

H.R. 1023: Mr. POSHARD.
 H.R. 1061: Mr. REGULA, Mr. BAESLER, Mr. WEYGAND, Mr. WAXMAN, and Mr. FRANKS of New Jersey.
 H.R. 1126: Mr. KLECZKA, Ms. LEE, Mr. RAMSTAD, Mr. BUNNING of Kentucky, Mr. HINOJOSA, Mr. COSTELLO, Mr. LEVIN, and Mr. HOEKSTRA.
 H.R. 1140: Mr. ENGLISH of Pennsylvania and Mr. STUPAK.
 H.R. 1283: Mr. NORWOOD, Mr. MOLLOHAN, Mr. BENTSEN, and Mr. MALONEY of Connecticut.
 H.R. 1378: Mr. MILLER of Florida.
 H.R. 1382: Mr. POMEROY, Mr. CLYBURN, Mr. COYNE, and Mr. EVANS.
 H.R. 1390: Ms. CHRISTIAN-GREEN.
 H.R. 1401: Mr. MCCRERY and Mr. WEXLER.
 H.R. 1500: Mrs. CAPPS and Ms. MCCARTHY of Missouri.
 H.R. 1531: Mr. REYES.
 H.R. 1635: Mr. CASTLE and Mr. MOAKLEY.
 H.R. 1689: Mr. BRYANT, Mr. SMITH of New Jersey, Mr. JOHN, Mr. POMEROY, Mr. TALENT, Mr. KOLBE, Mr. BOB SCHAFFER, Mr. BRADY, Mr. ARMEY, and Mr. GIBBONS.
 H.R. 1715: Mr. MORAN of Virginia, Mrs. JOHNSON of Connecticut, Mr. JACKSON, Mr. LIPINSKI, Mr. DUNCAN, and Mr. FAZIO of California.
 H.R. 1972: Mr. REYES.
 H.R. 1995: Mr. GEPHARDT, Mr. MCDERMOTT, and Mrs. THURMAN.
 H.R. 2009: Mr. FORBES, Mr. HALL of Texas, and Mr. LIPINSKI.
 H.R. 2023: Mr. MATSUI.
 H.R. 2094: Mr. NEAL of Massachusetts.
 H.R. 2110: Mr. LEWIS of Georgia
 H.R. 2173: Mr. PASCRELL.
 H.R. 2321: Mr. LEWIS of California.
 H.R. 2327: Mr. DICKS.
 H.R. 2450: Mr. HOUGHTON and Mrs. CAPPS.
 H.R. 2509: Mrs. CAPPS, Mr. FAZIO of California, and Mr. BOB SCHAFFER.
 H.R. 2598: Mr. PETERSON of Pennsylvania.
 H.R. 2681: Mr. ALLEN.
 H.R. 2713: Mr. FRANK of Massachusetts, Mr. SAM JOHNSON, Ms. SLAUGHTER, and Mr. WEYGAND.
 H.R. 2723: Mr. MCCOLLUM.
 H.R. 2733: Mr. WHITE, Mr. BAKER, Mr. STENHOLM, Mr. RILEY, Mr. POMBO, and Mr. PETERSON of Pennsylvania.
 H.R. 2828: Mr. KUCINICH.
 H.R. 2888: Mr. DOOLEY of California, Mr. MCKEON, Mr. SOLOMON, Mr. BURR of North Carolina, and Mr. PITTS.
 H.R. 2923: Mr. SPENCE.
 H.R. 2942: Mrs. THURMAN and Mr. THORNBERRY.
 H.R. 2955: Mr. CAMPBELL, Mr. PAXON, Mr. FRANK of Massachusetts, and Mr. UPTON.
 H.R. 3008: Mr. PALLONE.
 H.R. 3043: Ms. PELOSI and Mrs. KENNELLY of Connecticut.
 H.R. 3048: Mr. DUNCAN.
 H.R. 3050: Mr. POSHARD and Ms. SANCHEZ.
 H.R. 3099: Mr. GUTIERREZ.
 H.R. 3150: Mr. CASTLE, Mr. SISISKY, and Mr. JOHN.
 H.R. 3152: Mr. TOWNS.
 H.R. 3161: Ms. ROYBAL-ALLARD.
 H.R. 3162: Mr. HILLEARY and Mr. THORNBERRY.
 H.R. 3177: Mr. PITTS and Mr. PAPPAS.
 H.R. 3181: Mr. KENNEDY of Massachusetts and Mr. COSTELLO.
 H.R. 3187: Mr. PETERSON of Pennsylvania.
 H.R. 3217: Mr. GEPHARDT.
 H.R. 3261: Mr. STUMP.
 H.R. 3279: Ms. SLAUGHTER.
 H.R. 3281: Mr. MCDERMOTT and Mr. YATES.
 H.R. 3297: Mr. ISTOOK.
 H.R. 3304: Mr. PAPPAS and Mr. SOLOMON.
 H.R. 3382: Mr. WATKINS.
 H.R. 3400: Mr. TOWNS and Ms. PELOSI.
 H.R. 3433: Mr. FRELINGHUYSEN and Mr. WAXMAN.
 H.R. 3435: Mr. MCINTOSH, Mr. BROWN of California, Mr. CRAPO, Mrs. CLAYTON, and Mr. HOLDEN.

H.R. 3438: Mr. GUTKNECHT.
 H.R. 3484: Mr. GEJDENSON, Mr. MCHALE, Ms. STABENOW, Mr. FROST, Mr. UNDERWOOD, Mr. FILNER, Mr. EVANS, Mr. CRAMER, Mr. EDWARDS, Ms. SLAUGHTER, and Ms. EDDIE BERNICE JOHNSON of Texas.
 H.R. 3523: Mr. EDWARDS, Mr. BLUMENAUER, Mr. QUINN, Mr. LINDER, Mr. PARKER, Mrs. NORTHUP, Mr. FROST, Mr. MINGE, Mr. JONES, Mr. ETHERIDGE, and Mr. MCINTOSH.
 H.R. 3526: Mr. TIERNEY, Mr. ADAM SMITH of Washington, Mr. LANTOS, Mr. CAMPBELL, Mr. CASTLE, and Mr. BAESLER.
 H.R. 3541: Mr. DIAZ-BALART, Mr. STEARNS, and Mr. BERMAN.
 H.R. 3567: Mr. BASS, Mr. KENNEDY of Rhode Island, Mr. MORAN of Kansas, and Mr. MATSUI.
 H.R. 3571: Ms. SLAUGHTER and Mr. COSTELLO.
 H.R. 3583: Mr. WELDON of Florida, Mr. PAUL, Ms. PRYCE of Ohio, Ms. DUNN of Washington, and Mr. HOSTETTLER.
 H.R. 3584: Mr. BONILLA.
 H.R. 3602: Mr. HOBSON.
 H.R. 3605: Mr. HALL of Texas, Mr. KILDEE, Mr. SHERMAN, and Mr. GORDON.
 H.R. 3610: Mr. TIERNEY, Mr. METCALF, Mr. DELAHUNT, Mr. TRAFICANT, Mr. SAWYER, Mrs. MYRICK, Mr. KLING, Mr. GEJDENSON, Mr. MANZULLO, Mr. ETHERIDGE, Mr. FRANKS of New Jersey, Mr. PITTS, and Mr. WOLF.
 H.R. 3615: Mr. JACKSON, Mr. GUTIERREZ, Mr. CLEMENT, Mr. MORAN of Virginia, and Mrs. MEEK of Florida.
 H.R. 3629: Mr. MCINTOSH.
 H.R. 3636: Mrs. MORELLA, Mr. SNYDER, Mr. CLAY, Mr. CLYBURN, and Mr. MCNULTY.
 H.R. 3640: Mr. FROST and Ms. PELOSI.
 H.R. 3651: Mr. RANGEL and Mr. BOEHLERT.
 H.R. 3668: Mr. STUMP.
 H.R. 3682: Mr. HAYWORTH and Mr. POMBO.
 H.R. 3722: Mr. HOBSON, Mr. TAYLOR of North Carolina, and Mr. WATTS of Oklahoma.
 H.R. 3734: Mr. NETHERCUTT, Mr. LAZIO of New York, Mr. SAM JOHNSON, Mr. COBURN, Mr. DIAZ-BALART, and Mrs. MYRICK.
 H.R. 3767: Mr. JOHNSON of Wisconsin.
 H.R. 3789: Mr. FRANK of Massachusetts.
 H.R. 3794: Mr. BERMAN.
 H.R. 3807: Mr. BLUNT, Mr. LIVINGSTON, Mr. MCINTOSH, Mr. PETERSON of Pennsylvania, Mr. PICKERING, Mr. RAHALL, Mr. SKEEN, Mr. STRICKLAND, Mr. TALENT, Mr. TRAFICANT, Mr. WICKER, and Mr. MCKEON.
 H.R. 3810: Mr. ANDREWS, Mr. PASCRELL, Mr. PAYNE, and Mr. SAXTON.
 H.R. 3820: Mr. LANTOS, Mr. TIERNEY, Mrs. CAPPS, Mr. PALLONE, Mr. BROWN of California, Mr. BERMAN, Mr. YATES, Mr. ABERCROMBIE, Ms. ROYBAL-ALLARD, Mr. STARK, and Mr. GUTIERREZ.
 H. Con. Res. 47: Ms. DUNN of Washington, Mr. LATOURETTE, Mr. UNDERWOOD, Mr. ETHERIDGE, Mr. NETHERCUTT, Mr. HINCHEY, Mr. MCNULTY, and Mr. COSTELLO.
 H. Con. Res. 249: Mr. FROST and Ms. EDDIE BERNICE JOHNSON of Texas.
 H. Con. Res. 254: Mr. GUTIERREZ.
 H. Con. Res. 266: Mrs. MINK of Hawaii, Mr. TIERNEY, Mr. MCGOVERN, and Ms. WOOLSEY.
 H. Con. Res. 268: Mr. MCNULTY.
 H. Con. Res. 271: Mr. COSTELLO.
 H. Res. 37: Mr. HASTINGS of Washington, Ms. SLAUGHTER, Mr. WISE, Mr. SKELTON, Ms. MILLENDER-MCDONALD, Mr. BERRY, Mr. STENHOLM, and Mrs. CLAYTON.
 H. Res. 171: Mr. TOWNS, Mrs. CLAYTON, and Mr. SHERMAN.
 H. Res. 259: Mr. FARR of California.
 H. Res. 321: Mr. GREENWOOD, Ms. ESHOO, Mr. TOWNS, Mr. LAFALCE, Ms. MILLENDER-MCDONALD, Ms. NORTON, Mr. LANTOS, Mr. DAVIS of Illinois, Mr. KILDEE, Mr. SCHUMER, Mr. MCGOVERN, Ms. CAPTUR, Mr. BROWN of California, and Mrs. MCCARTHY of New York.
 H. Res. 363: Mr. CUMMINGS.
 H. Res. 392: Mr. WISE.
 H. Res. 422: Mr. SHUSTER, Mr. CHABOT, Mr. SNOWBARGER, Mr. COOK, Mr. FRANKS of New

