including the supervision of all bank employees engaged in the performance of such activities; and

''(B) for which all of the records relating to its investment adviser activities are separately maintained in or extractable from such unit's own facilities or the facilities of the bank, and such records are so maintained or otherwise accessible as to permit independent examination and enforcement of this Act or the Investment Company Act of 1940 and rules and regulations promulgated under this Act or the Investment Company Act of 1940.''.

SEC. 219. DEFINITION OF BROKER UNDER THE INVESTMENT ADVISERS ACT OF 1940.

Section 202(a)(3) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(3)) is amended to read as follows:

''(3) The term 'broker' has the same meaning as in the Securities Exchange Act of 1934.''.

SEC. 220. DEFINITION OF DEALER UNDER THE INVESTMENT ADVISERS ACT OF 1940.

Section 202(a)(7) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(7)) is amended to read as follows:

''(7) The term 'dealer' has the same meaning as in the Securities Exchange Act of 1934, but does not include an insurance company or investment company.''.

SEC. 221. INTERAGENCY CONSULTATION.

The Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.) is amended by inserting after section 210 the following new section:

"SEC. 210A. CONSULTATION.

''(a) EXAMINATION RESULTS AND OTHER INFORMATION.—

''(1) The appropriate Federal banking agency shall provide the Commission upon request the results of any examination, reports, records, or other

information as each may have access to with respect to the investment advisory activities of any financial services holding company, bank, or separately identifiable department or division of a bank, that is registered under section 203 of this title, or, in the case of a financial services holding company or bank, that has a subsidiary or a separately identifiable department or division registered under that section, to the extent necessary for the Commission to carry out its statutory responsibilities.

''(2) The Commission shall provide to the appropriate Federal banking agency upon request the results of any examination, reports, records, or other information with respect to the investment advisory activities of any financial services holding company, bank, or separately identifiable department or division of a bank, any of which is registered under section 203 of this title, to the extent necessary for the agency to carry out its statutory responsibilities.

''(b) EFFECT ON OTHER AUTHORITY.—Nothing herein shall limit in any respect the authority of the appropriate Federal banking agency with respect to such financial services holding company, bank, or department or division under any provision of law.

''(c) DEFINITION.—For purposes of this section, the term 'appropriate Federal banking agency' shall have the same meaning as in section 3 of the Federal Deposit Insurance Act.''.

SEC. 222. TREATMENT OF BANK COMMON TRUST FUNDS.

(a) SECURITIES ACT OF 1933.—Section 3(a)(2) of the Securities Act of 1933 (15 U.S.C. 77c(a)(2)) is amended by striking ''or any interest or participation in any common trust fund or similar fund maintained by a bank exclusively for the collective investment and reinvestment of assets contributed thereto by such bank in its capacity as trustee, executor, administrator, or guardian'' and inserting ''or any interest or participation in any common trust fund or similar fund that is excluded from the definition of the term 'investment company' under section 3(c)(3) of the Investment Company Act of 1940''.

(b) SECURITIES EXCHANGE ACT OF 1934.—Section 3(a)(l2)(A)(iii) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(l2)(A)(iii)) is amended to read as follows:

> ''(iii) any interest or participation in any common trust fund or similar fund that is excluded from the definition of the term 'investment company' under section 3(c)(3) of the Investment Company Act of 1940;''.

(c) INVESTMENT COMPANY ACT OF 1940.—Section 3(c)(3) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)(3)) is amended by inserting before the period the following: ‘‘, if—

‘‘(A) such fund is employed by the bank solely as an aid to the administration of trusts, estates, or other accounts created and maintained for a fiduciary purpose;

‘‘(B) except in connection with the ordinary advertising of the bank’s fiduciary services, interests in such fund are not—

‘‘(i) advertised; or

‘‘(ii) offered for sale to the general public; and

‘‘(C) fees and expenses charged by such fund are not in contravention of fiduciary principles established under applicable Federal or State law’’.

SEC. 223. INVESTMENT ADVISERS PROHIBITED FROM HAVING CONTROLLING INTEREST IN REGISTERED INVESTMENT COMPANY.

Section 15 of the Investment Company Act of 1940 (15 U.S.C. 80a–15) is amended by adding at the end the following new subsection:

"(g) CONTROLLING INTEREST IN INVESTMENT COMPANY PROHIBITED.—

"(1) IN GENERAL.—If any investment adviser to a registered investment company, or an affiliated person of that investment adviser, holds a controlling interest in that registered investment company in a trustee or fiduciary capacity, such person shall—

"(A) if it holds the shares in a trustee or fiduciary capacity with respect to any employee benefit plan subject to the Employee Retirement Income Security Act of 1974, transfer the power to vote the shares of the investment company through to another person acting in a fiduciary capacity with respect to the plan who is not an affiliated person of that investment adviser or any affiliated person thereof; or

"(B) if it holds the shares in a trustee or fiduciary capacity with respect to any other person or entity other than an employee benefit plan subject to the Employee Retirement Income Security Act of 1974—

"(i) transfer the power to vote the shares of the investment company through to—

''(I) the beneficial owners of the shares;

''(II) another person acting in a fiduciary capacity who is not an affiliated person of that investment adviser or any affiliated person thereof; or

''(III) any person authorized to receive statements and information with respect to the trust who is not an affiliated person of that investment adviser or any affiliated person thereof;

''(ii) vote the shares of the investment company held by it in the same proportion as shares held by all other shareholders of the investment company; or

''(iii) vote the shares of the investment company as otherwise permitted under such rules, regulations, or orders as the Commission may prescribe for the protection of investors.

''(2) EXEMPTION.—Paragraph (1) shall not apply to any investment adviser to a registered investment company, or an affiliated person of that investment adviser, holding shares of the investment

company in a trustee or fiduciary capacity if that registered investment company consists solely of assets of held in such capacities.

''(3) SAFE HARBOR.—No investment adviser to a registered investment company or any affiliated person of such investment adviser shall be deemed to have acted unlawfully or to have breached a fiduciary duty under State or Federal law solely by reason of acting in accordance with clause (i), (ii), or (iii) of paragraph (1)(B).

''(4) CHURCH PLAN EXEMPTION.—Paragraph (1) shall not apply to any investment adviser to a registered investment company, or an affiliated person of that investment adviser, holding shares in such a capacity, if such investment adviser or such affiliated person is an organization described in section 414(e)(3)(A) of the Internal Revenue Code of 1986.''.

SEC. 224. CONFORMING CHANGE IN DEFINITION.

Section 2(a)(5) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(5)) is amended by striking ''(A) a banking institution organized under the laws of the United States'' and inserting ''(A) a depository institution (as defined in section 3 of the Federal Deposit Insurance Act) or a branch or agency of a foreign bank (as such

terms are defined in section 101(b) of the International Banking Act of 1978)''.

SEC. 225. EFFECTIVE DATE.

This subtitle shall take effect 270 days after the date of the enactment of this Act.

TITLE III—BANK INSURANCE ACTIVITIES

SEC. 301. AUTHORITY OF THE COMPTROLLER OF THE CURRENCY.

(a) STATE SUPERVISION.—Chapter 1 of Title LXII of the Revised Statutes of the United States (12 U.S.C. 21 et seq.) is amended—

(1) by redesignating section 5136A as section 5136C; and

(2) by inserting after section 5136 (12 U.S.C. 24) the following new section:

"SEC. 5136A. STATE SUPERVISION OF INSURANCE.

''(a) STATE LICENSING OF INSURANCE ACTIVITIES.—

''(1) IN GENERAL.—Subject to paragraph (2) and subject to the provisions of subsection (f), no provision of section 5136, any other section of this title, or section 13 of the Federal Reserve Act may be construed as limiting or otherwise impairing the authority of any State to regulate—

''(A) the extent to which, and the manner in which, a national bank may engage within the State in insurance activities pursuant to section 5136B of this chapter or section 13 of the Federal Reserve Act;

''(B) the manner in which a national bank may engage within the State in insurance activities pursuant to section 5136(b)(2)(B) of the Revised Statutes of the United States; or

''(C) the manner in which a national bank may engage within the State in insurance activities pursuant to section 5136(b)(2)(A) of the Revised Statutes of the United States through, and limited to, consumer disclosure requirements or licensing requirements, procedures, and qualifications as described in paragraph (2)(C).

''(2) PROHIBITION ON STATE DISCRIMINATION AGAINST NATIONAL BANKS.—Notwithstanding paragraph (1)—

''(A) PROVIDING INSURANCE AS AGENT OR BROKER.—No State may impose any insurance regulatory requirement relating to providing insurance as an agent or broker that treats a national bank differently than all other persons

who are authorized to provide insurance as agents or brokers in such State, unless there is a legitimate and reasonable State regulatory purpose for the requirement for which there is no less restrictive alternative.

''(B) PROVIDING INSURANCE AS PRINCIPAL, AGENT, OR BROKER.—

''(i) No State may impose on a national bank any insurance regulatory requirement relating to providing insurance as principal, agent, or broker that treats the national bank more restrictively than any other depository institution (as defined in section 3(c)(1) of the Federal Deposit Insurance Act, 12 U.S.C. 1813(c)(1)) operating in the State.

''(ii) Nothing in this subparagraph shall affect the validity of a State law that—

''(I) prevents a national bank from engaging in insurance activities within the State to as great an extent as a savings association (as defined in section 3(b)(1) of the Federal Deposit Insurance Act, 12 U.S.C. 1813(b)(1))

may engage in such activities within the State; and

''(II) was in effect on June 1, 1995.

''(C) LICENSING QUALIFICATIONS AND PROCEDURES.—No State may discriminate against a national bank with respect to the following requirements, procedures, and qualifications as such requirements, procedures, and qualifications relate to the authority of the national bank to provide insurance in such State as an agent or broker:

''(i) License application and processing procedures.

''(ii) Character, experience, and educational qualifications for licenses.

''(iii) Testing and examination requirements for licenses.

''(iv) Fee requirements for licenses.

''(v) Continuing education requirements.

''(vi) Types of licenses required.

''(vii) Standards and requirements for renewal of licenses.

"(b) AUTHORITY OF THE COMPTROLLER OF THE CURRENCY.—A national bank may not provide insurance as a principal, agent, or broker except as specifically provided in this section, the paragraph designated as the 'Seventh' of section 5136(a) of this chapter, section 5136(b) or 5136B of this chapter, or section 13 of the Federal Reserve Act.

"(c) PRESERVATION OF FEDERALLY AUTHORIZED BANK ACTIVITIES IN PERMISSIVE STATES.—No provision of this section may be construed as affecting the authority, pursuant to section 5136B of this chapter or section 13 of the Federal Reserve Act, of a national bank to act as insurance agent or broker consistent with State law.

"(d) PRESERVATION OF NATIONAL BANK AUTHORITY CONSISTENT WITH STATE BANK AUTHORITY.—Except as provided in subsection (a)(2)(B), no provision of this section or section 5136(b)(1) shall have the effect of enabling a State to deny a national bank authority that the bank otherwise possesses to provide a product in a State, including as agent, broker, or principal, where the bank is not providing the product in the State other than to an extent and in a manner that a State bank (as defined in section 3(a)(2) of the Federal Deposit Insurance Act, 12 U.S.C. 1813(a)(2)) is permitted by the law of the State to provide such product, except that nothing in this

subsection shall be construed as granting any new authority to a national bank to provide any product because the law of the State has authorized State banks to provide such product.

''(e) DEFINITIONS.—For purposes of this section, sections 5136 and 5136B, and section 13 of the Federal Reserve Act, the following definitions shall apply:

''(1) INSURANCE.—The term 'insurance' means any product defined or regulated as insurance, consistent with the relevant State insurance law, by the insurance regulatory authority of the State in which such product is sold, solicited, or underwritten, including any annuity contract the income on which is tax deferred under section 72 of the Internal Revenue Code of 1986.

''(2) STATE.—The term 'State' has the same meaning as in section 3(a)(3) of the Federal Deposit Insurance Act.

''(f) GRANDFATHER PROVISION.—

''(1) IN GENERAL.—Any national bank which—

''(A) before January 1, 1995, was providing insurance as agent or broker under section 13 of the Federal Reserve Act may provide insurance as an agent or broker under such section, to no less extent and in a no more restric-

tive manner as such bank was providing insurance as agent or broker under such section on January 1, 1995, notwithstanding contrary State law, subject to final, controlling judgment in a pending action; or

''(B) notwithstanding subparagraph (A), is a party to a pending action and before January 1, 1995, was providing insurance as agent or broker under section 13 of the Federal Reserve Act may provide insurance as an agent or broker under such section notwithstanding contrary State law, subject to final, controlling judgment in such pending action.

''(2) TERMINATION.—This subsection shall cease to apply with respect to any national bank described in paragraph (1) if—

''(A) the bank is subject to an acquisition, merger, consolidation, or change in control, other than a transaction to which section 18(c)(12) of the Federal Deposit Insurance Act applies; or

''(B) any financial services holding company which directly or indirectly controls such bank is subject to an acquisition, merger, consolidation, or change in control, other than a

transaction in which the beneficial ownership of such financial services holding company or of a financial services holding company which controls such company does not change as a result of the transaction.

''(g) PRESERVATION OF BANKING PRODUCTS.—No provision of this section shall be construed as affecting the ability of a national bank, or a subsidiary of a national bank, to engage in any activity, including any activity authorized pursuant to the paragraph designated the ''Seventh'' of section 5136(a), that is part of, and not merely incidental to, the business of banking.''.

(b) INTERPRETIVE AUTHORITY OF THE COMPTROLLER OF THE CURRENCY.—Section 5136 of the Revised Statutes of the United States (12 U.S.C. 24) is amended—

(1) by striking ''Upon duly making and filing articles of association'' and inserting ''(a) IN GENERAL.—Upon duly making and filing articles of association''; and

(2) by adding at the end the following new subsection:

''(b) INTERPRETIVE AUTHORITY OF THE COMPTROLLER OF THE CURRENCY.—

"(1) IN GENERAL.—Subject to paragraph (2), it shall not be incidental to banking for a national bank to provide insurance as a principal, agent, or broker.

"(2) SCOPE OF APPLICATION.—Notwithstanding paragraph (1), it shall be incidental to banking for a national bank to engage in the following activities:

"(A) Providing, as an agent or broker, any annuity contract the income on which is tax deferred under section 72 of the Internal Revenue Code of 1986.

"(B) Providing, as a principal, agent, or broker, any type of insurance, other than an annuity or title insurance, which the Comptroller of the Currency specifically determined, before May 1, 1995, to be incidental to banking with respect to national banks, except that paragraph (1) shall not apply with respect to any national bank providing title insurance as an agent if the bank was actively and lawfully engaged in such activity as an agent as of May 15, 1995.".

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The 11th undesignated paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 92) is amended by inserting ‘‘, and subject to section 5136A of the Revised Statutes of the United States,’’ after ‘‘the laws of the United States’’.

(2) The paragraph designated the ‘‘Seventh’’ of section 5136 of the Revised Statutes of the United States (12 U.S.C. 24) is amended by striking ‘‘subject to law,’’ and inserting ‘‘subject to subsection (b), section 5136A, and any other provision of law,’’.

(3) Section 1306 of title 18, United States Code, is amended by striking ‘‘5136A’’ and inserting ‘‘5136C’’.

(d) CLERICAL AMENDMENT.—The table of sections for chapter 1 of title LXII of the Revised Statutes of the United States is amended—

(1) by redesignating the item relating to section 5136A as section 5136C; and

(2) by inserting after the item relating to section 5136 the following new item:

‘‘5136A. State supervision of insurance.’’.

(e) PRESERVATION OF FINANCIAL SERVICES HOLDING COMPANY INSURANCE AUTHORITY.—No provision of this section, and no amendment made by this section to any other provision of law, may be construed as affecting the authority of a financial services holding company to

engage in insurance agency activity pursuant to section 4(c) of the Financial Services Holding Company Act of 1995.