Jersey, Mr. ADAM SMITH of Washington, Mr. EHRlich, Ms. DUNN of Washington, Mr. LATOURETTE, Mr. NETHERCUTT, Mr. BARR of Georgia, Mr. SUNUNU, Mrs. KELLY, Mr. BUYER, Mrs. BONO, and Mr. SMITH of Michigan.

H. Res. 423: Mr. GALLEGLEY, Mr. SOUDER, Mr. HOBSON, and Mr. MCKEON.

WEDNESDAY, MAY 13, 1998 (44)

The House was called to order by the SPEAKER.

¶44.1 APPROVAL OF THE JOURNAL

The SPEAKER announced he had examined and approved the Journal of the proceedings of Tuesday, May 12, 1998.

Pursuant to clause 1, rule I, the Journal was approved.

¶44.2 COMMUNICATIONS

Executive and other communications, pursuant to clause 2, rule XXIV, were referred as follows:

9112. A letter from the Congressional Review Coordinator, Animal and Plant Health Inspection Service, transmitting the Service's final rule—Mediterranean Fruit Fly; Addition to the Quarantined Area [Docket No. 97-056-11] received May 12, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

9113. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Diflubenzuron; Temporary Pesticide Tolerance [OPP-300660; FRL-5790-5] (RIN: 2070-AB78) received May 8, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

9114. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule Tebufenozide; Pesticide Tolerances for Emergency Exemptions [OPP-300640; FRL-5784-7] (RIN: 2070-AB78) received May 8, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

9115. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—N-(4-fluorophenyl)-N-(1-methylethyl)-2 [[5-(trifluoromethyl)-1,3,4-thiadiazol-2-yl]o]acetamide; Time-Limited Pesticide Tolerance, Correction [OPP-300636A; FRL-5787-6] (RIN: 2070-AB78) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

9116. A letter from the Administrator, Farm Service Agency, transmitting the Agency's final rule—Special Combinations for Tobacco Allotments and Quotas (RIN: 0560-AF14) received May 12, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

9117. A communication from the President of the United States, transmitting requests to make available emergency appropriations for the Departments of Agriculture, Defense, the Interior, and Transportation; the Corps of Engineers; the Federal Emergency Management Agency; the United States Information Agency; and International Security Assistance, pursuant to Public Law 105-174; (H. Doc. No. 105-251); to the Committee on Appropriations and ordered to be printed.

9118. A letter from the Director, Defense Procurement, Department of Defense, transmitting the Department's final rule—Defense Federal Acquisition Regulation Supplement; Electronic Funds Transfer [DFARS Case 98-D012] received May 12, 1998, pursuant to 5

U.S.C. 801(a)(1)(A); to the Committee on National Security.

9119. A letter from the Director, Office of Management and Budget, transmitting a report on direct spending or receipts legislation within seven days of enactment, pursuant to Public Law 101-508; to the Committee on the Budget.

9120. A letter from the Deputy Executive Director and Chief Operating Officer, Pension Benefit Guaranty Corporation, transmitting the Corporation's final rule—Allocation of Assets in Single-Employer Plans; Interest Assumptions for Valuing Benefits [29 CFR Part 4044] received May 11, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Education and the Workforce.

9121. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Determination of Functional Equivalency on Harmonization [NHTSA-98-3815] (RIN: 2127-AG62) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

9122. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Finding of Failure to Submit Required State Implementation Plans for Carbon Monoxide; Arizona; Phoenix Carbon Monoxide Nonattainment Area [OAQPS # AZ-007-FON; FRL 6010-3] received May 11, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

9123. A letter from the AMD-Performance Evaluation and Records Management, Federal Communications Commission, transmitting the Commission's final rule—Procedures for Reviewing Requests for Relief From State and Local Regulations Pursuant to Section 332(c)(7)(B)(v) of the Communications Act of 1934 [WT Docket No. 97-192, ET Docket No. 93-62, RM-8577] received May 11, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

9124. A letter from the AMD-Performance Evaluation and Records Management, Federal Communications Commission, transmitting the Commission's final rule—Amendment of the Commission's Rules to Relocate the Digital Electronic Message Service From the 18 GHz Band to the 24 GHz Band and to Allocate the 24 GHz Band For Fixed Service [ET Docket No. 97-99] received May 12, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

9125. A letter from the Director, Regulations Policy and Management Staff, Food and Drug Administration, transmitting the Administration's final rule—Natural Rubber-Containing Medical Devices; User Labeling [Docket No. 96N-0119] received May 12, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

9126. A letter from the Acting Director, Defense Security Assistance Agency, transmitting notification concerning the Department of the Air Forces's Proposed Letter(s) of Offer and Acceptance (LOA) to the Republic of Korea for defense articles and services (Transmittal No. 98-40), pursuant to 22 U.S.C. 2776(b); to the Committee on International Relations.

9127. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting certification of a proposed license for the export of defense articles or defense services sold under a contract to Japan (Transmittal No. DTC-22-98), pursuant to 22 U.S.C. 2776(c); to the Committee on International Relations.

9128. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting certification of a proposed license for the export of defense articles or defense services sold under a contract to Turkey (Transmittal No. DTC-18-98), pursuant to 22 U.S.C. 2776(d); to the Committee on International Relations.

9129. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting certification of a proposed license for the export of defense articles or defense services sold under a contract to Brunei (Transmittal No. DTC-4-98), pursuant to 22 U.S.C. 2776(c); to the Committee on International Relations.

9130. A letter from the Chief Financial Officer, Export-Import Bank of the United States, transmitting the Bank's management report for the fiscal year ending September 30, 1997 and a copy of the 1997 Annual Report, pursuant to 12 U.S.C. 635g(a); to the Committee on Government Reform and Oversight.

9131. A letter from the President, Federal Financing Bank, transmitting the Bank's Annual Management Report for Fiscal Year 1997, pursuant to 31 U.S.C. 9106; to the Committee on Government Reform and Oversight.

9132. A letter from the Chairman, Federal Maritime Commission, transmitting the semiannual report on the activities of the Office of Inspector General, pursuant to 5 U.S.C. app. (Insp. Gen. Act) section 5(b); to the Committee on Government Reform and Oversight.

9133. A letter from the Deputy Associate Director for Royalty Management, Department of the Interior, transmitting notification of proposed refunds of excess royalty payments in OCS areas, pursuant to 43 U.S.C. 1339(b); to the Committee on Resources.

9134. A letter from the Director, Fish and Wildlife Service, transmitting the Service's final rule—Endangered and Threatened Wildlife and Plants: Final Rule to List the Preble's Meadow Jumping Mouse as a Threatened Species (RIN: 1018-AE06) received May 12, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

9135. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—SPECIAL LOCAL REGULATIONS; El Nuevo Dia Offshore Cup, Bahia De Mayaguez, Puerto Rico [CCGD07 98-012] (RIN: 2115-AE46) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9136. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Amendment of Class D Airspace; Twin Falls, ID [Airspace Docket No. 97-ANM-24] received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9137. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—SAFETY ZONES, SECURITY ZONES, AND SPECIAL LOCAL REGULATIONS [USCG-1998-3772] received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9138. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Short Brothers Model SD3-30 and SD3-60 Series Airplanes Equipped with Fire Fighting Enterprises (U.K.) Ltd. Fire Extinguishers [Docket No. 96-NM-175-AD; Amendment 39-10509; AD 98-09-28] (RIN: 2120-AA64) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9139. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Commercial Passenger-Carrying Operations in Single-Engine Aircraft under Instrument Flight Rules [Docket No. 28743; Amendment Nos. 43, 73] (RIN: 2120-AG55) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9140. A letter from the General Counsel, Department of Transportation, transmitting

the Department's final rule—Establishment of Class E Airspace; Borrego Springs, CA [Airspace Docket 96-AWP-4] (RIN: 2120-AA66) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9141. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Modification of Class D Airspace; Mountain View, CA [98-AWP-9] (RIN: 2120-AA66) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9142. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; General Electric Company Model GE90-76B Turbofan Engines [Docket No. 97-ANE-28-AD; Amendment 39-10496; AD 98-09-15] (RIN: 2120-AA64) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9143. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Establishment of Class E Airspace; Osceola, AR [Airspace Docket No. 92-ASW-35] received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9144. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Airbus Model A330-301 Series Airplanes [Docket No. 97-NM-300-AD; Amendment 39-10511; AD 98-09-30] (RIN: 2120-AA64) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9145. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives Boeing Model 747-400 Series Airplanes [Docket No. 97-NM-300-AD; Amendment 39-10510; AD 98-09-29] (RIN: 2120-AA64) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9146. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Bombardier Model CL-215-1A10 and CL-215-6B11 Series Airplanes; Correction [Docket No. 98-NM-05-AD; Amendment 39-10458] (RIN: 2120-AA64) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9147. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; McDonnell Douglas Model MD-11 Series Airplanes [Docket No. 98-NM-131-AD; Amendment 39-10512; AD 98-10-01] (RIN: 2120-AA64) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9148. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; British Aerospace (Jetstream) Model 4101 Airplanes [Docket No. 97-NM-199-AD; Amendment 39-10513; AD 98-10-02] (RIN: 2120-AA64) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9149. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Eurocopter Deutschland GmbH (ECD) (Eurocopter Deutschland) Model MBB-BK 117 A-1, A-3, A-4, B-1, B-2, and C-1 Helicopters [Docket No. 97-SW-45-AD; Amendment 39-10246; AD 97-26-03] (RIN: 2120-AA64) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9150. A letter from the General Counsel, Department of Transportation, transmitting the Department's final rule—Airworthiness Directives; Raytheon Aircraft Company 90, 100, 200, and 300 Series Airplanes (formerly known as Beech Aircraft Corporation 90, 100, 200, and 300 series airplanes) [Docket No. 97-CE-05-AD; Amendment 39-10207; AD 97-23-17] (RIN: 2120-AA64) received May 7, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

9151. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule—Credit for Producing Fuel From a Nonconventional Source, 29 Inflation Adjustment Factor, and 29 Reference Price [Notice 98-28, 1998-19 I.R.B.] received May 11, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

9152. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule—Last-in, First-out Inventories [Revenue Ruling 98-26] received May 11, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

9153. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule—Valuation of Certain Farm, Etc., Real Property [Revenue Ruling 98-22] received May 11, 1998, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

¶44.3 RECESS FOR RECEPTION OF FORMER MEMBERS—9:05 A.M.

The SPEAKER, pursuant to the to the special order agreed to on Thursday, May 7, 1998, declared the House in recess at 9 o'clock and 5 minutes a.m., subject to the call of the Chair.

¶44.4 AFTER RECESS—10:36 A.M.

The SPEAKER pro tempore, Mr. CAMP, called the House to order.

¶44.5 PROCEEDINGS DURING RECESS

On motion of Mr. HAYWORTH, by unanimous consent, the proceedings had during the recess to receive former Members were ordered to be printed in the Record.

¶44.6 MESSAGE FROM THE SENATE

A message from the Senate by Mr. Lundregan, one of its clerks, announced that the Senate had passed with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 1273. An Act to authorize appropriations for fiscal years 1998 and 1999 for the National Science Foundation, and for other purposes.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1150) "An Act to ensure that federally funded agricultural research, extension, and education address high-priority concerns with national or multistate significance, to reform, extend, and eliminate certain agricultural research programs, and for other purposes."

The message also announced that the Senate passed a bill and a concurrent resolution of the following titles, in which concurrence of the House is requested:

S. 1618. An Act to amend the Communications Act of 1934 to improve the protection of

consumers against "slamming" by telecommunications carriers, and for other purposes.

S. Con. Res. 75. Concurrent resolution honoring the sesquicentennial of Wisconsin statehood.

¶44.7 COMMITTEE ELECTION—MAJORITY

Mr. DREIER, by direction of the Republican Conference, submitted the following privileged resolution (H. Res. 429):

Resolved, That the following Members be, and they are hereby, elected to the following standing committees of the House of Representatives:

Committee on Education and the Workforce: Mr. PARKER.

Committee on Government Reform and Oversight: Mr. LEWIS of Kentucky.

Committee on International Relations: Mr. BURR of North Carolina.

Committee on the Judiciary: Mrs. BONO.

Committee on National Security: Mrs. BONO.

When said resolution was considered and agreed to.

A motion to reconsider the vote whereby said resolution was agreed to was, by unanimous consent, laid on the table.

¶44.8 MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Sherman Williams, one of his secretaries.

¶44.9 MESSAGE FROM THE PRESIDENT—SANCTIONS REGARDING INDIA

The SPEAKER pro tempore, Mr. CAMP, laid before the House a message from the President, which was read as follows:

To the Congress of the United States:

Pursuant to section 102(b)(1) of the Arms Export Control Act, I am hereby reporting that, in accordance with that section, I have determined that India, a non-nuclear-weapon state, detonated a nuclear explosive device on May 11, 1998. I have further directed the relevant agencies and instrumentalities of the United States Government to take the necessary actions to impose the sanctions described in section 102(b)(2) of that Act.

WILLIAM J. CLINTON.

THE WHITE HOUSE, May 13, 1998.

By unanimous consent, the message was referred to the Committee on International Relations and ordered to be printed (H. Doc. 105-250).

¶44.10 PROVIDING FOR THE CONSIDERATION OF H.R. 3534

Mr. DREIER, by direction of the Committee on Rules, called up the following resolution (H. Res. 426):

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 1(b) of rule XXIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 3534) to improve congressional deliberation on proposed Federal private sector mandates, and for other purposes. The first reading of the bill shall be dispensed with. Points of order against consideration of the bill for failure to comply with section 306 of the Congress-

sional Budget Act of 1974 are waived. General debate shall be confined to the bill and shall not exceed one hour equally divided and controlled by chairman and ranking minority member of the Committee on Rules. After general debate the bill shall be considered for amendment under the five-minute rule. The amendment recommended by the Committee on Rules now printed in the bill shall be considered as adopted in the House and in the Committee of the Whole. The bill, as amended, shall be considered as the original bill for the purpose of further amendment. The bill shall be considered as read. During consideration of the bill for further amendment, the Chairman of the Committee of the Whole may accord priority in recognition on the basis of whether the Member offering an amendment has caused it to be printed in the portion of the Congressional Record designated for that purpose in clause 6 of rule XXIII. Amendments so printed shall be considered as read. The chairman of the Committee of the Whole may: (1) postpone until a time during further consideration in the Committee of the Whole a request for a recorded vote on any amendment; and (2) reduce to five minutes the minimum time for electronic voting on any postponed question that follows another electronic vote without intervening business, provided that the minimum time for electronic voting on the first in any series of questions shall be 15 minutes. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill, as amended, to the House with such further amendments as may have been adopted. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

When said resolution was considered. After debate,

On motion of Mr. DREIER, the previous question was ordered on the resolution to its adoption or rejection and under the operation thereof, the resolution was agreed to.