(f) CONGRESSIONAL PURPOSES; SUNSET PROVISION; CONGRESSIONAL REVIEW.—

(1) PURPOSES.—The purposes of this section are to clarify State authority to regulate and supervise bank insurance activities (in addition to the Federal banking agencies) and to place a moratorium on further efforts by the Comptroller of the Currency to authorize national banks to engage in new insurance powers without rolling back the status quo, except that no provision of this section shall prohibit national banks, or subsidiaries of national banks, from engaging in any activity, including any activity authorized pursuant to the paragraph designated the ''Seventh'' of section 5136(a), that is part of, and not merely incidental to, the business of banking. Accordingly, it is not the purpose of this section to affect the ability of a national bank (or a subsidiary of a national bank) to engage in any core banking activity.

(2) SUNSET OF CERTAIN AUTHORITY.—The amendments made by this section shall not apply

after the end of the 5-year period beginning on the date of the enactment of this Act.

(3) CONGRESSIONAL REVIEW OF DEVELOPMENTS IN, AND THE COMPETITIVENESS OF, THE FINANCIAL SERVICE INDUSTRY.—It is the intent of the Congress to conduct a thorough and ongoing review of the competitiveness of, and the relationships between, the banking, securities, and insurance sectors of the financial services industry during the 5-year period described in paragraph (2) for the purpose of determining whether additional legislation is needed.

SEC. 302. NATIONAL BANK COMMUNITY DEVELOPMENT INSURANCE ACTIVITIES.

(a) IN GENERAL.—Chapter 1 of Title LXII of the Revised Statutes of the United States (12 U.S.C. 21 et seq.) is amended by inserting after section 5136A (as added by section 440(a) of this Act) the following new section:

"SEC. 5136B. INSURANCE SALES IN EMPOWERMENT ZONES.

''(a) AUTHORITY TO SELL INSURANCE AS AGENT FROM EMPOWERMENT ZONES.—The Comptroller of the Currency may approve an application by a national bank maintaining a main office or full-service branch in an empowerment zone to act as an agent or broker from such office or branch for any fire, life, or other insurance com-

pany authorized to do business in the State in which the customer is located if—

''(1) the bank provides sufficient evidence that the availability of competitively priced insurance in the empowerment zone is inadequate; and

''(2) the insurance is sold only in the empowerment zone.

''(b) APPLICATION OF STATE LAW.—State laws which regulate conducting the business of insurance shall apply to national banks and their employees that sell insurance as agent or broker under this section to the same extent as such laws apply to other entities and persons not affiliated with depository institutions except—

''(1) in any case in which the Comptroller of the Currency determines, after notice to and comment by the appropriate State insurance officials, that the application of a State law would have an unreasonably discriminatory effect upon the sale of insurance by national banks or their employees in comparison with the effect the application of the State law would have with respect to sale of insurance by other entities; or

''(2) when State law by its own terms does not apply to national banks or employees of such banks.

"(c) AUTHORITY OF COMPTROLLER OF THE CURRENCY.—

"(1) IN GENERAL.—The Comptroller of the Currency may prescribe regulations governing sales of insurance by national banks pursuant to this section.

"(2) ENFORCEMENT OF STATE LAW.—The provisions of any State law to which a national bank is subject under this section shall be enforced with respect to such bank by the Comptroller of the Currency.

"(d) DEFINITIONS.—

"(1) EMPOWERMENT ZONE.—The term 'empowerment zone' means an area that meets the standards for designation as an empowerment zone or enterprise community under section 1392 of the Internal Revenue Code of 1986 or an Indian reservation.

"(2) FULL-SERVICE BRANCH.—The term 'full-service branch' means a staffed facility which has been approved as a branch and offers loan and deposit services.

"(3) INDIAN RESERVATION.—The term 'Indian reservation' has the meaning given such term by sec-

tion 168(j)(6) of the Internal Revenue Code of 1986.''.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 1 of title LXII of the Revised Statutes of the United States is amended by inserting after the item relating to section 5136A (as added by section 440(d) of this title) the following new item:

''5136B. Insurance sales in empowerment zones.''.

TITLE IV—REDUCTIONS IN GOVERNMENT OVERREGULATION

Subtitle A—The Home Mortgage Process

SEC. 401. REGULATORY AUTHORITY OVER DISCLOSURES AND ESCROW ACCOUNTS UNDER RESPA TRANSFERRED TO FEDERAL RESERVE BOARD.

(a) IN GENERAL.—Sections 4, 5, 6, and 10(d) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2601 et seq.) are amended by striking ''Secretary'' each place such term appears and inserting ''Board''.

(b) CLARIFICATION OF PURPOSE.—Section 2(b)(2) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2601(b)(2)) is amended by inserting the following before the semicolon at the end: ''without—

''(A) directly regulating settlement services prices; or

''(B) directly regulating wages to bona fide employees that are not designed as a subterfuge to facilitate kickbacks among affiliated companies''.

(c) BOARD DEFINED.—Section 3 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2602) is amended—

(1) by striking ''and'' at the end of paragraph (7);

(2) by striking the period at the end of paragraph (8) and inserting ''; and''; and

(3) by adding at the end the following new paragraph:

''(9) the term 'Board' means the Board of Governors of the Federal Reserve System.''.

(d) NEGOTIATED REGULATIONS UNDER SECTIONS 8 AND 9.—Section 8 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2607) is amended by adding at the end the following new subsection:

''(e) NEGOTIATED REGULATIONS.—

''(1) IN GENERAL.—The Secretary may not publish a proposed or final regulation under this section and section 9 after the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995 unless the Secretary has

used the negotiated rulemaking procedure established under subchapter III of chapter 5 of title 5, United States Code, to attempt to negotiate and develop the rule.

''(2) CONSISTENCY WITH PURPOSE.—Any regulation prescribed in accordance with paragraph (1) shall be consistent with the purposes of this title as set forth in section 2.''.

(e) ADMINISTRATIVE ENFORCEMENT OF PROHIBITION AGAINST KICKBACKS AND UNEARNED FEES.—Section 8 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2607) is amended by adding after subsection (e) (as added by subsection (d) of this section) the following new subsection:

''(f) ADMINISTRATIVE ENFORCEMENT.—

''(1) IN GENERAL.—Compliance with the requirements of this section and sections 9 and 12 shall be enforced under this Act—

''(A) in the case of an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act), by the appropriate Federal banking agency (as defined in such section);

''(B) in the case of an insured credit union (as defined in section 101(7) of the Federal

Credit Union Act), by the National Credit Union Administration;

''(C) in the case of a financial services holding company (as defined in section 2 of the Financial Services Holding Company Act of 1995) and any affiliate of any such holding company (other than an insured depository institution), by the Board;

''(D) in the case of a savings and loan holding company (as defined in section 10 of the Home Owners' Loan Act) and any affiliate of any such holding company (other than an insured depository institution), by the Director of the Office of Thrift Supervision; and

''(E) in the case of any other person, by the Secretary.

''(2) SPECIAL RULES RELATING TO DETERMINATION OF APPROPRIATE REGULATOR.—

''(A) CASES OF MORE THAN 1 APPROPRIATE REGULATOR.—If, under paragraph (1), a company may be regulated by more than 1 agency, the Board shall determine which agency shall be the responsible agency, notwithstanding paragraph (1).

"(B) CASES INVOLVING JOINT VENTURES, PARTNERSHIPS, AND OTHER AFFILIATED BUSINESS ARRANGEMENTS.—If any insured depository institution is involved in a joint venture, partnership, or other affiliated business arrangement with any person who is not an insured depository institution, the agency responsible for enforcing this section and sections 9 and 12 with respect to such insured depository institution shall be the agency with such responsibility with respect to such joint venture, partnership, or other affiliated business arrangement.

"(3) INTERAGENCY COOPERATION AND ENFORCEMENT GUIDELINES.—All the agencies referred to in any subparagraph of paragraph (1) shall cooperate with each other to develop enforcement guidelines and other means for achieving effective compliance with this section and sections 9 and 12.

"(4) PREFERENCE FOR CIVIL ENFORCEMENT OVER CRIMINAL ENFORCEMENT.—As part of the cooperative efforts required under paragraph (3), the agencies referred to in paragraph (1) shall consider means for achieving compliance with this section and section 9 through the exercise of administrative en-

forcement authority under this subsection without resorting to criminal enforcement actions under subsection (d) except in appropriate cases.

''(5) EFFECTIVE DATE.—Paragraphs (1) and (2) shall not take effect until joint interagency cooperation and enforcement guidelines are adopted by all the agencies to which paragraphs (1) and (2) apply and the enforcement authority of the Secretary with respect to this section and sections 9 and 12 shall continue until such paragraphs take effect.''.

(f) INCREASED SCIENTER REQUIREMENT FOR CRIMINAL PENALTY.—Section 8(d) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2607(d)) is amended—

(1) in paragraph (1), by inserting ''willfully'' after ''persons who''; and

(2) in paragraph (3), by striking ''was not intentional and''.

(g) REDESIGNATION OF CONTROLLED BUSINESS ARRANGEMENTS AS AFFILIATED BUSINESS ARRANGEMENTS.—The Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2601 et seq.) is amended—

(1) in section 3(7), by striking ''controlled business arrangement'' and inserting ''affiliated business arrangement''; and

(2) in subsections (c)(4) and (d)(6) of section 8, by striking ''controlled business arrangements'' and inserting ''affiliated business arrangements''.

(h) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 4(a) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2603(a)) is amended by striking ''Federal Home Loan Bank Board'' and inserting ''Director of the Office of Thrift Supervision''.

(2) Section 8(d)(4) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2607(d)(4)) is amended by inserting ''any other agency described in subsection (f)(1),'' after ''the Secretary,''.

(3) Section 10(c)(1)(C) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2609(c)(1)(C)) is amended by striking ''Not later than the expiration of the 90-day period beginning on the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act, the'' and inserting ''The''.

(4) Section 16 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2614) is amended by striking ''Secretary,'' and inserting ''Board, an agency referred to in any subparagraph of section 8(f)(1),''.

(5) Section 18 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2616) is amended—

(A) by striking ''Secretary is authorized to'' and inserting ''Board and Secretary may jointly'';

(B) by striking ''Secretary'' each place such term appears other than the 1st place and inserting ''Board and Secretary''; and

(C) by striking ''determines that such laws'' and inserting ''determine that such laws''.

(6) Section 19(a) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2617(a)) is amended to read as follows:

''(a) REGULATIONS.—

''(1) IN GENERAL.—Subject to paragraph (2), the Secretary and the Board may prescribe such regulations, make such interpretations, and grant such reasonable exemptions for classes of trans-

actions, as may be necessary to achieve the purposes of this Act.

''(2) APPLICATION.—

''(A) BOARD.—The authority of the Board under paragraph (1) shall apply with respect to—

''(i) sections 4, 5, 6, 10, and 12; and

''(ii) sections 3, 7, 17, and 18 to the extent such sections are applicable with respect to the sections described in clause (i).

''(B) SECRETARY.—The authority of the Secretary under paragraph (1) shall apply with respect to—

''(i) sections 8 and 9; and

''(ii) sections 3, 7, 17, and 18 to the extent such sections are applicable with respect to the sections described in clause (i).''.

(7) Section 19(b) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2617(b)) is amended by inserting '', the Board,'' after ''the Secretary''.

(8) Section 19(c) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2617(c)) is amended—

(A) in paragraph (1)—

(i) by striking ''Secretary'' the 1st place such term appears and inserting ''Board, with respect to any action to enforce section 4, 5, 6, or 10, and each agency referred to in any subparagraph of section 8(f)(1), with respect to any action to enforce section 8, 9, or 12,''; and

(ii) by striking ''Secretary'' each place such term appears other than the 1st place and inserting ''Board or such other agency''; and

(B) in paragraph (2), by striking ''Secretary'' and inserting ''Board or an agency referred to in any subparagraph of section 8(f)(1)''.

(9) The heading for section 19 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2617) is amended to read as follows:

''AUTHORITY OF THE SECRETARY AND THE FEDERAL RESERVE BOARD''.

(i) REPEAL OF OBSOLETE PROVISIONS.—The Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2601 et seq.) is amended by striking sections 13, 14, and 15.

SEC. 402. SIMPLIFICATION AND UNIFICATION OF DISCLOSURES REQUIRED UNDER RESPA AND TILA FOR MORTGAGE TRANSACTIONS.

(a) IN GENERAL.—With respect to credit transactions which are subject to the Real Estate Settlement Procedures Act of 1974 and the Truth in Lending Act, the Board of Governors of the Federal Reserve System shall take such action as may be necessary before the end of the 3-month period beginning on the date of the enactment of this Act—

(1) to simplify the disclosures applicable to such transactions under such Acts, including the timing of the disclosures; and

(2) to provide a single format for such disclosures which will satisfy the requirements of each such Act with respect to such transactions.

(b) REGULATIONS.—To the extent that it is necessary to prescribe any regulation in order to effect any changes required to be made under subsection (a), the proposed regulation shall be published in the Federal Register before the end of the 3-month period referred to in subsection (a).

(c) RECOMMENDATIONS FOR LEGISLATION.—If the Board of Governors of the Federal Reserve System finds that legislative action may be necessary or appropriate in order to simplify and unify the disclosure requirements

under the Real Estate Settlement Procedures Act of 1974 and the Truth in Lending Act, the Board shall submit a report containing recommendations to the Congress concerning such action.

SEC. 403. INCREASED REGULATORY FLEXIBILITY UNDER THE TRUTH IN LENDING ACT.

(a) REGULATORY FLEXIBILITY.—Section 104 of the Truth in Lending Act (15 U.S.C. 1603) is amended by adding at the end the following new paragraph:

''(7) Transactions for which the Board, by regulation, determines that coverage under the Act is not needed to carry out the purposes of the Act.''.

(b) EXEMPTIVE AUTHORITY.—Section 105 of the Truth in Lending Act (15 U.S.C. 1604) is amended—

(1) by redesignating subsections (b), (c), and (d) as subsections (c), (d), and (e), respectively; and

(2) by inserting after subsection (a) the following new subsection:

''(b) EXEMPTIVE AUTHORITY.—

''(1) IN GENERAL.—The Board shall exempt from all or parts of this title any class of transactions for which, in the Board's judgment, coverage under all or part of this title does not provide a measurable benefit to consumers in the form of useful information or protection.

"(2) FACTORS TO BE CONSIDERED.—In determining which classes of transactions to exempt in whole or in part, the Board shall consider, among other factors, the following:

"(A) The amount of the loan or closing costs and whether the disclosures, right of rescission, and other provisions are necessary, particularly for small loans.

"(B) Whether the requirements of this title complicate, hinder, or make more expensive the credit process for the class of transactions.

"(C) The status of the borrower, including, the borrowers' related financial arrangements, the financial sophistication of the borrower relative to the type of transaction, and the importance of the credit and related supporting property to the borrower.".

SEC. 404. REDUCTIONS IN RESPA REGULATORY BURDENS; CLARIFYING AMENDMENTS.

(a) UNNECESSARY DISCLOSURE.—Section 6(a) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605) is amended to read as follows:

"(a) DISCLOSURE TO APPLICANT RELATING TO ASSIGNMENT, SALE, OR TRANSFER OF LOAN SERVICING.—

"(1) IN GENERAL.—Each person who makes a federally related mortgage loan shall disclose to each person who applies for any such loan, at the time of application for the loan, whether the servicing of any such loan may be assigned, sold, or transferred to any other person at any time while such loan is outstanding.

"(2) SIGNATURE OF APPLICANT.—Any disclosure of the information required under paragraph (1) shall not be effective for purposes of this section unless the disclosure is accompanied by a written statement, in such form as the Secretary shall develop before the expiration of the 180-day period beginning on the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995, that the applicant has read and understood the disclosure and that is evidenced by the signature of the applicant at the place where such statement appears in the application.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect 180 days after the date of the enactment of this Act.