A motion to reconsider the vote whereby said resolution was agreed to was, by unanimous consent, laid on the table.

¶44.11 PROVIDING FOR THE CONSIDERATION OF H.R. 10

Mr. SOLOMON, by direction of the Committee on Rules, called up the following resolution (H. Res. 428):

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 1(b) of rule XXIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 10) 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, and for other purposes. The first reading of the bill shall be dispensed with. All points of order against consideration of the bill are waived. General debate shall be confined to the bill and shall not exceed one hour, with thirty minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Financial Services and thirty minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Commerce. It shall be in order to consider as an original bill for the purpose of amendment under the five-minute rule the amendment in the nature of a substitute printed in part 1 of the report of the Committee on Rules accompanying this resolution. That amend-

ment in the nature of a substitute shall be considered as read. All points of order against that amendment in the nature of a substitute are waived. No amendment to that amendment in the nature of a substitute shall be in order except those printed in part 2 of the report of the Committee on Rules. Each amendment may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment except as specified in the report, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole. All points of order against the amendments printed in the report are waived. The Chairman of the Committee of the Whole may: (1) postpone until a time during further consideration in the Committee of the Whole a request for a recorded vote on any amendment; and (2) reduce to five minutes the minimum time for electronic voting on any postponed question that follows another electronic vote without intervening business, provided that the minimum time for electronic voting on the first in any series of questions shall be 15 minutes. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted. Any Member may demand a separate vote in the House on any amendment adopted in the Committee of the Whole to the bill or to the amendment in the nature of a substitute made in order as original text. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

When said resolution was considered. After debate,

On motion of Mr. SOLOMON, the previous question was ordered on the resolution to its adoption or rejection.

The question being put, *viva voce*,

Will the House agree to said resolution?

The SPEAKER pro tempore, Mr. HANSEN, announced that the yeas had it.

Mr. FROST objected to the vote on the ground that a quorum was not present and not voting.

A quorum not being present,

The roll was called under clause 4, rule XV, and the call was taken by electronic device.

When there appeared { Yeas 311
Nays 105

44.12 [Roll No. 142]
YEAS—311

Abercrombie	Bliley	Campbell
Ackerman	Blumenauer	Canady
Allen	Blunt	Cannon
Andrews	Boehler	Capps
Archer	Boehner	Castle
Armey	Bonilla	Chabot
Baker	Bonior	Chambliss
Ballenger	Bono	Chenoweth
Barcia	Boucher	Clayton
Barr	Boyd	Clement
Barrett (NE)	Brady	Coble
Bartlett	Brown (OH)	Collins
Barton	Bryant	Combust
Bass	Bunning	Condit
Bereuter	Burr	Cook
Berry	Burton	Cooksey
Bilbray	Buyer	Cox
Bilirakis	Callahan	Coyne
Bishop	Calvert	Crane
Blagojevich	Camp	Crapo

Cubin	Kelly
Cummings	Kennedy (RI)
Cunningham	Kennelly
Davis (FL)	Kildee
Deal	Kim
DeGette	Kind (WI)
DeLauro	King (NY)
DeLay	Kingston
Deutsch	Kleczka
Diaz-Balart	Klink
Dingell	Klug
Doggett	Knollenberg
Dooley	Kolbe
Doolittle	Largent
Doyle	Latham
Dreier	LaTourrette
Dunn	Lazio
Edwards	Leach
Ehlers	Levin
Ehrlich	Lewis (CA)
Emerson	Linder
Engel	Livingston
English	LoBiondo
Ensign	Lofgren
Eshoo	Lucas
Etheridge	Maloney (NY)
Fawell	Manton
Fazio	Manzullo
Foley	Markey
Forbes	Mascara
Ford	McCarthy (NY)
Fossella	McCrery
Fowler	McDade
Fox	McGovern
Franks (NJ)	McHugh
Frelinghuysen	McInnis
Frost	McIntosh
Furse	McKeon
Gallegly	McKinney
Ganske	McNulty
Gejdenson	Meeke (NY)
Gibbons	Metcalfe
Gillmor	Mica
Gilman	Miller (FL)
Goodlatte	Minge
Goodling	Moakley
Gordon	Mollohan
Goss	Moran (KS)
Graham	Moran (VA)
Granger	Morella
Green	Murtha
Greenwood	Myrick
Gutknecht	Nadler
Hall (TX)	Neal
Hamilton	Nethercutt
Hansen	Neumann
Hastert	Ney
Hastings (WA)	Northup
Hayworth	Norwood
Herger	Nussle
Hill	Oberstar
Hinojosa	Ortiz
Hobson	Oxley
Hoekstra	Packard
Holden	Pallone
Hooley	Pappas
Horn	Parker
Hostettler	Pascrell
Houghton	Pastor
Hulshof	Paul
Hunter	Paxon
Hutchinson	Pease
Hyde	Peterson (MN)
Inglis	Peterson (PA)
Jackson-Lee	Petri
(TX)	Pickering
Jefferson	Pickett
Jenkins	Pitts
John	Pombo
Johnson (CT)	Pomeroy
Johnson, E.B.	Porter
Johnson, Sam	Portman
Kaptur	Pryce (OH)
Kasich	Quinn

NAYS—105

Aderholt	Clyburn
Bachus	Coburn
Baessler	Conyers
Baldacci	Costello
Barrett (WI)	Cramer
Becerra	Danner
Bentsen	Davis (IL)
Berman	Davis (VA)
Borski	DeFazio
Boswell	Delahunt
Brown (CA)	Dickey
Brown (FL)	Dicks
Cardin	Dixon
Carson	Duncan

Rahall	Istook
Ramstad	Jackson (IL)
Rangel	Johnson (WI)
Redmond	Jones
Regula	Kanjorski
Reyes	Kennedy (MA)
Rivers	Kucinich
Rodriguez	LaFalce
Roukema	LaHood
Royce	Lampson
Rush	Lantos
Ryun	Lee
Sabo	Lewis (GA)
Salmon	Lewis (KY)
Sanchez	Lipinski
Sanders	Lowe
Sanford	Luther
Saxton	Maloney (CT)
Scarborough	Martinez
Schaefer, Dan	Matsui
Schaffer, Bob	McCarthy (MO)
Sensenbrenner	McCollum
Sessions	
Shadegg	
Shaw	
Shays	
Shimkus	
Shuster	
Sisisky	
Skeen	
Smith (MI)	
Smith (NJ)	
Smith (OR)	
Smith (TX)	
Smith, Linda	
Snowbarger	
Snyder	
Solomon	
Souder	
Spence	
Spratt	
Stabenow	
Stark	
Stearns	
Stenholm	
Strickland	
Stump	
Stupak	
Sununu	
Talent	
Tanner	
Tauscher	
Tauzin	
Taylor (NC)	
Thomas	
Thornberry	
Thurman	
Towns	
Traficant	
Upton	
Velazquez	
Visclosky	
Walsh	
Watkins	
Watts (OK)	
Weldon (FL)	
Weldon (PA)	
Weller	
Wexler	
Weygand	
White	
Whitfield	
Wicker	
Wise	
Wolf	
Woolsey	
Wynn	
Young (AK)	
Young (FL)	

McDermott	Scott
McHale	Serrano
McIntyre	Sherman
Meehan	Skelton
Meeke (FL)	Slaughter
Menendez	Smith, Adam
Miller (CA)	Stokes
Miller (CA)	Taylor (MS)
Miller (CA)	Thompson
Obey	Thune
Olver	Tiahrt
Owens	Tierney
Payne	Torres
Pelosi	Turner
Poshard	Vento
Price (NC)	Wamp
Riley	Waters
Rothman	Watt (NC)
Roybal-Allard	Waxman
Sandlin	Yates
Sawyer	
Schumer	

NOT VOTING—16

Bateman	Gonzalez	Mink
Christensen	Hall (OH)	Radanovich
Clay	Harman	Riggs
Ewing	Hefner	Skaggs
Gekas	Hilliard	
Gilchrist	Kilpatrick	

So the resolution was agreed to. A motion to reconsider the vote whereby said resolution was agreed to was, by unanimous consent, laid on the table.

44.13 FINANCIAL SERVICES COMPETITION

The SPEAKER pro tempore, Mr. HANSEN, pursuant to House Resolution 428 and rule XXIII, declared the House resolved into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R. 10) to enhance competition in the financial services industry by providing a prudential framework for the affiliation of banks, securities firms, and other financial services providers, and for other purposes.

The SPEAKER pro tempore, Mr. HANSEN, by unanimous consent, designated Mrs. EMERSON as Chairman of the Committee of the Whole; and after some time spent therein,

44.14 RECORDED VOTE

A recorded vote by electronic device was ordered in the Committee of the Whole on the following amendment submitted by Mr. BLILEY:

At the end of title II of the Amendment in the Nature of a Substitute, insert the following new subtitle (and conform the table of contents accordingly):

Subtitle E—Disclosure of Customer Costs of Acquiring Financial Products
SEC. 251. IMPROVED AND CONSISTENT DISCLOSURE.

(a) REVISED REGULATIONS REQUIRED.—Within one year after the date of enactment of this Act, each Federal financial regulatory authority shall prescribe rules, or revisions to its rules, to improve the accuracy, simplicity, and completeness, and to make more consistent, the disclosure of information by persons subject to the jurisdiction of such regulatory authority concerning any commissions, fees, markups, or other costs incurred by customers in the acquisition of financial products.

(b) CONSULTATION.—In prescribing rules and revisions under subsection (a), the Federal financial regulatory authorities shall consult with each other and with appropriate State financial regulatory authorities.

(c) CONSIDERATION OF EXISTING DISCLOSURES.—In prescribing rules and revisions

under subsection (a), the Federal financial regulatory authorities shall consider the sufficiency and appropriateness of then existing laws and rules applicable to persons subject to their jurisdiction, and may prescribe exemptions from the rules and revisions required by subsection (a) to the extent appropriate in light of the objective of this section to increase the consistency of disclosure practices.

(d) ENFORCEMENT.—Any rule prescribed by a Federal financial regulatory authority pursuant to this section shall, for purposes of enforcement, be treated as a rule prescribed by such regulatory authority pursuant to the statute establishing such regulatory authority's jurisdiction over the persons to whom such rule applies.

(e) DEFINITION.—As used in this section, the term "Federal financial regulatory authority" means the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Commodity Futures Trading Commission, and any self-regulatory organization under the supervision of any of the foregoing.

In section 17(i)(6) of the Securities Exchange Act of 1934, as amended by section 231(a) of the Amendment in the Nature of a Substitute, after "For purposes of this subsection" insert "and subsection (j)".

In section 17 of the Securities Exchange Act of 1934, as amended by section 231(a) of the Amendment in the Nature of a Substitute, redesignate subsection (j) as subsection (k) and before such redesignated subsection (k) insert the following new subsection:

"(j) COMMISSION BACKUP AUTHORITY.—

"(1) AUTHORITY.—The Commission may make inspections of any wholesale financial holding company that—

"(A) controls a wholesale financial institution,

"(B) is not a foreign bank, and

"(C) does not control an insured bank (other than an institution permitted under subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956) or a savings association,

and any affiliate of such company, for the purpose of monitoring and enforcing compliance by the wholesale financial holding company with the Federal securities laws.

"(2) LIMITATION.—The Commission shall limit the focus and scope of any inspection under paragraph (1) to those transactions, policies, procedures, or records that are reasonably necessary to monitor and enforce compliance by the wholesale financial holding company or any affiliate with the Federal securities laws.

"(3) DEFERENCE TO EXAMINATIONS.—To the fullest extent possible, the Commission shall use, for the purposes of this subsection, the reports of examinations—

"(A) made by the Board of Governors of the Federal Reserve System of any wholesale financial holding company that is supervised by the Board;

"(B) made by or on behalf of any State regulatory agency responsible for the supervision of an insurance company of any licensed insurance company; and

"(C) made by any Federal or State banking agency of any bank or institution described in subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956.

"(4) NOTICE.—To the fullest extent possible, the Commission shall notify the appropriate regulatory agency prior to conducting an inspection of a wholesale financial institution or institution described in subparagraph (D), (F), or (G) of section 2(c)(2), or

held under section 4(f), of the Bank Holding Company Act of 1956.

At the end of subtitle A of title II of the Amendment in the Nature of a Substitute, insert the following new section (and conform the table of contents accordingly):

SEC. 210. RULE OF CONSTRUCTION.

Nothing in this Act shall supersede, affect, or otherwise limit the scope and applicability of the Commodity Exchange Act (7 U.S.C. 1 et seq.).

In subparagraph (A) of section 45(a)(1) of the Federal Deposit Insurance Act, as added by section 308(a) of the Amendment in the Nature of a Substitute, insert "practices" after "retail sales".

In paragraph (1) of section 45(g) of the Federal Deposit Insurance Act, as added by section 308(a) of the Amendment in the Nature of a Substitute, strike "(1) No provision" and insert "(1) IN GENERAL.—No provision".

In paragraph (1)(B) of section 45(g) of the Federal Deposit Insurance Act, as added by section 308(a) of the Amendment in the Nature of a Substitute, insert "except as provided in paragraph (2)," after "(B)".

In paragraph (2) of section 45(g) of the Federal Deposit Insurance Act, as added by section 308(a) of the Amendment in the Nature of a Substitute, strike "(2) Regulations" and insert "(2) COORDINATION WITH STATE LAW.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), regulations".

At the end of paragraph (2) of section 45(g) of the Federal Deposit Insurance Act, as added by section 308(a) of the Amendment in the Nature of a Substitute, add the following new subparagraph:

(B) PREEMPTION.—If, with respect to any provision of the regulations prescribed under this section, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Board of Directors of the Federal Deposit Insurance Corporation determine jointly that the protection afforded by such provision for consumers is greater than the protection provided by a comparable provision of the statutes, regulations, orders, or interpretations referred to in subparagraph (A) of any State, such provision of the regulations prescribed under this section shall supersede the comparable provision of such State statute, regulation, order, or interpretation.

In paragraph (1) of section 6(d) of the Bank Holding Company Act of 1956, as added by section 103(a) of the Amendment in the Nature of a Substitute, strike "or (C)" and insert "(C), or (D)".

In paragraph (4)(D) of section 6(d) of the Bank Holding Company Act of 1956, as added by section 103(a) of the Amendment in the Nature of a Substitute, strike "or (C)" and insert "(C), or (D)".

[6. STATE SECURITIES AND INSURANCE]

In section 104(a)(1) of the Amendment in the Nature of a Substitute, strike "restrict" and insert "significantly interfere with the ability of".

In section 104(a)(1) of the Amendment in the Nature of a Substitute, strike "from being" and insert "to be".

In section 104(b)(1) of the Amendment in the Nature of a Substitute, strike "paragraphs (2) and (3) and subject to section 18(c) of the Securities Act of 1933" and insert "paragraphs (2), (3), and (4)".

In section 104(b)(1) of the Amendment in the Nature of a Substitute, strike "restrict" and insert "significantly interfere with the ability of".

In section 104(b)(1) of the Amendment in the Nature of a Substitute, strike "from engaging," and insert "to engage".

In section 104(b)(2) of the Amendment in the Nature of a Substitute, strike "As stated by the United States Supreme Court" and insert "In accordance with the decision of the Supreme Court of the United States".

In section 104(b)(2) of the Amendment in the Nature of a Substitute, strike subparagraph (B) and insert the following new subparagraph:

(B) subparagraph (A) shall not create any inference regarding State statutes and regulations governing insurance sales and solicitations other than State statutes and regulations described in subparagraph (A).

In section 104(b) of the Amendment in the Nature of a Substitute, strike paragraph (3) and insert the following new paragraph:

(3) State statutes, regulations, orders, and interpretations or otherwise shall not be preempted under paragraph (1) if they—

(A) relate to, or are enacted or issued for the purpose of regulating, the business of insurance in accordance with the McCarran-Ferguson Act;

(B) apply only to entities that are not insured depository institutions or wholesale financial institutions but which are engaged in the business of insurance;

(C) do not relate to, and are not enacted or issued for the purpose of regulating—

(i) cross-marketing; or

(ii) activities, including cross-marketing, which are subject to paragraph (2);

(D) are applicable to and are applied in the same manner with respect to an affiliate of an insured depository institution or a wholesale financial institution as they are applicable to and are applied to those entities that are not affiliated with an insured depository institution or a wholesale financial institution; and

(E) do not prevent or significantly interfere with the ability of an insured depository institution or wholesale financial institution to engage in activities authorized for such institution under this Act or any other provision of Federal law.