(c) SECOND MORTGAGES.—Section 3(1)(A) of the Real Estate Settlement Procedures Act of 1974 (12

U.S.C. 2602(1)(A)) is amended by striking ''or subordinate''.

(d) CONSISTENCY OF RESPA AND TRUTH IN LENDING ACT EXEMPTION OF BUSINESS LOANS.—Section 7 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2606) is amended—

(1) by inserting ''(a) IN GENERAL.—'' before ''This Act''; and

(2) by inserting at the end the following new subsection:

''(b) INTERPRETATION.—In issuing regulations pursuant to section 19(a) of this Act, the Board shall ensure that, with regard to subsection (a), the exemption for business credit includes all business credit which is exempt from the Truth in Lending Act in accordance with section 226.3(a) of the regulations prescribed by the Board known as 'regulation Z' (12 C.F.R. 226.3(a)), as in effect on the date of enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995.''.

SEC. 405. DISCLOSURES FOR ADJUSTABLE RATE MORTGAGES.

(a) IN GENERAL.—Section 127A(a)(2)(G) of the Truth in Lending Act (15 U.S.C. 1637a(a)(2)(G)) is amended by inserting before the semicolon '', or a statement that the monthly payment may increase or decrease

significantly due to increases in the annual percentage rate''.

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 127A(b)(3) of the Truth in Lending Act (15 U.S.C. 1637a(b)(3)) is amended by striking ''required under'' and inserting ''referred to in''.

(c) ALTERNATIVE TO HISTORICAL EXAMPLE.—Section 128(a) of the Truth in Lending Act (15 U.S.C. 1638(a)) is amended by inserting at the end the following new paragraph:

''(14) In any variable rate transaction secured by the consumer's principal dwelling with a term greater than 1 year, at the creditors' option, a statement that the monthly payment may increase or decrease substantially, or a historical example illustrating the effects of interest rate changes implemented according to the loan program.''.

(d) ENSURING HONORING OF LOCK-IN PROMISES.—Section 128(b) of the Truth in Lending Act (15 U.S.C. 1638(b)) is amended by adding at the end the following new paragraph:

''(3) In the case of a residential mortgage transaction, the disclosures under subsection (a) shall include the following:

''(A) The note rate and points, and a statement, if applicable, that these terms are subject to change.

''(B) A statement that the creditor must include the disclosed note rate and points in the credit agreement unless, in relation to either or both of those terms—

''(i) the disclosure clearly and conspicuously indicates that the term is subject to change, or

''(ii) in the case of any term to which clause (i) does not apply—

''(I) the creditor has clearly and conspicuously indicated that the term is conditioned on closing the transaction within a prescribed time;

''(II) the creditor has promptly and clearly communicated to the consumer the information and documentation that the consumer is required to provide to the creditor; and

''(III) the consumer has failed to provide such information and documentation within a reasonable time after receiving that communication.''.

SEC. 406. TREATMENT OF CERTAIN DEBT CANCELLATION AND DEFICIENCY WAIVER CONTRACTS.

Section 106(c) of the Truth in Lending Act (15 U.S.C. 1605(c)) is amended to read as follows:

''(c) TREATMENT OF CERTAIN DEBT CANCELLATION AND DEFICIENCY WAIVER CONTRACTS.—Charges or premiums for any insurance or for any voluntary noninsurance product, written in connection with any consumer credit transaction, that provides protections against loss of or damage to property or against part or all of the debtor's liability for amounts in excess of the value of the collateral securing the debtor's obligation, or against liability arising out of the ownership or use of property, shall be included in the finance charge unless a clear and specific statement in writing is furnished by the creditor to the person to whom the credit is extended, setting forth the cost of the insurance or product if obtained from or through the creditor, and stating that the person to whom credit is extended may choose the person through which the insurance or product is to be obtained.''.

SEC. 407. RECOVERY OF FEES.

Section 125(b) of the Truth in Lending Act (15 U.S.C. 1635) is amended—

(1) in the 1st sentence, by inserting ‘‘, except any charge for an appraisal report or credit report’’ after ‘‘other charge’’; and

(2) in the 2d sentence, by striking ‘‘otherwise’’ and inserting ‘‘as otherwise required under this subsection’’.

SEC. 408. HOME OWNERSHIP DEBT COUNSELING NOTIFICATION.

Section 106(c) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(c)) is amended by striking paragraph (5).

SEC. 409. HOME MORTGAGE DISCLOSURE ACT.

(a) Section 309 of the Home Mortgage Disclosure Act of 1975 (12 U.S.C. 2808) is amended—

(1) in the 2d sentence, by striking ‘‘$10,000,000’’ and inserting ‘‘$50,000,000’’; and

(2) by inserting at the end the following new sentences: ‘‘The Board may also, by regulation, exempt from the provisions of this Act institutions specified in section 303(2)(A) which have total assets as of their last full fiscal year of $50,000,000 or greater where the burden of complying with this Act on such institutions outweighs the usefulness of the information required to be disclosed. The exemptions provided under this section shall not be appli-

cable to an institution which the Board, by order, has found a reasonable basis to believe is not fulfilling its obligations to serve the housing needs of the communities and neighborhoods in which it is located. An institution subject to such an order shall be required to comply with the requirements of this Act for loans made after the time that the order is issued at such time and for such period as the Board deems appropriate. The dollar amount in this section shall be adjusted annually after December 31, 1994, by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics.''.

(b) Section 304 of the Home Mortgage Disclosure Act of 1975 (12 U.S.C. 2803) is amended by adding at the end the following new subsection:

''(m) OPPORTUNITY TO REDUCE COMPLIANCE BURDEN.—

''(1) A depository institution shall be considered to have satisfied the public availability requirements of subsection (a) if such institution keeps the information required under that subsection at its home office and provides notice at the branch locations specified in such subsection that such information is

available upon request from the home office of the institution. A home office of the depository institution receiving a request for such information pursuant to this subsection shall provide the information pertinent to the location of the branch in question within fifteen days of the receipt of the written request.

''(2) In complying with paragraph (1), a depository institution may provide the individual requesting such information, at the institution's choice, with—

''(A) a paper copy of the information requested; or

''(B) if acceptable to the individual, the information through a form of electronic medium, such as computer disc.''.

Subtitle B—Community Reinvestment Act Amendments

SEC. 421. EXPRESSION OF CONGRESSIONAL INTENT.

Subsection (b) of section 802 of the Community Reinvestment Act of 1977 (12 U.S.C. 2901) is amended to read as follows:

''(b) It is the purpose of this title to require each appropriate Federal financial supervisory agency to use its authority, when examining financial institutions, to en-

courage such institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions. When examining financial institutions, a supervisory agency shall not impose additional burden, recordkeeping, or reporting upon such institutions.''.

SEC. 422. INCREASED INCENTIVES FOR LENDING TO LOW- AND MODERATE-INCOME COMMUNITIES.

(a) IN GENERAL.—Section 804(b) of the Community Reinvestment Act of 1977 (12 U.S.C. 2903(b)) is amended to read as follows:

''(b) POSITIVE CONSIDERATION OF CERTAIN LOANS AND INVESTMENTS.—In assessing and taking into account the records of a regulated financial institution under subsection (a), the appropriate Federal financial supervisory agency shall—

''(1) consider as a positive factor, consistent with the safe and sound operation of the institution, the institution's investment in or loan to—

''(A) any minority depository institution or women's depository institution (as such terms are defined in section 808(b)) or any low-income credit union;

''(B) any joint venture or other entity or project which promotes the public welfare in

any distressed community (as defined by such agency) whether or not the distressed community is located in the local community in which the regulated financial institution is chartered to do business; and

''(C) targeted low- and moderate-income communities, including real property loans to such communities; and

''(2) consider equally with other factors capital investment, loan participation, and other ventures undertaken by the institution in cooperation with—

''(A) minority- and women-owned financial institutions and low-income credit unions to the extent that these activities help meet the credit needs of the local communities in which such institutions are chartered; and

''(B) community development corporations in extending credit and other financial services principally to low- and moderate-income persons and small businesses to the extent that such community development corporations help meet the credit needs of the local communities served by the majority-owned institution.''.

(b) AMENDMENT TO DEFINITIONS.—Section 803 of the Community Reinvestment Act of 1977 (12 U.S.C.

2902) is amended by inserting after paragraph (5) (as added by section 425(b) of this subtitle) the following new paragraph:

''(6) STATE BANK SUPERVISOR.—The term 'State bank supervisor' has the same meaning as in section 3(r) of the Federal Deposit Insurance Act.''.

(c) TECHNICAL CORRECTION.—The 1st of the 2 paragraphs designated as paragraph (2) of section 803 of the Community Reinvestment Act of 1977 (12 U.S.C. 2902) is amended to read as follows:

''(D) the Director of the Office of Thrift Supervision with respect to any savings association (the deposits of which are insured by the Federal Deposit Insurance Corporation) and any savings and loan holding company (other than a company which is a financial services holding company);''.

SEC. 423. PROHIBITION ON ADDITIONAL REPORTING UNDER CRA.

Section 806 of the Community Reinvestment Act of 1977 (12 U.S.C. 2905) is amended to read as follows:

''SEC. 806. REGULATIONS.

''(a) IN GENERAL.—

''(1) PUBLICATION REQUIREMENT.—Regulations to carry out the purposes of this title shall be

published by each appropriate Federal financial supervisory agency.

''(2) PROHIBITION ON ADDITIONAL RECORDKEEPING.—Regulations prescribed and policy statements, commentary, examiner guidance, or other supervisory material issued under this title shall not impose any additional recordkeeping on a financial institution.

''(3) PROHIBITION ON LOAN DATA COLLECTION.—No loan data may be required to be collected and reported by a financial institution and no such data may be made public by any Federal financial supervisory agency under this title.''.

SEC. 424. TECHNICAL AMENDMENT.

Section 807(b)(1)(B) of the Community Reinvestment Act (12 U.S.C. 2906) is amended by striking ''The information'' and inserting ''In the case of a regulated financial institution that maintains domestic branches in 2 or more States, the information''.

SEC. 425. CRA CONGRESSIONAL OVERSIGHT.

(a) SENSE OF CONGRESS RELATING TO AGGRESSIVE OVERSIGHT.—It is the sense of the Congress that the appropriate committees of the House of Representatives and the Senate should exercise aggressive oversight of the adoption and implementation of any regulation by any ap-

propriate Federal financial supervisory agency under the Community Reinvestment Act of 1977 after the date of the enactment of this Act.

(b) AGENCY REPORTS REQUIRED.—

(1) IN GENERAL.—Each appropriate Federal financial supervisory agency shall submit a report to the Congress by December 31, 1996, and by December 31, 1997, on the implementation of all regulations prescribed by such agency under the Community Reinvestment Act of 1977 after the date of the enactment of this Act.

(2) REQUIREMENTS RELATING TO PREPARATION OF REPORTS.—In preparing each report required under paragraph (1), each appropriate Federal financial supervisory agency shall—

(A) solicit and include comments from regulated financial institutions with respect to the regulations which are the subject of the report; and

(B) include quantifiable measures of the cost savings achieved under the regulations which are the subject of the report and the effectiveness of such regulations in achieving the purposes of the Community Reinvestment Act of 1977.

(3) DEFINITIONS.—For purposes of this section, the terms ''appropriate Federal financial supervisory agency'' and ''regulated financial institution'' have the same meanings as in section 803 of the Community Reinvestment Act of 1977.

SEC. 426. CONSULTATION AMONG EXAMINERS.

Section 10 of the Federal Deposit Insurance Act (12 U.S.C. 1820) is amended by adding at the end the following new subsection:

''(j) CONSULTATION AMONG EXAMINERS.—

''(1) IN GENERAL.—Each appropriate Federal banking agency shall take such action as may be necessary to ensure that examiners employed by the agency—

''(A) consult on examination activities with respect to any depository institution; and

''(B) achieve an agreement and resolve any inconsistencies on the recommendations to be given to such institution as a consequence of any examinations.

''(2) EXAMINER-IN-CHARGE.—Each agency shall consider appointing an examiner-in-charge with respect to a depository institution to ensure consultation on examination activities among all of the

agency's examiners involved in examinations of such institution.''.

SEC. 427. LIMITATION ON REGULATIONS.

Section 806 of the Community Reinvestment Act of 1977 (12 U.S.C. 2905) (as amended by section 423) is amended by adding at the end the following new subsections:

''(b) LIMITATION ON REGULATIONS.—No regulation may be prescribed under this title by any Federal agency which would—

''(1) require any regulated financial institution to—

''(A) make any loan or enter into any other agreement on the basis of any discriminatory criteria prohibited under any law of the United States; or

''(B) make any loan to, or enter into any other agreement with, any uncreditworthy person that would jeopardize the safety and soundness of such institution; or

''(2) prevent or hinder in any way a financial institution's full responsibility to provide credit to all segments of the community.

''(c) ENCOURAGE LOANS TO CREDITWORTHY BORROWERS.—Regulations prescribed under this title shall en-

courage regulated financial institutions to make loans and extend credit to all creditworthy persons, consistent with safety and soundness.''.

Subtitle C—Consumer Banking Reforms

SEC. 441. TRUTH IN SAVINGS.

(a) PURPOSE.—Section 262 of the Truth in Savings Act (12 U.S.C. 4301) is amended to read as follows:

''SEC. 262. PURPOSE.

''It is the purpose of this subtitle to ensure that consumers can make a meaningful comparison between the competing claims of depository institutions with regard to deposit accounts by requiring that institutions offering interest-bearing accounts pay interest on the full amount of principal each day in a consumer deposit account at the rate agreed to be paid by the institution.''.

(b) PROHIBITION ON MISLEADING OR INACCURATE ADVERTISEMENTS AND DISCLOSURES.—Section 263 is amended to read as follows:

''SEC. 263. PROHIBITION ON MISLEADING OR INACCURATE ADVERTISEMENTS AND DISCLOSURES.

''No depository institution or deposit broker shall make any advertisement, announcement, solicitation or disclosure relating to a deposit account that is inaccurate or misleading, including any inaccurate or misleading de-

scription of a free or no-cost account, or that misrepresents its deposit contracts.''.

(c) ACCOUNT INFORMATION UPON OPENING AN ACCOUNT.—Section 264 of the Truth in Savings Act (12 U.S.C. 4304) is amended to read as follows:

"SEC. 264. ACCOUNT INFORMATION.

''(a) IN GENERAL.—Each depository institution shall disclose fees, charges, penalties, and interest rates applicable to each class of accounts offered by the institution in accordance with this section.

''(b) INFORMATION ON FEES AND CHARGES.—Each depository institution shall disclose the following information with respect to any account to a consumer at the time the account is opened, or at such earlier time as a consumer may request (and no additional information may be required to be disclosed under this subtitle by regulation or otherwise with respect to such account):

''(1) A description of all fees, periodic service charges, penalties, and interest rates which may be charged or assessed against the account (or against the account holder in connection with such account), the amount of any such fees, charges, or penalties (or the method by which such amount will be calculated), and the conditions under which any such amount will be assessed.

''(2) All minimum balance requirements that affect fees, charges, and penalties, including a clear description of how each such minimum balance is calculated.

''(3) Any minimum amount required with respect to the initial deposit in order to open the account.

''(c) INFORMATION ON INTEREST RATES.—The disclosures required under subsections (a) and (b) with respect to any account shall include the following information:

''(1) Any annual rate of simple interest.

''(2) The frequency with which interest will be compounded and credited.

''(d) NO REGULATIONS AUTHORIZED.—No regulations may be prescribed with respect to this section by the Board or any agency referred to in this title, including any regulation to define any terms used in this section.''.

(d) DISCLOSURE OF CHANGE IN TERMS.—Section 265 of the Truth in Savings Act (12 U.S.C. 4304) is amended to read as follows:

''SEC. 265. DISCLOSURE OF CHANGE IN TERMS.