In section 104(b) of the Amendment in the Nature of a Substitute, after paragraph (3) insert the following new paragraph:

(4) Paragraphs (1) and (2) shall not be construed as affecting the jurisdiction of the securities commission (or any agency or office performing like functions) of any State, under the laws of such State, to investigate and bring enforcement actions, consistent with section 18(c) of the Securities Act of 1933, with respect to fraud or deceit or unlawful conduct by any person, in connection with securities or securities transactions.

After section 116 of the Amendment in the Nature of a Substitute, insert the following new section (and amend the table of contents accordingly):

SEC. 117. INTERAGENCY CONSULTATION.

(a) PURPOSE.—It is the intention of Congress that the Board of Governors of the Federal Reserve System, as the umbrella supervisor for financial holding companies, and the State insurance regulators, as the functional regulators of companies engaged in insurance activities, coordinate efforts to supervise companies that control both a depository institution and a company engaged in insurance activities regulated under State law. In particular, Congress believes that the Board and the State insurance regulators should share, on a confidential basis, information relevant to the supervision of companies that control both a depository institution and a company engaged in insurance activities, including information regarding the financial health of the consolidated organization and information regarding transactions and relationships between insurance companies and affiliated depository institutions. The appropriate Federal banking agencies for depository institutions should also share, on a confidential basis, information with the relevant State insurance regulators regarding transactions and relationships between depository institutions and affiliated companies engaged in insurance activities.

The purpose of this section is to encourage this coordination and confidential sharing of information, and to thereby improve both the efficiency and the quality of the supervision of financial holding companies and their affiliated depository institutions and companies engaged in insurance activities.

(b) EXAMINATION RESULTS AND OTHER INFORMATION.—

(1) INFORMATION OF THE BOARD.—Upon the request of the appropriate insurance regulator of any State, the Board may provide any information of the Board regarding the financial condition, risk management policies, and operations of any financial holding company that controls a company that is engaged in insurance activities and is regulated by such State insurance regulator, and regarding any transaction or relationship between such an insurance company and any affiliated depository institution. The Board may provide any other information to the appropriate State insurance regulator that the Board believes is necessary or appropriate to permit the State insurance regulator to administer and enforce applicable State insurance laws.

(2) BANKING AGENCY INFORMATION.—Upon the request of the appropriate insurance regulator of any State, the appropriate Federal banking agency may provide any information of the agency regarding any transaction or relationship between a depository institution supervised by such Federal banking agency and any affiliated company that is engaged in insurance activities regulated by such State insurance regulator. The appropriate Federal banking agency may provide any other information to the appropriate State insurance regulator that the agency believes is necessary or appropriate to permit the State insurance regulator to administer and enforce applicable State insurance laws.

(3) STATE INSURANCE REGULATOR INFORMATION.—Upon the request of the Board or the appropriate Federal banking agency, a State insurance regulator may provide any examination or other reports, records, or other information to which such insurance regulator may have access with respect to a company which—

(A) is engaged in insurance activities and regulated by such insurance regulator; and

(B) is an affiliate of an insured depository institution, wholesale financial institution, or financial holding company.

(c) CONSULTATION.—Before making any determination relating to the initial affiliation of, or the continuing affiliation of, an insured depository institution, wholesale financial institution, or financial holding company with a company engaged in insurance activities, the appropriate Federal banking agency shall consult with the appropriate State insurance regulator of such company and take the views of such insurance regulator into account in making such determination.

(d) EFFECT ON OTHER AUTHORITY.—Nothing in this section shall limit in any respect the authority of the appropriate Federal banking agency with respect to an insured depository institution, wholesale financial institution, or bank holding company or any affiliate thereof under any provision of law.

(e) CONFIDENTIALITY AND PRIVILEGE.—

(1) CONFIDENTIALITY.—The appropriate Federal banking agency shall not provide any information or material that is entitled to confidential treatment under applicable Federal banking agency regulations, or other applicable law, to a State insurance regulator unless such regulator agrees to maintain the information or material in confidence and to take all reasonable steps to oppose any effort to secure disclosure of the information or material by the regulator. The appropriate Federal banking agency

shall treat as confidential any information or material obtained from a State insurance regulator that is entitled to confidential treatment under applicable State regulations, or other applicable law, and take all reasonable steps to oppose any effort to secure disclosure of the information or material by the Federal banking agency.

(2) PRIVILEGE.—The provision pursuant to this section of information or material by a Federal banking agency or State insurance regulator shall not constitute a waiver of, or otherwise affect, any privilege to which the information or material is otherwise subject.

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

(1) APPROPRIATE FEDERAL BANKING AGENCY; INSURED DEPOSITORY INSTITUTION.—The terms “appropriate Federal banking agency” and “insured depository institution” shall have the same meanings as in section 3 of the Federal Deposit Insurance Act.

(2) BOARD; FINANCIAL HOLDING COMPANY; AND WHOLESALE FINANCIAL INSTITUTION.—The terms “Board”, “financial holding company”, and “wholesale financial institution” shall have the same meanings as in section 2 of the Bank Holding Company Act of 1956.

In paragraph (1) of section 309 of the Amendment in the Nature of a Substitute, strike “restrict” and insert “significantly interfere with the ability of”.

In paragraph (1) of section 309 of the Amendment in the Nature of a Substitute, strike “from becoming” and insert “to become”.

In paragraph (1) of section 309 of the Amendment in the Nature of a Substitute, strike “from acquiring” and insert “to acquire”.

In paragraph (3) of section 309 of the Amendment in the Nature of a Substitute, strike “restrict” and insert “significantly interfere with”.

In section 3(a)(4)(B) of the Securities Exchange Act of 1934, as amended by section 201 of the Amendment in the Nature of a Substitute, strike clause (ii) (relating to trust activities) and insert the following:

“(ii) TRUST ACTIVITIES.—The bank effects transactions in a trustee capacity, or effects transactions in a fiduciary capacity in its trust department or other department that is regularly examined by bank examiners for compliance with fiduciary principles and standards, and (in either case)—

“(I) is primarily compensated on the basis of an administration or annual fee (payable on a monthly, quarterly, or other basis), a percentage of assets under management, or a flat or capped per order processing fee, or any combination of such fees, but does not otherwise receive brokerage commissions, or other similar remuneration based on effecting transactions in securities, that exceed the cost incurred by the bank in connection with executing securities transactions for trustee or fiduciary customers; and

“(II) does not publicly solicit brokerage business, other than by advertising that it effects transactions in securities in conjunction with advertising its other trust activities.

In section 3(a)(4)(B) of the Securities Exchange Act of 1934, as amended by section 201 of the Amendment in the Nature of a Substitute, strike clause (iv) (relating to certain stock purchase plans) and insert the following:

“(iv) CERTAIN STOCK PURCHASE PLANS.—

“(I) EMPLOYEE BENEFIT PLANS.—The bank effects transactions, as part of its transfer agency activities, in the securities of an issuer as part of any pension, retirement, profit-sharing, bonus, thrift, savings, incentive, or other similar benefit plan for the employees of that issuer or its subsidiaries, if—

(aa) the bank does not solicit transactions or provide investment advice with respect to

the purchase or sale of securities in connection with the plan; and

“(bb) the bank’s compensation for such plan or program consists of administration fees, or flat or capped per order processing fees, or both, but the bank does not otherwise receive brokerage commissions, or other similar remuneration based on effecting transactions in securities, that exceed the cost incurred by the bank in connection with executing securities transactions under this subclause (I).

“(II) DIVIDEND REINVESTMENT PLANS.—The bank effects transactions, as part of its transfer agency activities, in the securities of an issuer as part of that issuer’s dividend reinvestment plan, if—

“(aa) the bank does not solicit transactions or provide investment advice with respect to the purchase or sale of securities in connection with the plan;

“(bb) the bank does not net shareholders’ buy and sell orders, other than for programs for odd-lot holders or plans registered with the Commission; and

“(cc) the bank’s compensation for such plan or program consists of administration fees, or flat or capped per order processing fees, or both, but the bank does not otherwise receive brokerage commissions, or other similar remuneration based on effecting transactions in securities, that exceed the cost incurred by the bank in connection with executing securities transactions under this subclause (II).