''If any change is made in any item required to be disclosed under section 264, all account holder who may be affected by such change shall be notified by mail and

provided with a description of such change at least 30 days before the effective date of the change.''.

(e) REPEAL OF SECTIONS.—Sections 266, 268, 271, and 273 of the Truth is Savings Act (12 U.S.C. 4304, 4305, 4307, 4310, and 4312, respectively) are hereby repealed.

(f) REDESIGNATION OF SECTIONS.—Section 267, 270, 272 of the Truth in Savings Act (12 U.S.C. 4306, 4309, and 4311) are redesignated as sections 266, 268, and 269, respectively.

(g) REDESIGNATION AND AMENDMENT OF SECTION 269.—Section 269 of the Truth in Savings Act (12 U.S.C. 4308) (as determined before the redesignation made by subsection (f) of this section) is amended to read as follows:

''SEC. 267. REGULATIONS.

''(a) IN GENERAL.—The Board, after consultation with each agency referred to in section 268(a) and public notice and opportunity for comment, shall prescribe regulations to carry out the purpose and provisions of this subtitle.

''(b) EFFECTIVE DATE OF REGULATIONS.—The provisions of this subtitle shall not apply with respect to any depository institution before the effective date of regulations prescribed by the Board under this subsection.''

(h) REDESIGNATION AND AMENDMENT OF SECTION 274.—Section 274 of the Truth in Savings Act (12 U.S.C. 4313) is amended to read as follows:

"SEC. 270. DEFINITIONS.

''For the purposes of this subtitle, the following definitions shall apply:

''(1) ACCOUNTS.—The term 'account' means any account intended for use by and generally used by a consumer primarily for personal, family, or household purposes that is offered by a depository institution.

''(2) DEPOSIT BROKER.—The term 'deposit broker'—

''(A) has the meaning given to such term in section 29(f)(1) of the Federal Deposit Insurance Act; and

''(B) includes any person who solicits any amount from any other person for deposit in an insured depository institution.

''(3) DEPOSITORY INSTITUTION.—The term 'depository institution'—

''(A) means an institution described in clause (i), (ii), (iii), (iv), (v), or (vi) of section 19(b)(1)(A) of the Federal Reserve Act; and

''(B) does not include nonautomated credit unions which were not required to comply with the requirements of this title as of the date of the enactment of the Financial Services Competitiveness and Regulatory Relief Act of 1995 pursuant to the determination of the National Credit Union Administration Board.

''(4) INTEREST.—The term 'interest' includes dividends paid with respect to share accounts which are accounts within the meaning of paragraph (1).

''(5) BOARD.—The term 'Board' means the Board of Governors of the Federal Reserve System.''.

(i) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall take effect on the effective date of regulations prescribed by the Board of Governors of the Federal Reserve System to implement such amendments.

(2) AUTHORITY TO ISSUE REGULATIONS.—Notwithstanding paragraph (1), the Board of Governors of the Federal Reserve System shall prescribe regulations in accordance with the amendment made by subsection (g).

(3) CONTINUED APPLICABILITY OF PROVISIONS UNTIL EFFECTIVE DATE OF NEW REGULATIONS.—The Truth in Savings Act, as in effect on the day before the date of the enactment of this Act, shall continue to apply on and after such date until the effective date of the amendments to such Act under this section.

SEC. 442. INFORMATION SHARING.

Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by inserting after subsection (s) (as added by section 107(a)) of this Act) the following new subsection:

''(t) CUSTOMER ACCESS TO PRODUCTS.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, any depository institution, or any affiliate or subsidiary of any depository institution, may share or exchange information or otherwise transfer information between or among themselves without any restriction or limitation if it is clearly and conspicuously disclosed that the information may be communicated among such persons and the consumer is given the opportunity, before the time that the information is initially communicated, to direct that such information not be communicated among such persons.

"(2) DEFINITION.—For purposes of this subsection, the term 'information' means any and all data, records, or other information and material obtained or maintained by any depository institution or any affiliate or subsidiary thereof in the ordinary course of its business that relates in any way to a person (as such term is defined in section 603(b) of the Fair Credit Reporting Act) who applies for, maintains, or has maintained an account or credit relationship with or applied for, purchased or obtained other products or services from any depository institution or any affiliate or subsidiary of any depository institution, regardless of the source of manner in which the information is obtained or furnished.

"(3) RULE OF CONSTRUCTION.—Any depository institution, or any affiliate or subsidiary of any depository institution, relying on this subsection shall not be deemed to be a consumer reporting agency, user, or third party, and the information itself shall not constitute a consumer report, within the meaning of the Fair Credit Reporting Act or other similar law.".

SEC. 443. ELECTRONIC FUND TRANSFER ACT CLARIFICATION.

(a) DEFINITION OF ACCEPTED CARD OR OTHER MEANS OF ACCESS.—Section 903(1) of the Electronic Fund Transfer Act (15 U.S.C. 1693a(1)) is amended by inserting before the semicolon at the end the following: ‘‘, but such term does not include a card, device, or computer that a person may use to pay for transactions through use of value stored on, or assigned to, the card, device, or computer itself, except for those transactions where such card, device, or computer is actually used to access an account to effect such transaction’’.

(b) DEFINITION OF ACCOUNT.—Section 903(2) of the Electronic Fund Transfer Act (15 U.S.C. 1693a(2)) is amended by inserting before the semicolon at the end the following: ‘‘and does not include any value which is stored on, or assigned to, a card, device, or computer itself that enables a person to pay for transactions through use of that stored value’’.

SEC. 444. LIMIT ON RESTITUTION FOR TRUTH IN LENDING VIOLATIONS IF SAFETY AND SOUNDNESS OF VIOLATOR WOULD BE AFFECTED.

Section 108(e)(3)(A) of the Truth in Lending Act (15 U.S.C. 1607(e)(3)(A)) is amended—

(1) by striking ''in any such case, the agency may require'' and inserting ''in any such case, the agency may (i) require'';

(2) by striking '', except that with respect to any transaction consummated after the effective date of section 608 of the Truth in Lending Simplification and Reform Act, the agency shall'' and inserting ''; or (ii)''; and

(3) by striking ''reasonable,'' and inserting ''reasonable if, in the case of an agency referred to in paragraph (1), (2), or (3) of subsection (a), the agency determines that a partial adjustment or the making of partial payments over an extended period is necessary to avoid causing the creditor to become undercapitalized (as determined in accordance with regulations prescribed by such agency under section 38 of the Federal Deposit Insurance Act);''.

Subtitle D—Equal Credit Opportunity Act Amendments

SEC. 451. SHORT TITLE.

This subtitle may be cited as the ''Equal Credit Opportunity Act Amendments of 1995''.

SEC. 452. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress finds that both the Equal Credit Opportunity Act (15 U.S.C. 1691, et seq.)

and the Fair Credit Reporting Act (15 U.S.C. 1681, et seq.) contain requirements that applicants for consumer credit be given certain information in the event that adverse action is taken on the application. These requirements differ in both scope and content and for that reason are confusing to both the consumer who receives the information and the party required to furnish the information.

(b) PURPOSE.—It is the purpose of this subtitle to combine and simplify the adverse action notification requirements of the Equal Credit Opportunity Act and the Fair Credit Reporting Act regarding applications for consumer credit and to make the information that is required to be furnished more understandable.

SEC. 453. EQUAL CREDIT OPPORTUNITY ACT AMENDMENTS.

(a) NOTICE OF ADVERSE ACTION.—Section 701(d)(2)(B) of the Equal Credit Opportunity Act (15 U.S.C. 1691(d)(2)(B)) is amended to read as follows:

''(B) giving written notification of adverse action which discloses—

''(i) the applicant's right to a statement of reasons within 30 days after receipt by the creditor of a request made within 60 days after such notification;

"(ii) if credit is denied or the charge for such credit is increased either wholly or partly because of information contained in a consumer report from a consumer reporting agency—

"(I) that fact and the name, address, and telephone number of the consumer reporting agency making the report;

"(II) the consumer's right to obtain, under section 612, a free copy of a consumer report on the consumer, from the consumer reporting agency referred to in subclause (I) within the 30-day period provided under such section; and

"(III) the consumer's right to dispute, under section 611, with a consumer reporting agency the accuracy or completeness of any information in a consumer report furnished by the agency.

"(iii) if credit is denied or the charge for credit is increased either wholly or partly because of information obtained

from a person other than a consumer reporting agency bearing upon the consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living, that fact and the right to receive disclosure of the nature of the information so received, within a reasonable period of time, upon the consumer's written request for information within 60 days after learning of such adverse action; and

''(v) the identity of the person or office from which such notification may be obtained.

Such statement of reasons may be given orally if the written notification advises the applicant of his right to have the statement of reasons confirmed in writing on written request.''.

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 701(d)(3) of the Equal Credit Opportunity Act (15 U.S.C. 1691(d)(3)) is amended by striking the period at the end and adding the following: ''and, to the extent applicable, the name, address, and telephone number of the consumer reporting agency identified in accordance with the requirements of subsection (d)(3)(ii) and a state-

ment of the right to obtain disclosure of the nature of the information upon which adverse action was taken as required by such subsection.''.

(c) REASONABLE PROCEDURES TO ASSURE COMPLIANCE.—Section 706 of the Equal Credit Opportunity Act (15 U.S.C. 1691e) is amended by adding at the end the following new subsection:

''(l) REASONABLE PROCEDURES TO ASSURE COMPLIANCE.—No person shall be held liable for any violation of subsection 701(d) if such person shows by a preponderance of the evidence that at the time of the alleged violation the person maintained reasonable procedures to assure compliance with the provisions of the subsection.''.

SEC. 454. FAIR CREDIT REPORTING ACT AMENDMENTS.

(a) Section 615(a) of the Fair Credit Reporting Act (15 U.S.C. 1681m(a)) is amended by striking ''credit or'' each place such term appears.

(b) Section 615 of the Fair Credit Reporting Act (15 U.S.C. 1681m) is amended by striking subsection (b) and redesignating subsection (c) as subsection (b).

(c) Section 615(b) (as redesignated by this section) of the Fair Credit Reporting Act (15 U.S.C. 1681m(b)) is amended by striking ''subsections (a) and (b)'' and inserting ''subsection (a)''.

SEC. 455. INCENTIVES FOR SELF-TESTING.

(a) EQUAL CREDIT OPPORTUNITY.—

(1) IN GENERAL.—The Equal Credit Opportunity Act (15 U.S.C. 1691 et seq.) is amended by inserting after section 704 the following new section:

"SEC. 704A. INCENTIVES FOR SELF-TESTING AND SELF-CORRECTION.

''(a) IN GENERAL.—If a creditor—

''(1) conducts, or authorizes an independent third party to conduct, a self-test of the creditor's lending or any part of the creditor's lending operations in order to determine the level or effectiveness of compliance with this title by the creditor; and

''(2) has identified discriminatory practices and has taken or is taking appropriate corrective actions to address the discrimination,

any report or results of such a self-test may not be obtained or used by any applicant, department, or agency in any proceeding or civil action brought under this title.

''(b) RESULTS OF SELF-TESTING.—No provision of this section shall be construed as preventing an applicant, department, or agency from obtaining and using the results of any self-testing in any proceeding or civil action brought under this title if—

''(1) the creditor or any other entity conducted such activity at the request of a department or agency;

''(2) the creditor or any other entity, or any person acting on behalf of the creditor or other entity—

''(A) voluntarily releases or discloses all, or any part of, such results; or

''(B) refers to or describes such results as a defense to charges of unlawful discrimination against such creditor, person, or entity; or

''(3) the results are sought by the applicant, department, or agency by means of a discovery request for the purposes of determining an appropriate penalty or remedy for a violation of this title.

''(c) REGULATIONS.—The appropriate Federal department or agency shall prescribe regulations, after notice and opportunity for comment, which determine what types of 'self-tests' are sufficiently extensive so as to constitute a determination of the level or effectiveness of a creditor's compliance with this title.''.

(2) REFERRALS TO THE ATTORNEY GENERAL.—Section 706(g) of the Equal Credit Opportunity Act (15 U.S.C. 1691e(g)) is amended—

(A) by striking ''(g) The agencies'' and inserting ''(g) REFERRALS TO THE ATTORNEY GENERAL.—

''(1) IN GENERAL.—The agencies''; and

(B) by adding at the end the following new paragraphs:

''(2) LIMITATION ON REFERRALS OF SELF-TESTING RESULTS.—

''(A) IN GENERAL.—No agency shall be required to refer any report or results of a self-test relating to any creditor to the Attorney General if the creditor—

''(i) has already identified discriminatory practices as the result of self-testing instituted by the creditor to determine compliance with this title; and

''(ii) has taken or is taking appropriate corrective actions to address the discrimination.

''(3) ENFORCEMENT UNDER OTHER LAWS.—No provision of this section shall be construed as limiting the authority of the agency to enforce the provisions of this title under any other provision of law.''.

(3) REFERRALS TO HUD.—Section 706(k) of the Equal Credit Opportunity Act (15 U.S.C.

1691e(k)) is amended by adding at the end the following: ''No such agency shall be required to notify the Secretary of Housing and Urban Development or the applicant that the agency has reason to believe that a violation of this title or the Fair Housing Act occurred if the reason is based on a result of self-testing instituted by the creditor to determine compliance with this title, and the creditor has already identified the possible violation and has taken or is taking appropriate corrective actions to address the possible violation. No provisions of this section shall be construed as limiting the authority of the agency to enforce the provisions of this title under any other provision of law.''.

(4) CLERICAL AMENDMENT.—The table of sections for title VII of the Consumer Credit Protection Act is amended by inserting after the item relating to section 704 the following new item:

''704A. Incentives for self-testing and self-correction.''.

(b) FAIR HOUSING.—The Fair Housing Act (42 U.S.C. 3601 et seq.) is amended by inserting after section 814 the following new section:

''SEC. 814A. SELF-TESTING ENHANCEMENT.

''(a) IN GENERAL.—If any person—

''(1) conducts, or authorizes an independent third party to conduct, a self-test of that person's

residential real estate related lending activities, or any part of such activities, in order to determine the level or effectiveness of compliance with this title by the person; and

''(2) has identified discriminatory practices and has taken or is taking appropriate corrective actions to address the discrimination,

any report or results of such a self-test may not be obtained or used by any aggrieved person, complainant, department, or agency in any proceeding or civil action brought under this title.

''(b) RESULTS OF SELF-TESTING.—No provision of this section shall be construed as preventing an aggrieved person, complainant, department, or agency from obtaining and using the results of any self-testing as described in subsection (a) in any proceeding or civil action brought under this title if—

''(1) the creditor or any other entity conducted such activity at the request of a department or agency;

''(2) the creditor or any other entity, or any person acting on behalf of the creditor or other entity—

''(A) voluntarily releases or discloses all, or any part of, such results; or

''(B) refers to or describes such results as a defense to charges of unlawful discrimination against such creditor, person, or entity; or

''(3) the results are sought by the aggrieved person, complainant, department, or agency by means of a discovery request for the purposes of determining an appropriate penalty or remedy for a violation of this title.

''(c) REGULATIONS.—The appropriate Federal department or agency shall prescribe regulations, after notice and opportunity for comment, which determine what types of 'self-tests' are sufficiently extensive so as to constitute a determination of the level or effectiveness of a creditor's compliance with this title.''.

SEC. 456. CONSULTATION BY ATTORNEY GENERAL REQUIRED IN NONREFERRAL CASES.

(a) EQUAL CREDIT OPPORTUNITY.—Section 706(h) of the Equal Credit Opportunity Act (15 U.S.C. 1691e(h)) is amended by adding at the end the following new sentence: ''Before bringing a civil action against any creditor described in paragraph (1), (2), or (3) of section 704(a), the Attorney General shall consult with the appropriate agency under such paragraph.''.

(b) FAIR HOUSING ACT.—Section 814(a) of the Fair Housing Act (42 U.S.C. 3614(a)) is amended by adding

at the end the following new sentence: ''Before bringing a civil action under the preceding sentence against any person or group of persons described in paragraph (1), (2), or (3) of section 704(a) of the Equal Credit Opportunity Act with respect to a violation of 805(a) of this title, the Attorney General shall consult with the appropriate agency under such paragraph.''.

SEC. 457. EFFECTIVE DATE.

(a) IN GENERAL.—Except with respect to the requirements of subsection (b), this Act shall take effect at the end of the 270-day period beginning on the date of the enactment of this Act.

(b) IMPLEMENTING REGULATIONS.—The Board of Governors of the Federal Reserve System shall prescribe regulations to implement this Act and such regulations shall be published in final form before the end of the 180-day period beginning on the date of the enactment of this Act.

Subtitle E—Consumer Leasing Act Amendments

SEC. 461. SHORT TITLE.

This subtitle may be cited as the ''Consumer Leasing Act Amendments of 1995''.

SEC. 462. CONGRESSIONAL FINDINGS AND DECLARATION OF PURPOSE.

(a) FINDINGS.—The Congress finds the following:

(1) Competition among the various financial institutions and other firms engaged in the business of consumer leasing is greatest when there is informed use of leasing. The informed use of leasing results from an awareness of the cost of leasing by consumers.

(2) There has been a continued trend toward leasing automobiles and other durable goods for consumer use as an alternative to installment credit sales and that leasing product advances have occurred such that lessors have been unable to provide consistent industry-wide disclosures to fully account for the competitive progress that has occurred.

(b) PURPOSES.—

(1) It is the purpose of this subtitle to assure a simple, meaningful disclosure of leasing terms so that the consumer will be able to compare more readily the various leasing terms available to the consumer and avoid the uninformed use of leasing, and to protect the consumer against inaccurate and unfair leasing practices.

(2) To provide for adequate cost disclosures that reflect the marketplace without impairing com-

petition and the development of new leasing products, it is the purpose of this subtitle to provide the Board with the regulatory authority to assure a simplified, meaningful definition and disclosure of the terms of certain leases of personal property for personal, family, or household purposes so as to enable the lessee to compare more readily the various lease terms available to the lessee, enable comparison of lease terms with credit terms where appropriate and to assure meaningful and accurate disclosures of lease terms in advertisements.

SEC. 463. REGULATIONS.

(a) IN GENERAL.—Chapter 5 of title I of the Consumer Credit Protection Act (15 U.S.C. 1601 et seq.) is amended by adding at the end the following new section:

"**SEC. 187. REGULATIONS.**

''(a) REGULATIONS AUTHORIZED.—

''(1) IN GENERAL.—The Board shall write regulations or staff commentary, if appropriate, to update and clarify the requirements and definitions for lease disclosures, contracts, and any other specific issues related to consumer leasing which would carry out the purposes of this chapter, to prevent any circumvention of the chapter, and to facilitate compliance with the requirements of the chapter.

"(2) CLASSIFICATIONS, ADJUSTMENTS.—The regulations prescribed under paragraph (1) may contain classifications and differentiations and may provide for adjustments and exceptions for any class of transaction.

"(b) MODEL DISCLOSURES.—The Board shall publish model disclosure forms and clauses to facilitate compliance with the disclosure requirements and to aid the consumer in understanding the transaction. In designing forms, the Board shall consider the use by lessors of data processing or similar automated equipment. Use of the models shall be optional. A lessor who properly uses the material aspects of the models shall be deemed to be in compliance with the disclosure requirements.

"(c) EFFECTIVE DATES.—

"(1) IN GENERAL.—Any regulation of the Board, or any amendment or interpretation of any regulation of the Board, that requires a disclosure different from the disclosures previously required shall have an effective date of the October 1 that follows the date of promulgation by at least 6 months.

"(2) LONGER PERIOD.—The Board may, in the Board's discretion, lengthen the period of time referred to in paragraph (1) to permit lessors to adjust their forms to accommodate new requirements.

"(3) SHORTER PERIOD.—The Board may also shorten the period of time referred to in paragraph (1) if the Board makes a specific finding that such action is necessary to comply with the findings of a court or to prevent unfair or deceptive practices.

"(4) COMPLIANCE BEFORE EFFECTIVE DATE.—Lessors may comply with any newly promulgated disclosure requirement before the effective date of such requirement.".

(b) CLERICAL AMENDMENT.—The table of sections for chapter 5 of title I of the Consumer Credit Protection Act (15 U.S.C. 1601 et seq.) is amended by inserting after the item relating to section 186 the following new item:

"187. Regulations.".

SEC. 464. CONSUMER LEASE ADVERTISING.

Section 184 of the Consumer Credit Protection Act (15 U.S.C. 1667c) is amended to read as follows:

"SEC. 184. CONSUMER LEASE ADVERTISING.

"(a) IN GENERAL.—If an advertisement for a consumer lease states the amount of any payment or states that any or no initial payment is required, the advertisement must also clearly and conspicuously state the following terms, as applicable:

"(1) That the transaction advertised is a lease.

''(2) The total of initial payments required at or before consummation of the lease or delivery of the property, whichever is later.

''(3) That a security deposit is required.

''(4) The number, amounts, and timing of scheduled payments.

''(5) For a lease in which the consumer's liability at the end of the lease term is based on the anticipated residual value of the property, that an extra charge may be imposed at the end of the lease term.

''(b) ADVERTISING MEDIUM NOT LIABLE.—Any owner or personnel of any medium in which an advertisement appears or through which it is disseminated shall not be liable under this section.''.

SEC. 465. STATUTORY PENALTIES.

Section 185(a) of the Consumer Credit Protection Act (15 U.S.C. 1667d(a)) is amended by adding at the end the following new sentence: ''Notwithstanding the preceding sentence, a creditor shall only have liability determined under section 130(a)(2) for failing to comply with the requirements of paragraph (2), (8), (9), or (10) of section 182 or for failing to comply with disclosure requirements under State law for any term which the Board has determined to be substantially the same in meaning under

section 186 as any of the terms referred to in section 182.''.

TITLE V—STREAMLINING GOVERNMENT REGULATIONS

Subtitle A—Regulatory Approval Issues

SEC. 501. STREAMLINED BANK ACQUISITIONS BY WELL CAPITALIZED AND WELL MANAGED BANKING ORGANIZATIONS.

Section 3 of the Bank Holding Company Act (12 U.S.C. 1842) is amended by adding at the end the following new subsection:

''(h) NO APPROVAL REQUIRED FOR CERTAIN TRANSACTIONS.—

''(1) IN GENERAL.—Notwithstanding paragraph (3) or (5) of subsection (a) and subject to paragraphs (5) and (6), an acquisition of shares by a registered financial services holding company, or a merger or consolidation between registered financial services holding companies, shall be deemed approved at the conclusion of the period specified in subparagraph (G) if all of the following conditions have been met:

''(A) FINANCIAL AND MANAGERIAL CRITERIA.—

"(i) WELL CAPITALIZED FINANCIAL SERVICES HOLDING COMPANY.—Both at the time of and immediately after the proposed transaction, the acquiring financial services holding company is well capitalized.

"(ii) WELL CAPITALIZED LEAD INSURED DEPOSITORY INSTITUTION.—Both at the time of and immediately after the proposed transaction, the lead insured depository institution of the acquiring financial services holding company is well capitalized.

"(iii) CAPITAL OF OTHER INSURED DEPOSITORY INSTITUTIONS.—At the time of the transaction, well capitalized insured depository institutions control at least 80 percent of the aggregate total risk-weighted assets of insured depository institutions controlled by the acquiring financial services holding company.

"(iv) NO UNDERCAPITALIZED INSURED DEPOSITORY INSTITUTIONS.—At the time of the transaction, no insured depository institution controlled by the ac-

quiring financial services holding company is undercapitalized.

"(v) WELL MANAGED.—

"(I) IN GENERAL.—At the time of the transaction, the acquiring financial services holding company, its lead insured depository institution, and insured depository institutions that control at least 90 percent of the aggregate total risk-weighted assets of insured depository institutions controlled by such holding company are well managed.

"(II) NO POORLY MANAGED INSTITUTIONS.—Except with respect to insured depository institutions described in paragraph (2), no insured depository institution controlled by the acquiring financial services holding company has received 1 of the 2 lowest composite ratings at the later of the institution's most recent examination or subsequent review.

"(B) NO UNSATISFACTORY CRA RATINGS.—Except with respect to insured deposi-

tory institutions described in paragraph (3), no insured depository institution controlled by the acquiring financial services holding company has received a 'needs to improve' or 'substantial noncompliance' composite rating as a result of the institution's most recent examination under the Community Reinvestment Act of 1977.

''(C) COMPETITIVE CRITERIA.—Consummation of the proposal complies with guidelines established by the Board by regulation, after consultation with the Attorney General, that identify proposals that are not likely to have a significantly adverse effect on competition in any relevant market.

''(D) SIZE OF ACQUISITION.—

''(i) ASSET SIZE.—The book value of the total assets to be acquired does not exceed 10 percent of the consolidated total risk weighted assets of the acquiring financial services holding company.

''(ii) CONSIDERATION.—The gross consideration to be paid for the securities or assets does not exceed 15 percent of the consolidated Tier 1 capital of the acquiring financial services holding company.

"(E) INTERSTATE ACQUISITIONS.—Board approval of the transaction is not prohibited under subsection (d).

"(F) COMPLIANCE CRITERION.—During the 12-month period ending on the date of the transaction, no administrative enforcement action has been commenced, and no cease and desist order has been issued pursuant to section 8 of the Federal Deposit Insurance Act, against any financial services holding company involved in the transaction or any depository institution subsidiary of any such holding company and no such enforcement action, order, or other administrative enforcement proceeding is pending as of such date.

"(G) OTHER CONSIDERATIONS.—Board approval of the transaction is not prohibited under subsection (c)(3).

"(H) NOTIFICATION.—The acquiring financial services holding company provides written notice of the transaction, including a description of the terms of the transaction, to the Board and the Attorney General, simultaneously, at least 15 business days (or such

shorter period as permitted by the Board) before the transaction is consummated.

''(I) NO BOARD DISAPPROVAL.—Before the end of the 15-day period (or the shorter period) referred to in subparagraph (H), the Board has not required an application under subsection (a).

''(2) SPECIAL RULE RELATING TO THE REQUIREMENT FOR WELL MANAGED INSTITUTIONS.—Insured depository institutions which have been acquired by a financial services holding company during the 12-month period preceding the date of the transaction may be excluded for purposes of paragraph (1)(A)(v)(II) if—

''(A) the financial services holding company has developed a plan for the institution to restore the capital and management of the institution which is acceptable to the appropriate Federal banking agency; and

''(B) all such insured depository institutions represent, in the aggregate, less than 10 percent of the aggregate total risk-weighted assets of all insured depository institutions controlled by the holding company.

"(3) SPECIAL RULE RELATING TO THE REQUIREMENT FOR COMMUNITY INVESTMENT.—Insured depository institutions acquired during the 12-month period preceding the date of the transaction may be excluded for purposes of paragraph (1)(B) if the financial services holding company has developed a plan to restore the performance of the institution to at least a 'satisfactory' rating under the Community Reinvestment Act of 1977 which is acceptable to the appropriate Federal banking agency.

"(4) ADJUSTMENT OF PERCENTAGES.—The Board may by regulation adjust the percentages and the manner in which the percentages of insured depository institutions are calculated under subparagraph (A)(v)(I) or (D) of paragraph (1) or paragraph (2)(B) if the Board determines that such adjustment is consistent with safety and soundness and the purposes of this Act.

"(5) ADVICE OF ATTORNEY GENERAL.—The Attorney General shall advise the Board during the period referred to in paragraph (1)(H) in writing if any competitive concerns exist with respect to the transaction.

"(6) WAIVER OF POSTAPPROVAL WAITING PERIOD.—If the Attorney General advises the Board

that no competitive concerns exist with respect to the transaction, the provisions of section 11(b) relating to a postapproval waiting shall not apply with respect to such transaction.''.

SEC. 502. ELIMINATE FILING AND APPROVAL REQUIREMENTS FOR INSURED DEPOSITORY INSTITUTIONS ALREADY CONTROLLED BY THE SAME HOLDING COMPANY.

(a) BANK MERGER ACT.—Section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)) is amended by adding at the end the following new paragraph:

''(12) The provisions of this subsection shall not apply to any merger, consolidation, acquisition of assets or assumption of liabilities involving only insured depository institutions that are subsidiaries of the same depository institution holding company if—

''(A) the responsible agency would not be prohibited from approving the transaction under section 44, if applicable;

''(B) the acquiring, assuming, or resulting institution complies with all applicable provisions of section 44, if any, as if the merger, consolidation, or acquisition were approved under this subsection;

''(C) the acquiring, assuming, or resulting institution provides written notification of the transaction to the appropriate Federal banking agency for the institution at least 10 days prior to consummation of the transaction; and

''(D) after receiving such notice, the agency does not require the institution to submit an application with respect to such transaction and so notifies the institution.''.

(b) NATIONAL BANK CONSOLIDATION AND MERGER ACT.—

(1) CONSOLIDATIONS.—Section 2 of the National Bank Consolidation and Merger Act (12 U.S.C. 215) is amended—

(A) in subsection (a), by adding at the end the following new sentence:

''No approval by the Comptroller of the Currency is required under this subsection for a transaction which involves the consolidation of banks that, at the time of the consolidation, are all subsidiaries (as defined in section 3 of the Federal Deposit Insurance Act) of the same company.''; and

(B) in subsection (b)—

(i) by striking ‘‘, and thereafter the consolidation shall be approved by the Comptroller’’; and

(ii) by striking ‘‘when such consolidation is approved by the Comptroller’’.

(2) MERGERS.—Section 3 of the National Bank Consolidation and Merger Act (12 U.S.C. 215a) is amended—

(A) in subsection (a), by adding at the end the following new sentence:

‘‘No approval by the Comptroller of the Currency is required under this subsection for a transaction which involves the merger of banks that, at the time of the merger, are all subsidiaries (as defined in section 3 of the Federal Deposit Insurance Act) of the same company.’’; and

(B) in subsection (b)—

(i) by striking ‘‘, and thereafter the merger shall be approved by the Comptroller’’; and

(ii) by striking ‘‘when such merger shall be approved by the Comptroller’’.

SEC. 503. ELIMINATE REDUNDANT APPROVAL REQUIREMENT FOR OAKAR TRANSACTIONS.

(a) IN GENERAL.—Section 5(d)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1815(d)(3)) is amended—

(1) in subparagraph (A), by striking ''with the prior written approval of the responsible agency under section 18(c)(2)'';

(2) in subparagraph (E)—

(A) by striking clause (iv) and inserting the following new clause:

''(iv) A transaction shall not be authorized under this paragraph unless the acquiring, assuming, or resulting depository institution will meet all applicable capital requirements upon consummation of the transaction.'';

(B) by striking clauses (i) and (ii); and

(C) by redesignating clauses (iii) and (iv) (as amended by subparagraph (A) of this paragraph) as clauses (i) and (ii), respectively; and

(3) by striking subparagraph (G) and redesignating the subsequent subparagraphs accordingly.

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 5156A(b)(1) of the Revised Statutes of the United

States (12 U.S.C. 215c(b)(1)) is amended by striking ''section 5(d)(3) of the Federal Deposit Insurance Act or''.

(c) CLERICAL AMENDMENT.—The heading for section 5(d)(3)(E) of the Federal Deposit Insurance Act (12 U.S.C. 1815(d)(3)(E)) is amended by striking ''FOR APPROVAL, GENERALLY''.