“(III) ISSUER PLANS.—The bank effects transactions, as part of its transfer agency activities, in the securities of an issuer as part of a plan or program for the purchase or sale of that issuer’s shares, if—

“(aa) the bank does not solicit transactions or provide investment advice with respect to the purchase or sale of securities in connection with the plan or program;

“(bb) the bank does not net shareholders’ buy and sell orders, other than for programs for odd-lot holders or plans registered with the Commission; and

“(cc) the bank’s compensation for such plan or program consists of administration fees, or flat or capped per order processing fees, or both, but the bank does not otherwise receive brokerage commissions, or other similar remuneration based on effecting transactions in securities, that exceed the cost incurred by the bank in connection with executing securities transactions under this subclause (III).

“(IV) PERMISSIBLE DELIVERY OF MATERIALS.—The exception to being considered a broker for a bank engaged in activities described in subclauses (I), (II), and (III) will not be affected by a bank’s delivery of written or electronic plan materials to employees of the issuer, shareholders of the issuer, or members of affinity groups of the issuer, so long as such materials are—

“(aa) comparable in scope or nature to that permitted by the Commission as of the date of the enactment of the Financial Services Act of 1998; or

“(bb) otherwise permitted by the Commission.

Strike subtitle E of title I of the Amendment in the Nature of a Substitute and insert the following new subtitle (and conform the table of contents accordingly):

Subtitle E—Preservation of FTC Authority
SEC. 141. AMENDMENT TO THE BANK HOLDING COMPANY ACT OF 1956 TO MODIFY NOTIFICATION AND POST-APPROVAL WAITING PERIOD FOR SECTION 3 TRANSACTIONS.

Section 11(b)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1849(b)(1)) is amended by inserting “and, if the transaction also involves an acquisition under section 4 or section 6, the Board shall also

notify the Federal Trade Commission of such approval" before the period at the end of the 1st sentence.

SEC. 142. INTERAGENCY DATA SHARING.

To the extent not prohibited by other law, the Comptroller of the Currency, the Director of the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System shall make available to the Attorney General and the Federal Trade Commission any data in the possession of any such banking agency that the antitrust agency deems necessary for antitrust review of any transaction requiring notice to any such antitrust agency or the approval of such agency under section 3, 4, or 6 of the Bank Holding Company Act of 1956, section 18(c) of the Federal Deposit Insurance Act, the National Bank Consolidation and Merger Act, section 10 of the Home Owners' Loan Act, or the antitrust laws.

SEC. 143. CLARIFICATION OF STATUS OF SUBSIDIARIES AND AFFILIATES.

(a) CLARIFICATION OF FEDERAL TRADE COMMISSION JURISDICTION.—Any person which directly or indirectly controls, is controlled directly or indirectly by, or is directly or indirectly under common control with, any bank or savings association (as such terms are defined in section 3 of the Federal Deposit Insurance Act) and is not itself a bank or savings association shall not be deemed to be a bank or savings association for purposes of the Federal Trade Commission Act or any other law enforced by the Federal Trade Commission.

(b) SAVINGS PROVISION.—No provision of this section shall be construed as restricting the authority of any Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act) under any Federal banking law, including section 8 of the Federal Deposit Insurance Act.

(c) HART-SCOTT-RODINO AMENDMENT.—Section 7A(c)(7) of the Clayton Act (15 U.S.C. 18a(c)(7)) is amended by inserting before the semicolon at the end thereof the following: ", except that a portion of a transaction is not exempt under this paragraph if such portion of the transaction (A) requires notice under section 6 of the Bank Holding Company Act of 1956; and (B) does not require approval under section 3 or 4 of the Bank Holding Company Act of 1956".

SEC. 144. ANNUAL GAO REPORT.

(a) IN GENERAL.—By the end of the 1-year period beginning on the date of the enactment of this Act and annually thereafter, the Comptroller General of the United States shall submit a report to the Congress on market concentration in the financial services industry and its impact on consumers.

(b) ANALYSIS.—Each report submitted under subsection (a) shall contain an analysis of—

(1) the positive and negative effects of affiliations between various types of financial companies, and of acquisitions pursuant to this Act and the amendments made by this Act to other provisions of law, including any positive or negative effects on consumers, area markets, and submarkets thereof or on registered securities brokers and dealers which have been purchased by depository institutions or depository institution holding companies;

(2) the changes in business practices and the effects of any such changes on the availability of venture capital, consumer credit, and other financial services or products and the availability of capital and credit for small businesses; and

(3) the acquisition patterns among depository institutions, depository institution holding companies, securities firms, and insurance companies including acquisitions among the largest 20 percent of firms and ac-

quisitions within regions or other limited geographical areas.

In section 206(a)(1)(F) of the Amendment in the Nature of a Substitute, strike clauses (ii) and (iii), and insert the following:

(ii) interest rates, except interest rate derivative instruments (I) that are based on a security or a group or index of securities (other than government securities or a group or index of government securities); (II) that provide for the delivery of one or more securities (other than government securities); or (III) that trade on a national securities exchange; or

(iii) commodities, other rates, indices, or other assets, except derivative instruments (I) that are securities or that are based on a group or index of securities (other than government securities or a group or index of government securities); (II) that provide for the delivery of one or more securities (other than government securities); or (III) that trade on a national securities exchange.

In section 206(a)(3) of the Amendment in the Nature of a Substitute, strike "and" at the end of subparagraph (B); redesignate subparagraph (C) as subparagraph (D); and after subparagraph (B), insert the following new subparagraph:

(C) the term 'government securities' has the meaning provided in section 3(a)(42) of such Act, and, for purposes of this subsection, commercial paper, bankers acceptances, and commercial bills shall be treated in the same manner as government securities; and

In paragraph (55)(A) of section 3(a) of the Securities Exchange Act of 1934, as added by section 207 of the Amendment in the Nature of a Substitute, strike "or" at the end of clause (viii).

In paragraph (55)(A) of section 3(a) of the Securities Exchange Act of 1934, as added by section 207 of the Amendment in the Nature of a Substitute, strike the period at the end of clause (ix) and insert "; or".

In paragraph (55)(A) of section 3(a) of the Securities Exchange Act of 1934, as added by section 207 of the Amendment in the Nature of a Substitute, insert the following new clause after clause (ix):

"(x) the government of any foreign country.

At the end of subtitle A of title I of the Amendment in the Nature of a Substitute, insert the following new section (and amend the table of contents accordingly):

SEC. 109. RESPONSIVENESS TO COMMUNITY NEEDS FOR FINANCIAL SERVICES.

(a) STUDY.—The Secretary of the Treasury, in consultation with the Federal banking agencies (as defined in section 3(z) of the Federal Deposit Insurance Act) and the Securities and Exchange Commission, shall conduct a study of the extent to which adequate services are being provided as intended by the Community Reinvestment Act of 1977, including services in low- and moderate-income neighborhoods and for persons of modest means, as a result of the enactment of this Act.

(b) REPORT.—Before the end of the 2-year period beginning on the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Federal banking agencies and the Securities and Exchange Commission, shall submit a report to the Congress on the study conducted pursuant to subsection (a) and shall include such recommendations as the Secretary determines to be appropriate for administrative and legislative action with respect to institutions covered under the Community Reinvestment Act of 1977.

After section 109 (as so added) of the Amendment in the Nature of a Substitute, insert the following new section (and amend the table of contents accordingly):

SEC. 110. REPORTS ON ONGOING FTC STUDY OF CONSUMER PRIVACY ISSUES.

With respect to the ongoing multistage study being conducted by the Federal Trade Commission on consumer privacy issues, the Commission shall submit to the Congress an interim report on the findings and conclusions of the Commission, together with such recommendations for legislative and administrative action as the Commission determines to be appropriate, at the conclusion of each stage of such study and a final report at the conclusion of the study.