SEC. 504. ELIMINATION OF DUPLICATIVE REQUIREMENTS IMPOSED UPON FINANCIAL SERVICES HOLDING COMPANIES AND OTHER REGULATORY RELIEF UNDER THE HOME OWNERS' LOAN ACT.

(a) EXEMPTION FOR BANK HOLDING COMPANIES.—Section 10 of the Home Owners' Loan Act (12 U.S.C. 1467a) is amended by adding at the end the following new subsection:

''(t) EXEMPTION FOR FINANCIAL SERVICES HOLDING COMPANIES.—This section shall not apply to a financial services holding company that is subject to the Financial Services Holding Company Act of 1995 or any company controlled by such financial services holding company (other than a savings association).''.

(b) DEFINITION OF SAVINGS AND LOAN HOLDING COMPANY.—Section 10(a)(1)(D) of the Home Owners' Loan Act (12 U.S.C. 1467a(a)(1)(D)) is amended to read as follows:

''(D) SAVINGS AND LOAN HOLDING COMPANY.—

''(i) IN GENERAL.—Except as provided in clause (ii), the term 'savings and loan holding company' means any company which directly or indirectly controls a savings association or controls any other company which is a savings and loan holding company.

''(ii) EXCEPTION FOR FINANCIAL SERVICES HOLDING COMPANY.—The term 'savings and loan holding company' does not include any company which is registered under, and subject to, the provisions of the Financial Services Holding Company Act of 1995, or any company directly or indirectly controlled by such company.''.

(c) AMENDMENTS TO THE BANK HOLDING COMPANY ACT OF 1956.—Section 4(i) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(i)) is amended by adding at the end the following new paragraphs:

''(4) SOLICITATION OF VIEWS.—

''(A) NOTICE TO DIRECTOR.—Upon receiving any application or notice by a financial

services holding company to acquire directly or indirectly a savings association under subsection (c)(8), the Board shall solicit the Director's comments and recommendations with respect to such acquisition.

''(B) COMMENT PERIOD.—The comments and views of the Director under subparagraph (A) with respect to any acquisition subject to such subparagraph shall be transmitted to the Board within 30 days of the receipt by the Director of the notice relating to such acquisition (or such shorter period as the Board may specify if the Board advises the Director that an emergency exists which requires expeditious action).

''(5) EXAMINATION.—

''(A) SCOPE.—The Board shall consult with the Director, as appropriate, in establishing the scope of an examination by the Board of a financial services holding company that controls directly or indirectly a savings association.

''(B) ACCESS TO INSPECTION REPORTS.—Upon the request of the Director, the Board shall furnish the Director with a copy of any in-

spection report, additional examination materials, or supervisory information relating to any financial services holding company which directly or indirectly controls a savings association.

''(6) COORDINATION OF ENFORCEMENT EFFORTS.—The Board and the Director shall cooperate in any enforcement action against any financial services holding company which controls a savings association, if the relevant conduct involves such association.

''(7) DIRECTOR DEFINED.—For purposes of this section, the term 'Director' means the Director of the Office of Thrift Supervision.''.

(d) ALTERNATIVE TEST.—Section 10(m) of the Home Owners' Loan Act (12 U.S.C. 1467a(m)) is amended—

(1) in paragraph (1), by striking ''(2) and (7)'' and inserting ''(2), (7), and (8)''; and

(2) by adding at the end the following new paragraph:

''(8) ALTERNATIVE TEST.—Any savings association which meets the requirements set forth in section 7701(a)(19)(C) of the Internal Revenue

Code of 1986 shall be deemed to be a qualified thrift lender.''.

SEC. 505. ELIMINATE REQUIREMENT THAT APPROVAL BE OBTAINED FOR DIVESTITURES.

Section 2(g) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(g)) (as amended by section 118(f)(6)(A) of this Act) is amended—

(1) by striking paragraph (3);

(2) by inserting ''and'' after the semicolon at the end of paragraph (1); and

(3) by striking ''; and'' at the end of paragraph (2) and inserting a period.

SEC. 506. ELIMINATE UNNECESSARY BRANCH APPLICATIONS.

(a) NATIONAL BANK BRANCH APPLICATIONS.—Section 5155(i) of the Revised Statutes (12 U.S.C. 36(i)) is amended—

(1) by striking ''(i) No branch'' and inserting ''(i) RELOCATION.—

''(1) APPROVAL REQUIRED.—Except as provided in paragraph (2), no branch''; and

(2) by adding at the end the following new paragraphs:

''(2) NO APPROVAL REQUIRED FOR CERTAIN BRANCHES.—Notwithstanding this subsection or

subsection (b) or (c), the consent and approval of the Comptroller of the Currency shall not be required for a national bank to establish and operate, or to retain and operate, a branch or seasonal agency if—

''(A) the bank is well capitalized (as defined in section 38 of the Federal Deposit Insurance Act and regulations prescribed by the Comptroller of the Currency under such section);

''(B) the bank received a composite CAMEL rating of '1' or '2' under the Uniform Financial Institutions Rating System (or an equivalent rating under a comparable rating system) as of its most recent examination;

''(C) the bank did not receive a 'needs to improve' or 'substantial noncompliance' composite rating at its most recent examination under the Community Reinvestment Act of 1977; and

''(D) the Comptroller of the Currency is otherwise authorized to grant approval under this section to such bank to establish and operate, or to retain and operate, a branch or seasonal agency at the proposed location.

"(3) CERTAIN BRANCHES DEEMED TO HAVE APPROVED APPLICATIONS.—A branch or seasonal agency established by a national bank under paragraph (2) shall be deemed to have been established and operated pursuant to an application approved under this section.".

(b) STATE MEMBER BANK BRANCH APPLICATIONS.—The third undesignated paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 321) is amended by adding at the end the following: "Notwithstanding the preceding 2 sentences, the approval of the Board shall not be required for a State member bank to establish and operate a branch or seasonal agency if—

"(A) the State member bank is well-capitalized (as defined in section 38 of the Federal Deposit Insurance Act and regulations prescribed by the Board under such section);

"(B) the State member bank received a composite CAMEL rating of '1' or '2' under the Uniform Financial Institutions Rating System (or an equivalent rating under a comparable rating system);

"(C) the State member bank did not receive a 'needs to improve' or 'substantial noncompliance' composite rating at its most recent

examination under the Community Reinvestment Act of 1977; and

''(D) the Board is otherwise authorized to grant approval under this section to such State member bank to establish and operate a branch or seasonal agency at the proposed location.

A branch or seasonal agency established by a State member bank under the previous sentence shall be deemed to have been established and operated pursuant to an application approved under this section.''.

(c) STATE NONMEMBER BANK BRANCH APPLICATIONS.—Section 18(d) of the Federal Deposit Insurance Act (12 U.S.C. 1828(d)) is amended by adding at the end the following new paragraphs:

''(5) APPLICATION EXEMPTION FOR CERTAIN BANKS.—Notwithstanding paragraph (1), the consent of the Corporation shall not be required for a State nonmember insured bank to establish and operate any domestic branch if—

''(A) the bank is well capitalized (as defined in section 38 and regulations prescribed by the Corporation under such section);

''(B) the bank received a composite CAMEL rating of '1' or '2' under the Uniform Financial Institutions Rating System (or an

equivalent rating under a comparable rating system) as of its most recent examination;

''(C) the bank did not receive a 'needs to improve' or 'substantial noncompliance' composite rating as result of the bank's most recent examination under the Community Reinvestment Act of 1977; and

''(D) the Corporation is otherwise authorized to give consent under this section to such bank to establish and operate a domestic branch at the proposed location.

''(6) APPROVAL GRANTED.—A branch established by a State member bank under paragraph (5) shall be deemed to have been established and operated pursuant to an application approved under this section.''.

SEC. 507. ELIMINATE BRANCH APPLICATIONS AND REQUIREMENTS FOR ATMs AND SIMILAR FACILITIES.

(a) DEFINITION OF BRANCH UNDER NATIONAL BANK ACT.—Section 5155(j) of the Revised Statutes (12 U.S.C. 36(j)) is amended—

(1) by striking ''(j) The term'' and inserting ''(j) BRANCH.—

''(1) IN GENERAL.—The term''; and

(2) by adding at the end the following new paragraph:

''(2) CERTAIN PROPRIETARY ATMS AND REMOTE SERVICING UNITS.—The term 'branch' does not include any automated teller machine or remote service unit which is owned and operated by a depository institution—

''(A) primarily for the benefit of the institution and the affiliates of the institution; and

''(B) which could operate a branch at the location of such machine or unit.''.

(b) DEFINITION OF BRANCH UNDER FEDERAL DEPOSIT INSURANCE ACT.—Section 3(o) of the Federal Deposit Insurance Act (12 U.S.C. 1813(o)) is amended—

(1) by striking ''(o) The term'' and inserting ''(o) DEFINITIONS RELATING TO BRANCHES.—

''(1) DOMESTIC BRANCH.—

''(A) IN GENERAL.—The term''; and

(2) by striking ''lent; and the term'' and inserting ''lent.

''(B) CERTAIN PROPRIETARY ATMS AND REMOTE SERVICING UNITS.—The term 'domestic branch' does not include any automated teller machine or remote service unit which is

owned and operated by a depository institution—

''(i) primarily for the benefit of the institution and the affiliates of the institution; and

''(ii) which could operate a branch at the location of such machine or unit.

''(2) FOREIGN BRANCH.—The term''.

SEC. 508. ELIMINATE REQUIREMENT FOR APPROVAL OF INVESTMENTS IN BANK PREMISES FOR WELL CAPITALIZED AND WELL MANAGED BANKS.

Section 24A of the Federal Reserve Act (12 U.S.C. 371d) is amended by inserting before the period in that section the following: ''or, in the case of a bank which received a composite CAMEL rating of '1' or '2' under the Uniform Financial Institutions Rating System (or an equivalent rating under a comparable rating system) as of its most recent examination and, both before and immediately following the investment or loan, is well capitalized (as defined under section 38 of the Federal Deposit Insurance Act), the amount which is equal to 150 percent of the capital stock and surplus of such bank''.

SEC. 509. ELIMINATE UNNECESSARY FILING FOR OFFICER AND DIRECTOR APPOINTMENTS.

Section 32(d) of the Federal Deposit Insurance Act (12 U.S.C. 1831i(d)) is amended to read as follows:

''(d) ADDITIONAL INFORMATION.—

''(1) IN GENERAL.—Any notice submitted to an appropriate Federal banking agency with respect to an individual by any insured depository institution or depository institution holding company pursuant to subsection (a) shall include—

''(A) the information described in section 7(j)(6)(A) about the individual; and

''(B) such other information as the agency may prescribe by regulation.

''(2) WAIVER.—An appropriate Federal banking agency may waive the requirement of this section by regulation or on a case-by-case basis consistent with safety and soundness.''.

SEC. 510. INCREASE IN CERTAIN CREDIT UNION LOAN CEILINGS.

Section 107(5)(A) of the Federal Credit Union Act (12 U.S.C. 1757(5)(A)) is amended—

(1) in clause (iv), by striking ''$10,000'' and inserting ''$50,000''; and

(2) in clause (v), by striking ''$10,000'' and inserting ''$50,000''.

Subtitle B—Streamlining of Government Regulations; Miscellaneous Provisions

SEC. 521. ELIMINATE THE PER-BRANCH CAPITAL REQUIREMENT FOR NATIONAL BANKS AND STATE MEMBER BANKS.

Section 5155 of the Revised Statutes (12 U.S.C. 36) is amended—

(1) by striking subsection (h); and

(2) by redesignating subsections (i) (as amended by section 506(a) of this Act), (j) (as amended by section 507(a) of this Act), (k), and (l) as subsections (h), (i), (j), and (k), respectively.

SEC. 522. BRANCH CLOSURES.

(a) IN GENERAL.—Section 42 of the Federal Deposit Insurance Act (12 U.S.C. 1831r–1) is amended by adding at the end the following new subsection:

''(e) SCOPE OF APPLICATION.—

''(1) IN GENERAL.—This section shall not apply with respect to—

''(A) an automated teller machine;

''(B) a branch which—

''(i) has been acquired through merger, consolidation, purchase, assumption, or other method; and

''(ii) is located—

''(I) within 2.5 miles of another branch of the acquiring institution; or

''(II) within a neighborhood currently being served by another branch of the acquiring institution,

if such other branch of the acquiring institution is expected to continue to provide banking services to substantially all of the customers currently served by the branch acquired;

''(C) a branch which is closing and reopening at a location which is—

''(i) within 2.5 miles of the location of the branch being closed; or

''(ii) within the same neighborhood as the branch being closed,

if the branch at the new location is expected to continue to provide banking services to substantially all of the customers served by the branch at the former location;

''(D) a branch that is closed in connection with—

''(i) an emergency acquisition under—

''(I) section 11(n); or

''(II) subsection (f) or (k) of section 13; or

''(ii) any assistance provided by the Corporation under section 13(c); and

''(E) any other branch closure whose exemption from the notice requirements of this section would not produce a result inconsistent with the purposes of this section.

''(2) REGULATIONS.—The appropriate Federal banking agency shall, by regulation, determine the circumstances under which any exemption under paragraph(1)(E) may be granted.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply as if such amendment had been included in section 42 of the Federal Deposit Insurance Act as of the date of the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991.

SEC. 523. AMENDMENTS TO THE DEPOSITORY INSTITUTIONS MANAGEMENT INTERLOCKS ACT.

(a) DUAL SERVICE IN SAME AREA, TOWN, OR VILLAGE.—Section 203 of the Depository Institution Management Interlocks Act (12 U.S.C. 3202) is amended—

(1) by inserting ''(a) PROHIBITIONS.—'' before ''A management official''; and

(2) by adding after subsection (a) the following new subsection:

''(b) SMALL MARKET SHARE EXEMPTION.—

''(1) IN GENERAL.—This section shall not be construed as prohibiting a management official of a depository institution or depository holding company from serving as a management official of another depository institution or depository holding company not affiliated with such institution or holding company if the depository institutions or depository holding companies with which the management official serves hold, together with all the affiliates of such institutions or holding companies, in the aggregate no more that 20 percent of the deposits in each relevant geographic banking market where offices of the depository institutions or depository holding companies or their affiliates are located.

''(2) RELEVANT GEOGRAPHIC BANKING MARKET DEFINED.—For purposes of paragraph (1), the term 'relevant geographic banking market' means—

''(A) the area defined by the boundaries identified by the Board of Governors of the Federal Reserve System;

''(B) if the Board has not defined such boundaries, the area defined by the boundaries

of the Ranally Metropolitan Area in which the office of the depository institution or the depository institution holding company is located; and

''(C) if the office of such institution or company is not located within a Ranally Metropolitan Area, the area defined by the county (or an equivalent area of general local government) in which such office is located.''.

(b) DUAL SERVICE AMONG LARGER ORGANIZATIONS.—Section 204 of the Depository Institution Management Interlocks Act (12 U.S.C. 3203) is amended to read as follows:

''SEC. 204. DUAL SERVICE AMONG LARGER ORGANIZATIONS.

''(a) IN GENERAL.—If a depository institution, depository institution holding company, or depository institution affiliate of any such institution or company has total assets exceeding $2,500,000,000, a management official of such institution, company, or affiliate may not serve as a management official of any other depository institution, depository institution holding company, or depository institution affiliate of any such institution or company which—

"(1) is not an affiliate of the institution, company, or affiliate of which such person is a management official; and

"(2) has total assets exceeding $1,500,000,000.

"(b) CPI ADJUSTMENTS.—The dollar amounts in this section shall be adjusted annually after December 31, 1994, by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics.".

(c) EXTENSION OF GRANDFATHER EXEMPTION.—Section 206 of the Depository Institution Management Interlocks Act (12 U.S.C. 3205) is amended—

(1) in subsection (a), by striking "for a period of, subject to the requirements of subsection (c), 20 years after the date of enactment of this title";

(2) in subsection (b), by striking the 2d sentence; and

(3) by striking subsection (c).

(d) RULES OR REGULATIONS.—Section 209 of the Depository Institution Management Interlocks Act (12 U.S.C. 3207) is amended—

(1) by striking "(a) IN GENERAL.—Rules" and inserting "Rules";

(2) by inserting ", including rules or regulations which permit service by a management official

which would otherwise be prohibited by section 203 or section 204,'' after ''title''; and

(3) by striking subsections (b) and (c).

SEC. 524. ACCELERATION OF REPAYMENT TO TREASURY.

The Appraisal Subcommittee of the Financial Institutions Examination Council shall repay to the Secretary of the Treasury the funds specified in section 1108 of Financial Institutions Reform, Recovery, and Enforcement Act of 1989 by not later than September 30, 1998, and the Secretary shall deposit such funds in the general fund of the Treasury.

SEC. 525. ELIMINATE UNNECESSARY AND DUPLICATIVE RECORDKEEPING AND REPORTING REQUIREMENTS RELATING TO LOANS TO EXECUTIVE OFFICERS AND PERMIT PARTICIPATION IN EMPLOYEE BENEFIT PLANS.

(a) AMENDMENTS TO SECTION 22(h) OF THE FEDERAL RESERVE ACT.—

(1) EMPLOYEE BENEFIT PLANS.—Section 22(h)(2) of the Federal Reserve Act (12 U.S.C. 375b(2)) is amended—

(A) by redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii), respectively, and moving the left margins of such clauses 2 ems to the right;

(B) by striking ''(2) PREFERENTIAL TERMS PROHIBITED.—A member bank'' and inserting ''(2) PREFERENTIAL TERMS PROHIBITED.—

''(A) IN GENERAL.—A member bank''; and

(C) by adding at the end the following new subparagraph:

''(B) EXCEPTION.—No provision of this paragraph shall be construed as prohibiting extensions of credit that constitute a benefit or compensation program that is widely available to and used by employees of the member bank, including employees who are not executive officers of the bank.''.

(2) EXCEPTION FOR EXTENSIONS OF CREDIT TO EXECUTIVE OFFICERS AND DIRECTORS OF NONBANK AFFILIATES.—Section 22(h)(8)(B) of the Federal Reserve Act (12 U.S.C. 375b(8)(B)) is amended to read as follows:

''(B) EXCEPTION.—The Board may, by regulation, make exceptions to subparagraph (A) for an executive officer or director of a subsidiary of a company that controls the member bank if—

"(i) the executive officer or director does not have authority to participate, and does not participate, in major policymaking functions of the member bank; and

"(ii) the assets of such subsidiary do not exceed 10 percent of the consolidated assets of a company that controls the member bank and such subsidiary (and is not controlled by any other company).".

(3) RECORDKEEPING REQUIREMENTS.—Section 22(h)(10) of the Federal Reserve Act (12 U.S.C. 375b(10)) is amended by adding at the end the following: "The Board shall specify by regulation the recordkeeping required of member banks to ensure compliance with this section.".

(b) REPORTING REQUIREMENTS.—

(1) UNNECESSARY REPORTS.—Section 22(g) of the Federal Reserve Act (12 U.S.C. 375a) is amended—

(A) by striking paragraphs (6) and (9); and

(B) by redesignating paragraphs (7), (8), and (10) as paragraphs (8), (9), and (10), respectively.

(2) UNNECESSARY REPORTS.—Section 7 of the Federal Deposit Insurance Act (12 U.S.C. 1817) is amended by striking subsection (k).

(3) UNNECESSARY REPORTS REGARDING LOANS FROM CORRESPONDENT BANKS.—Section 106(b)(2) of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1972(2)) is amended—

(A) by striking subparagraph (G); and

(B) by redesignating subparagraphs (H) and (I) as subparagraphs (G) and (H), respectively.

(c) AMENDMENTS RELATING TO LOANS TO EXECUTIVE OFFICERS.—Section 22(g) of the Federal Reserve Act (12 U.S.C. 375a) (as amended by subsection (a) of this section) is amended—

(1) in paragraph (1)(D), by striking ''of any one of the three categories respectively referred to in paragraphs (2), (3), and (4)'' and inserting ''of any category referred to in paragraph (2), (3), (4), (5), or (6)'';

(2) by redesignating paragraphs (4) and (5) as paragraphs (6) and (7), respectively;

(3) by inserting after paragraph (3) the following new paragraph:

"(4) HOME EQUITY LINES OF CREDIT.—A member bank may make a revolving open-end extension of credit to any executive officer of the bank if the credit—

"(A) does not exceed $100,000; and

"(B) is secured by a dwelling that is owned by such officer and used by the officer as a residence.

"(5) LOANS SECURED BY MARKETABLE ASSETS.—A member bank may extend credit to any executive officer of the bank if the credit is secured by readily marketable assets of a value not exceeding such amount as the Board may establish by regulation."; and

(4) in paragraph (7) (as so redesignated by paragraph (2) of this subsection) by striking "(4)" each place such term appears and inserting "(6)".

SEC. 526. EXPANDED REGULATORY DISCRETION FOR SMALL BANK EXAMINATIONS.

(a) SMALL BANK SIZE DISCRETION.—Section 10(d) of the Federal Deposit Insurance Act (12 U.S.C. 1820(d)) is amended—

(1) by redesignating paragraph (9) as paragraph (10);

(2) by redesignating the 2d of the 2 paragraphs designated as paragraph (8) as paragraph (9); and

(3) in paragraph (9) (as so redesignated), by striking ''$175,000,000'' and inserting ''$250,000,000''.

(b) INFLATION ADJUSTMENT.—Section 10(d) of the Federal Deposit Insurance Act (12 U.S.C. 1820(d)) is amended by inserting after paragraph (10) (as so redesignated in subsection (a)(1) of this section) the following new paragraph:

''(11) ANNUAL CPI ADJUSTMENT.—The dollar amount in this section shall be adjusted annually after December 31, 1994, by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics.''.

(c) COORDINATED FEDERAL AND STATE EXAMINATIONS.—The Federal banking agencies (as defined in section 3 of the Federal Deposit Insurance Act) shall submit semiannual reports to the Congress on the progress made by such agencies in implementing the requirements of section 10(d)(6) of the Federal Deposit Insurance Act until such agencies submit a final report that—

(1) the examination system provided for in such section is in place; and

(2) such system provides for full coordination of examinations of State depository institutions with State bank supervisors.

SEC. 527. COST REIMBURSEMENT.

Section 1115 of the Right to Financial Privacy Act (12 U.S.C. 3415) is amended by inserting ''(including corporate customers)'' after ''pertaining to a customer''.

SEC. 528. IDENTIFICATION OF FOREIGN NONBANK FINANCIAL INSTITUTION CUSTOMERS.

(a) IN GENERAL.—Section 5327(a)(1) of title 31, United States Code, is amended to read as follows:

''(1) is a financial institution (other than a foreign bank (as defined in section 101(b) of the International Banking Act of 1978)) which is a foreign person; and''.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The heading for section 5327 of title 31, United States Code, is amended by inserting ''**FOREIGN NONBANK**'' after ''**OF**''.

(c) CLERICAL AMENDMENT.—The table of sections for chapter 53 of title 31, United States Code, is amended by striking the item relating to section 5327 and inserting the following new item:

''5327. Identification of foreign nonbank financial institutions.''.

SEC. 529. PAPERWORK REDUCTION REVIEW.

Not later than 180 days after the date of enactment of this Act, each appropriate Federal banking agency and the National Credit Union Administration, in consultation with insured depository institutions, insured credit unions, and other interested parties, shall—

(1) review the extent to which current regulations require insured depository institutions and insured credit unions to produce unnecessary internal written policies; and

(2) eliminate such requirements, where appropriate.

For purposes of this section, the terms ''insured depository institution'' and ''appropriate Federal banking agency'' have the same meanings as in section 3 of the Federal Deposit Insurance Act and the term ''insured credit union'' has the same meaning as in section 101(7) of the Federal Credit Union Act.

SEC. 530. DAILY CONFIRMATIONS FOR HOLD-IN-CUSTODY REPURCHASE TRANSACTIONS.

Before the end of the 1-year period beginning on the date of the enactment of this Act, the Secretary of the Treasury shall revise the regulation under section 15C of the Securities Exchange Act of 1934 relating to the obligations of financial institutions and of brokers and dealer registered under such Act holding custody of securities

subject to a repurchase agreement to confirm, daily and in writing, the securities that are subject to such repurchase agreement. Such revision shall permit the counterparty to such agreement to waive in writing the right to obtain such daily written confirmation if the counterparty has received a clear and conspicuous disclosure before entering into any side agreement, in a form prescribed by the Secretary, that adequately informs the counterparty of the benefits of receiving such daily written confirmations.

SEC. 531. REQUIRED REGULATORY REVIEW OF REGULATIONS.

(a) IN GENERAL.—Not less frequently than once every 10 years, the Financial Institutions Examination Council (hereafter in this section referred to as the ''Council'') and each appropriate Federal banking agency (as defined in section 3(q) of the Federal Deposit Insurance Act) represented on the Council shall conduct a review of all regulations prescribed by the Council or by any such agency, respectively, in order to identify outdated or otherwise unnecessary regulatory requirements imposed upon insured depository institutions.

(b) PROCESS.—In conducting the review under subsection (a), the Council or the appropriate Federal banking agency shall—

(1) categorize the regulations by type (such as consumer regulations, safety and soundness regulations, or such other designations as determined by the Council); and

(2) at regular intervals, provide notice and solicit public comment on a particular category or categories of regulations, requesting commentators to identify areas of the regulations that are outdated, unnecessary, or unduly burdensome.

(c) COMPLETE REVIEW.—The Council or the appropriate Federal banking agency shall ensure that the notice and comment period described in subsection (b)(2) is conducted with respect to all regulations described in subsection (a) not less frequently than once every 10 years.

(d) REGULATORY RESPONSE.—The Council or the appropriate Federal banking agency shall—

(1) publish in the Federal Register a summary of the comments received under this section, identifying significant issues raised and providing comment on such issues; and

(2) eliminate unnecessary regulations to the extent that such action is appropriate.

(e) REPORT TO CONGRESS.—Not later than 30 days after carrying out subsection (d)(1), the Council shall provide to the Congress a report, which shall include—

(1) a summary of any significant issues raised by public comments received by the Council and the appropriate Federal banking agencies under this section and the relative merits of such issues; and

(2) an analysis of whether the appropriate Federal banking agency involved is able to address the regulatory burdens associated with such issues by regulation, or whether such burdens must be addressed by legislative action.

SEC. 532. COUNTRY RISK REQUIREMENTS.

Subsections (a)(1) and (b) of section 905 of the International Lending Supervision Act of 1983 (12 U.S.C. 3904) are amended by striking ''shall'' and inserting ''may''.

SEC. 533. AUDIT COSTS.

(a) IN GENERAL.—

(1) AUDITOR ATTESTATIONS.—Section 36 of the Federal Deposit Insurance At (12 U.S.C. 1831m) is amended—

(A) in subsection (a)(2)(A)(ii), by striking ''subsections (c) and (d)'' and inserting ''subsection (c)'';

(B) by striking subsections (c) and (e); and

(C) by redesignating subsections (d), (f), (g), (h), (i), and (j) as subsections (c), (d), (e), (f), (g), and (h), respectively.

(2) PUBLIC AVAILABILITY.—Section 36(a)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1831m(a)(3)) is amended by inserting at the end the following new sentence: ''Notwithstanding the preceding sentence, the Corporation and the appropriate Federal banking agencies may designate certain information as privileged and confidential and not available to the public.''.

(b) EXEMPTION FOR WELL-CAPITALIZED AND WELL-MANAGED INSURED DEPOSITORY INSTITUTIONS.—Section 36 of the Federal Deposit Insurance Act (12 U.S.C. 1831m) (as amended by subsection (a) of this section) is amended by adding at the end the following new subsection:

''(i) EXEMPTION FOR WELL-CAPITALIZED AND WELL-MANAGED INSURED DEPOSITORY INSTITUTIONS.—No provision of this section other than subsection (c) shall apply with respect to any insured depository institution which is well-capitalized and well-managed.''.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Paragraph (1)(B) of section 36(e) of the Federal Deposit Insurance Act (as so redesignated

by subsection (a)(1)(C) of this section) is amended by striking ''(b)(2), (c), and (d)'' and inserting ''(b)(2) and (c)''.

(2) Paragraph (1) of section 36(g) of the Federal Deposit Insurance Act (as so redesignated by subsection (a)(1)(C) of this section) is amended by striking ''(d)'' and inserting ''(c)''.

SEC. 534. STANDARDS FOR DIRECTOR AND OFFICER LIABILITY.

Section 3(u) of the Federal Deposit Insurance Act (12 U.S.C. 1813(u)) is amended—

(1) in paragraph (1), by inserting ''(other than an outside director)'' after ''director'';

(2) in paragraph (3), by inserting ''(other than an outside director)'' after ''any other person''; and

(3) in paragraph (4), by inserting ''or outside director'' after ''or accountant)''.

SEC. 535. FOREIGN BANK APPLICATIONS.

(a) PROVISIONS RELATING TO ESTABLISHMENT OF BANK OFFICES.—Section 7(d) of the International Banking Act of 1978 (12 U.S.C. 3105(d)) is amended—

(1) in paragraph (2), by striking ''The'' and inserting ''Except as provided in paragraph (6), the'';

(2) in paragraph (5), by striking ''Consistent with the standards for approval in paragraph (2), the'' and inserting ''The''; and

(3) by adding at the end the following new paragraphs:

''(6) EXCEPTION.—

''(A) IN GENERAL.—If the Board is unable to find under paragraph (2) that a foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, the Board may nevertheless approve an application under paragraph (1) by such foreign bank if—

''(i) the appropriate authorities in the home country of such foreign bank are working to establish arrangements for the consolidated supervision of such bank; and

''(ii) all other factors are consistent with approval.

''(B) ADDITIONAL CONDITIONS.—The Board, after requesting and considering the views of the appropriate State bank supervisor or the Comptroller of the Currency, as the case may be, may impose such conditions or restrictions relating to activities or business oper-

ations of the proposed branch, agency, or commercial lending company subsidiary, including restrictions on sources of funding, as are considered appropriate in the public interest.

''(C) MODIFICATION OF CONDITIONS.—Any condition or restriction imposed by the Board under this subsection in connection with the approval of an application may be varied or withdrawn where such modification is consistent with the public interest.

''(7) TIME PERIOD FOR BOARD ACTION.—

''(A) FINAL ACTION.—The Board shall take final action on any application under paragraph (1) within 180 days of receipt of the application, except that the Board may extend for an additional 180 days the period within which to take final action on such application, after providing notice of, and the reasons for, the extension to the applicant foreign bank and any appropriate State bank supervisor or the Comptroller of the Currency, as the case may be.

''(B) FAILURE TO SUBMIT INFORMATION.—The Board may deny any application if it has not received information requested from the applicant foreign bank or appropriate au-

thorities in the home country in sufficient time to permit the Board to evaluate such information adequately within the time periods for final action set forth in subparagraph (A).

''(C) WAIVER.—A foreign bank may waive the applicability of subparagraph (A) with respect to any such application.''.

(b) PROVISION RELATING TO TERMINATION OF BANK OFFICES.—Section 7(e)(1)(A) of the International Banking Act of 1978 (12 U.S.C. 3105(e)(1)(A)) is amended—

(1) by striking ''(A)'' and inserting ''(A)(i)'';

(2) by striking ''; or'' and inserting ''; and''; and

(3) by inserting at the end the following new clause:

''(ii) the appropriate authorities in the home country are not making progress in establishing arrangements for the comprehensive supervision or regulation of such foreign bank on a consolidated basis; or''.

(c) UNIFORM TERMINATIONS OF FOREIGN BANK OFFICES, AGENCIES, BRANCHES, AND SUBSIDIARIES BY THE FEDERAL RESERVE SYSTEM.—

(1) IN GENERAL.—Section 7(e)(1) of the International Banking Act of 1978 (12 U.S.C. 3105(e)(1)) is amended—

(A) by inserting ''or the Comptroller of the Currency'' after ''State bank supervisor'';

(B) by inserting ''or a Federal branch or agency'' after ''commercial lending company subsidiary'' the 1st place such term appears; and

(C) in the last sentence, by inserting ''or a Federal branch or agency'' after ''commercial lending company subsidiary''.

(2) TECHNICAL AND CONFORMING AMENDMENT.—Section 7(e) of the International Banking Act of 1978 (12 U.S.C. 3105(e)) is amended—

(A) by striking paragraph (5); and

(B) by redesignating paragraphs (6) and (7) as paragraphs (5) and (6), respectively.

SEC. 536. DUPLICATE EXAMINATION OF FOREIGN BANKS.

Section 7(c)(1) of the International Banking Act of 1978 (12 U.S.C. 3105(c)(1)) is amended—

(1) by adding after clause (ii) of subparagraph (B) the following new clause:

''(iii) AVOIDANCE OF DUPLICATION.—

In exercising its authority under this para-

graph, the Board shall take all reasonable measures to reduce burden and avoid unnecessary duplication of examinations.'';

(2) by striking subparagraph (C) and inserting the following:

''(C) ON-SITE EXAMINATION.—Each Federal branch or agency, and each State branch or agency, of a foreign bank shall be subject to on-site examination by a Federal banking agency or State bank supervisor as frequently as would a national bank or State bank, respectively, by its appropriate Federal banking agency.''; and

(3) by amending subparagraph (D) to read as follows:

''(D) COST OF EXAMINATIONS.—The cost of any examination undertaken pursuant to subparagraph (A) shall be assessed against and collected from the foreign bank or the foreign company that controls the foreign bank, as the case may be, but only to the same extent that fees are collected by the Board for examination of any State member insured bank.''.

SEC. 537. SECOND MORTGAGES.

(a) IN GENERAL.—Section 103(aa)(1) of the Truth in Lending Act (15 U.S.C. 1602(aa)(1)) is amended—

(1) by inserting ''a subordinate mortgage on'' after ''secured by''; and

(2) by striking ''a residential mortgage transaction''.

(b) EFFECT ON PENDING CASES.—Any administrative enforcement proceeding or other action which—

(1) is pending on the date of the enactment of this Act; and

(2) is based on regulations in effect as of such date under the Truth in Lending Act with respect to high-cost residential mortgage transactions which are not subordinate mortgages,

shall be dismissed as of such date.

SEC. 538. STREAMLINING FDIC APPROVAL OF NEW STATE BANK POWERS.

(a) IN GENERAL.—Section 24(a) of the Federal Deposit Insurance Act (12 U.S.C. 1831a(a)) is amended to read as follows:

''(a) ACTIVITIES GENERALLY.—

''(1) IN GENERAL.—An insured State bank may not engage as principal in any type of activity that is not permissible for a national bank unless—

''(A) the bank has given the Corporation written notice of the bank's intention to engage in such activity at least 60 days before commencing to engage in the activity and within such 60-day period (or within the extended period provided under paragraph (2)) the Corporation has not disapproved the activity; and

''(B) the State bank is, and continues to be, in compliance with applicable capital standards prescribed by the appropriate Federal banking agency.

''(2) EXTENSION OF PERIOD.—The Corporation may extend the 60-day period referred to in paragraph (1) for issuing a notice of disapproval with respect to any activity for an additional 30 days.

''(3) CONTENTS OF NOTICE.—Any notice submitted by a State bank under paragraph (1)(A) shall contain such information as the Corporation may require.

''(4) BASIS FOR DISAPPROVAL.—The Corporation may disapprove an activity for a State bank under this subsection unless the Corporation determines that the activity would pose no significant risk to the appropriate insurance fund.''.

(b) SUBSIDIARIES OF INSURED STATE BANKS.—Section 24(d)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1831a(d)(1)) is amended to read as follows:

''(1) ACTIVITIES GENERALLY.—

''(A) IN GENERAL.—A subsidiary of an insured State bank may not engage as principal in any type of activity that is not permissible for a subsidiary of a national bank unless—

''(i) the subsidiary has given the Corporation written notice of the subsidiary's intention to engage in such activity at least 60 days before commencing to engage in the activity and within such 60-day period (or within the extended period provided under paragraph (2)) the Corporation has not disapproved the activity; and

''(ii) the bank is, and continues to be, in compliance with applicable capital standards prescribed by the appropriate Federal banking agency.

''(B) EXTENSION OF PERIOD.—The Corporation may extend the 60-day period referred to in subparagraph (A) for issuing a notice of disapproval with respect to any activity for an additional 30 days.

"(C) CONTENTS OF NOTICE.—Any notice submitted by a subsidiary of an insured State bank under subparagraph (A)(i) shall contain such information as the Corporation may require.

"(D) BASIS FOR DISAPPROVAL.—The Corporation may disapprove an activity for a subsidiary of an insured State bank under this paragraph unless the Corporation determines that the activity would pose no significant risk to the appropriate insurance fund.".

SEC. 539. REPEAL OF CALL REPORT ATTESTATION REQUIREMENT.

Section 5211(a) of the Revised Statutes (12 U.S.C. 161(a)) is amended by striking the 4th sentence.

SEC. 540. AUTHORIZING BANK SERVICE COMPANIES TO ORGANIZE AS LIMITED LIABILITY PARTNERSHIPS.

(a) AMENDMENT TO SHORT TITLE.—Section 1 of the Bank Service Corporation Act (12 U.S.C. 1861(a)) is amended by striking subsection (a) and inserting the following new subsection:

"(a) SHORT TITLE.—This Act may be cited as the 'Bank Service Company Act'.";

(b) AMENDMENTS TO DEFINITIONS.—Section 1(b) of the Bank Service Corporation Act (12 U.S.C. 1861(b)) is amended—

(1) by striking paragraph (2) and inserting the following new paragraph:

''(2) the term 'bank service company' means—

''(A) any corporation—

''(i) which is organized to perform services authorized by this Act; and

''(ii) all of the capital stock of which is owned by 1 or more insured banks; and

''(B) any limited liability company—

''(i) which is organized to perform services authorized by this Act; and

''(ii) all of the members of which are 1 or more insured banks.'';

(2) in paragraph (6)—

(A) by striking ''corporation'' and inserting ''company''; and

(B) by striking ''and'' after the semicolon;

(3) by redesignating paragraph (7) as paragraph (8) and inserting after paragraph (6) the following new paragraph:

''(7) the term 'limited liability company' means any company organized under the law of a State (as

defined in section 3 of the Federal Deposit Insurance Act) which provides that a member or manager of such company is not personally liable for a debt, obligation, or liability of the company solely by reason of being, or acting as, a member or manager of such company; and''; and

(4) in paragraph (8) (as so redesignated)—

(A) by striking ''corporation'' each place such term appears and inserting ''company''; and

(B) by striking ''capital stock'' and inserting ''equity''.

(c) AMENDMENTS TO SECTION 2.—Section 2 of the Bank Service Corporation Act (12 U.S.C. 1862) is amended—

(1) by striking ''corporation'' and inserting ''company'';

(2) by striking ''corporations'' and inserting ''companies''; and

(3) in the heading for such section, by striking ''CORPORATION'' and inserting ''COMPANY''.

(d) AMENDMENTS TO SECTION 3.—Section 3 of the Bank Service Corporation Act (12 U.S.C. 1863) is amended—

(1) by striking ''corporation'' each place such term appears and inserting ''company''; and

(2) in the heading for such section, by striking ''CORPORATION'' and inserting ''COMPANY''.

(e) AMENDMENTS TO SECTION 4.—Section 4 of the Bank Service Corporation Act (12 U.S.C. 1864) is amended—

(1) by striking ''corporation'' each place such term appears and inserting ''company'';

(2) in subsection (b), by inserting ''or members'' after ''shareholders'' each place such term appears;

(3) in subsections (c) and (d), by inserting ''or member'' after ''shareholder'' each place such term appears;

(4) in subsection (e)—

(A) by inserting ''or members'' after ''national bank and State bank shareholders'';

(B) by striking ''its national bank shareholder or shareholders'' and inserting ''any shareholder or member of the company which is a national bank'';

(C) by striking ''its State bank shareholder or shareholders'' and inserting ''any share-

holder or member of the company which is a State bank''; (D) by striking ''such State bank or banks'' and inserting ''any such State bank''; and (E) by inserting ''or members'' after ''State bank and national bank shareholders''; (5) in subsection (f), by inserting ''or providing insurance as principal, agent, or broker (except to the extent permitted under subparagraph (A) or (E) of section 4(c)(8) of the Financial Services Holding Company Act of 1995)'' after ''or deposit taking''; and (6) in the heading for such section, by striking ''CORPORATION'' and inserting ''COMPANY''.

(f) AMENDMENTS TO SECTION 5.—Section 5 of the Bank Service Corporation Act (12 U.S.C. 1865) is amended—

(1) by striking ''corporation'' each place such term appears and inserting ''company''; and (2) in the heading for such section, by striking ''CORPORATIONS'' and inserting ''COMPANIES''.

(g) AMENDMENTS TO SECTION 6.—Section 6 of the Bank Service Corporation Act (12 U.S.C. 1866) is amended—

(1) by striking ''corporation'' each place such term appears and inserting ''company'';

(2) by inserting ''or is not a member of'' after ''does not own stock in'';

(3) by striking ''the nonstockholding institution'' and inserting ''such depository institution'';

(4) by inserting ''or is a member of'' after ''that owns stock in'';

(5) in paragraphs (1) and (2), by inserting ''or nonmember'' after ''nonstockholding''; and

(6) in the heading for such section by inserting ''OR NONMEMBERS'' after ''NONSTOCKHOLDERS''.

(h) AMENDMENTS TO SECTION 7.—Section 7 of the Bank Service Corporation Act (12 U.S.C. 1867) is amended—

(1) by striking ''corporation'' each place such term appears and inserting ''company'';

(2) in subsection (a)—

(A) by inserting ''or principal member'' after ''principal shareholder''; and

(B) by inserting ''or member'' after ''other shareholder''; and

(3) in the heading for such section, by striking ''CORPORATIONS'' and inserting ''COMPANIES''.

SEC. 541. BANK INVESTMENTS IN EDGE ACT AND AGREEMENT CORPORATIONS.

The 10th undesignated paragraph of section 25A of the Federal Reserve Act (12 U.S.C. 618) is amended by striking the last sentence and inserting the following: ''Any national bank may invest in the stock of any corporation organized under this section. The aggregate amount of stock held by any national bank in all corporations engaged in business of the kind described in this section or section 25 shall not exceed an amount equal to 10 percent of the capital and surplus of such bank unless the Board determines that the investment of an additional amount by the bank would not be unsafe or unsound and, in any case, shall not exceed an amount equal to 25 percent of the capital and surplus of such bank.''.

SEC. 542. REPORT ON THE RECONCILIATION OF DIFFERENCES BETWEEN REGULATORY ACCOUNTING PRINCIPLES AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

Before the end of the 180-day period beginning on the date of the enactment of this Act, each appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act) shall submit to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a report on the ac-

tions taken and to be taken by the agency to eliminate or conform inconsistent or duplicative accounting and reporting requirements applicable to reports or statements filed with any such agency by insured depository institutions, as required by section 121 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

SEC. 543. WAIVERS AUTHORIZED FOR RESIDENCY REQUIREMENT FOR NATIONAL BANK DIRECTORS.

The 1st sentence of section 5146 of the Revised Statutes of the United States (12 U.S.C. 72) is amended by inserting ''(1) the Comptroller of the Currency may, in the Comptroller's discretion, waive the residency requirement in the case of any director of a national bank to whom the requirement would otherwise apply, and (2)'' after ''except that''.

TITLE VI—LENDER LIABILITY

SEC. 601. LENDER LIABILITY.

(a) PARTICIPATION IN MANAGEMENT.—

(1) IN GENERAL.—It is the sense of Congress that a person who holds indicia of ownership primarily to protect the person's security interest in a vessel or facility should not be considered to have participated in management, as that term is used in section 101(20) of the Comprehensive Environ-

mental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9601(20)), unless the person—

(A) exercises decisionmaking control over the borrower's environmental compliance such that the person has undertaken responsibility for the hazardous substance handling or disposal practices of the vessel or facility; or

(B) exercises control at a level comparable to that of a manager of the borrower's vessel or facility such that the person has assumed or manifested responsibility for the overall management of the vessel or facility encompassing day-to-day decisionmaking over either environmental compliance or over the operational, as opposed to financial and administrative, aspects of the vessel or facility.

(2) OPERATIONAL ASPECTS DEFINED.—In paragraph (1)(B), the term ''operational aspects'' includes functions such as those of a facility or plant manager, operations manager, chief operating officer, or chief executive officer.

(b) EXCLUSIONS.—It is further the sense of Congress that the term ''participation in management'' as used in such section 101(20) should not include any of the following:

(1) The mere capacity to influence, or ability to influence, or the unexercised right to control vessel or facility operations.

(2) Any act of a security interest holder to require another person to comply with applicable laws or to respond lawfully to disposal of any hazardous substance.

(3) Conducting an act or failing to act prior to the time that a security interest is created in a vessel or facility.

(4) Holding a security interest in a vessel or facility or abandoning or releasing such a security interest.

(5) Including in the terms of an extension of credit, or in a contract or security agreement relating to such an extension, covenants, warranties, or other terms and conditions that relate to environmental compliance.

(6) Monitoring or enforcing the terms and conditions of the extension of credit or security interest.

(7) Monitoring or undertaking 1 or more inspections of the vessel or facility.

(8) Under section 107(d) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, or under the direction of an on-

scene coordinator, conducting a response action or other lawful means of addressing the release or threatened release of a hazardous substance in connection with the vessel or facility prior to, during, or upon the expiration of the term of the extension of credit.

(9) Providing financial or other advice or counseling in an effort to mitigate, prevent, or cure default or diminution in the value of the vessel or facility.

(10) Restructuring, renegotiating, or otherwise agreeing to alter the terms and conditions of the extension of credit or security interest or exercising forbearance.

(11) Exercising other remedies that may be available under applicable law for the breach of any term or condition of the extension of credit or security agreement.

(12) Holding legal or equitable title acquired by a security interest holder through foreclosure or its equivalent primarily to protect a security interest provided that the holder undertakes to sell, re-lease, or otherwise divest the property in a reasonably expeditious manner on commercially reasonable terms,

taking into account market conditions and legal and regulatory requirements.

(c) SECURITY INTEREST.—It is further the sense of Congress that the term ''security interest'' as used in such section 101(20) should include rights under a mortgage, deed of trust, assignment, judgment, lien, pledge, security agreement, factoring agreement, lease, or any other right accruing to person to secure the repayment of money, the performance of a duty, or some other obligation.

(d) MISCELLANEOUS.—It is further the sense of the Congress that the potential Superfund liability of fiduciaries and the potential Resource Conservation and Recovery Act liability of lenders and fiduciaries should be addressed by the Congress.

TITLE VII—ANNUAL STUDY AND REPORT ON IMPACT ON LENDING TO SMALL BUSINESS

SEC. 701. ANNUAL STUDY AND REPORT.

Not later than 12 months after the date of the enactment of this Act, and annually thereafter, the Board of Governors of the Federal Reserve System, the Director of the Office of Thrift Supervision, the Comptroller of the Currency, and the Board of Directors of the Federal Deposit Insurance Corporation shall jointly conduct a study

and submit to the Congress a report on the extent to which this Act and the amendments made by this Act have, through reductions in regulatory burdens, resulted in increased lending to small businesses.

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