In section 322(b) of the Amendment in the Nature of a Substitute, strike paragraph (1) and insert the following:

(1) be a nonprofit corporation;
It was decided in the { Years 407
affirmative } Nays 11

44.15		[Roll No. 143]
		AYES—407
Abercrombie	Coyne	Hall (TX)
Ackerman	Cramer	Hamilton
Aderholt	Crane	Hansen
Allen	Crapo	Hastert
Andrews	Cubin	Hastings (FL)
Archer	Cummings	Hastings (WA)
Armey	Cunningham	Hayworth
Baesler	Danner	Hefley
Baker	Davis (FL)	Herger
Baldacci	Davis (IL)	Hill
Ballenger	Davis (VA)	Hilleary
Barcia	Deal	Hinchey
Barr	DeFazio	Hinojosa
Barrett (NE)	DeGette	Hobson
Barrett (WI)	Delahunt	Hoekstra
Bartlett	DeLauro	Holden
Barton	DeLay	Hooley
Bass	Deutsch	Horn
Becerra	Diaz-Balart	Hostettler
Bentsen	Dickey	Houghton
Bereuter	Dicks	Hoyer
Berman	Dingell	Hulshof
Berry	Dixon	Hunter
Bilbray	Doggett	Hutchinson
Bilirakis	Dooley	Hyde
Bishop	Doolittle	Inglis
Blagojevich	Doyle	Istook
Biley	Duncan	Jackson (IL)
Blumenauer	Dunn	Jackson-Lee
Blunt	Edwards	(TX)
Boehlert	Ehlers	Jefferson
Boehner	Ehrlich	Jenkins
Bonilla	Emerson	John
Bonior	Engel	Johnson (CT)
Bono	English	Johnson (WI)
Borski	Ensign	Johnson, E.B.
Boswell	Eshoo	Jones
Boucher	Etheridge	Kanjorski
Boyd	Evans	Kaptur
Brady	Everett	Kasich
Brown (CA)	Ewing	Kelly
Brown (FL)	Farr	Kennedy (MA)
Brown (OH)	Fawell	Kennedy (RI)
Bryant	Fazio	Kennelly
Bunning	Filner	Kildee
Burr	Foley	Kim
Burton	Forbes	Kind (WI)
Buyer	Ford	King (NY)
Callahan	Fossella	Kingston
Calvert	Fowler	Kleczka
Camp	Fox	Klink
Campbell	Frank (MA)	Klug
Canady	Franks (NJ)	Knollenberg
Cannon	Frelinghuysen	Kolbe
Capps	Frost	Kucinich
Cardin	Furse	LaFalce
Carson	Galleghy	Lampson
Castle	Ganske	Lantos
Chabot	Gejdenson	Largent
Chambliss	Gekas	Latham
Chenoweth	Gephardt	LaTourette
Clayton	Gillmor	Lazio
Clement	Gilman	Leach
Clyburn	Goodlatte	Lee
Coble	Goodling	Levin
Coburn	Gordon	Lewis (CA)
Collins	Goss	Lewis (GA)
Combest	Graham	Lewis (KY)
Condit	Granger	Linder
Conyers	Green	Lipinski
Cook	Greenwood	Livingston
Cooksey	Gutierrez	LoBiondo
Costello	Gutknecht	Lofgren
Cox	Hall (OH)	Lowey

Lucas	Paul	Smith (MI)
Luther	Paxon	Smith (NJ)
Maloney (CT)	Payne	Smith (OR)
Maloney (NY)	Pease	Smith (TX)
Manton	Pelosi	Smith, Adam
Manzullo	Peterson (MN)	Smith, Linda
Markey	Peterson (PA)	Snowbarger
Martinez	Petri	Snyder
Mascara	Pickering	Solomon
Matsui	Pickett	Souder
McCarthy (MO)	Pitts	Spence
McCarthy (NY)	Pombo	Spratt
McCrery	Pomeroy	Stabenow
McDade	Porter	Stark
McDermott	Portman	Stearns
McGovern	Poshard	Stenholm
McHale	Price (NC)	Stokes
McHugh	Pryce (OH)	Strickland
McInnis	Quinn	Stump
McIntosh	Rahall	Stupak
McIntyre	Ramstad	Sununu
McKeon	Rangel	Talent
McKinney	Redmond	Tanner
McNulty	Regula	Tauscher
Meehan	Reyes	Tauzin
Meek (FL)	Riggs	Taylor (MS)
Meeks (NY)	Rivers	Taylor (NC)
Menendez	Rodriguez	Thomas
Metcalfe	Roemer	Thompson
Mica	Rogan	Thornberry
Millender-	Rogers	Thurman
McDonald	Rohrabacher	Tierney
Miller (CA)	Ros-Lehtinen	Torres
Miller (FL)	Rothman	Towns
Minge	Roukema	Traficant
Mink	Roybal-Allard	Turner
Moakley	Royce	Upton
Mollohan	Rush	Velazquez
Moran (KS)	Ryun	Vento
Moran (VA)	Sabo	Visclosky
Morella	Salmon	Walsh
Murtha	Sanchez	Wamp
Myrick	Sanders	Waters
Nadler	Sandlin	Watkins
Neal	Sanford	Watt (NC)
Nethercutt	Sawyer	Watts (OK)
Neumann	Saxton	Waxman
Ney	Schaefer, Dan	Weldon (FL)
Northup	Schumer	Weldon (PA)
Norwood	Scott	Weller
Nussle	Sensenbrenner	Wexler
Oberstar	Serrano	Weygand
Obey	Sessions	Whitfield
Olver	Shadegg	Wicker
Ortiz	Shaw	Wise
Owens	Shays	Wolf
Oxley	Sherman	Woolsey
Packard	Shimkus	Wynn
Pallone	Shuster	Yates
Pappas	Sisisky	Young (AK)
Parker	Skeen	Young (FL)
Pascarella	Skelton	
Pastor	Slaughter	

NOES—11

Bachus	LaHood	Schaffer, Bob
Dreier	McCollum	Thune
Goode	Riley	Tiahrt
Johnson, Sam	Scarborough	

NOT VOTING—14

Bateman	Gilchrest	Kilpatrick
Christensen	Gonzalez	Radanovich
Clay	Harman	Skaggs
Fattah	Hefner	White
Gibbons	Hilliard	

So the amendment was agreed to.
After some further time,

44.16 RECORDED VOTE

A recorded vote by electronic device was ordered in the Committee of the Whole on the following amendment submitted by Mr. LAFALCE:

In section 104(b)(2) of the Amendment in the Nature of a Substitute, strike "As stated by the United States Supreme Court" and insert "In accordance with the decision of the Supreme Court of the United States".

In section 104(b)(2) of the Amendment in the Nature of a Substitute, strike "to engage" each place such term appears and insert "or any subsidiary or other affiliate thereof, from engaging".

In section 104(b)(2) of the Amendment in the Nature of a Substitute, strike subpara-

graph (B) and insert the following new subparagraph:

(B) subparagraph (A) shall not apply after the end of the 5-year period beginning on the date of the enactment of this Act.

In section 104(b)(3) of the Amendment in the Nature of a Substitute, insert "not relating to crossmarketing activities subject to paragraph (2)" after "orders, and interpretations".

In section 104(b)(3) of the Amendment in the Nature of a Substitute, insert "to the extent that such statutes, regulations, orders, and interpretations do not have a disparate impact on insurance underwriters affiliated with an insured depository institution or wholesale financial institution" before the period at the end.

Strike the heading for subtitle C of title I of the Amendment in the Nature of a Substitute and insert the following new heading:

Subtitle C—Subsidiaries of Insured Depository Institutions

Strike section 121 of the Amendment in the Nature of a Substitute and insert the following new sections (and redesignate subsequent sections and amend the table of contents accordingly):

SEC. 121. SUBSIDIARIES OF NATIONAL BANKS AUTHORIZED TO ENGAGE IN FINANCIAL ACTIVITIES.

(a) FINANCIAL SUBSIDIARIES OF NATIONAL BANKS.—Chapter one of title LXII of the Revised Statutes of 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. FINANCIAL SUBSIDIARIES OF NATIONAL BANKS.

"(a) SUBSIDIARIES OF NATIONAL BANKS AUTHORIZED TO ENGAGE IN FINANCIAL ACTIVITIES.—

"(1) IN GENERAL.—A subsidiary of a national bank may engage in an activity that is not permissible for a national bank to engage in directly, but only if—

"(A) the activity is a financial activity (as defined in paragraph (4));

"(B) the national bank is well capitalized, well managed, and achieved a rating of 'satisfactory record of meeting community credit needs', or better, at the most recent examination of the bank;

"(C) all depository institution affiliates of such national bank are well capitalized, well managed, and have achieved a rating of 'satisfactory record of meeting community credit needs', or better, at the most recent examination of each such institution; and

"(D) the bank has received the approval of the Comptroller of the Currency.

"(2) NO EFFECT ON EDGE ACT OR AGREEMENT CORPORATIONS.—Paragraph (1) shall not apply with respect to any subsidiary which is a corporation organized under section 25A of the Federal Reserve Act or a corporation operating under section 25 of such Act.

"(3) OTHER SUBSIDIARIES PROHIBITED.—A national bank may not control any subsidiary other than a subsidiary—

"(A) which engages solely in activities that are permissible for a national bank to engage in directly or are authorized under paragraph (1); or

"(B) which a national bank may control pursuant to section 25 or 25A of the Federal Reserve Act, the Bank Service Company Act, or any other Act that expressly by its terms authorizes national banks to control subsidiaries.

"(4) FINANCIAL ACTIVITY DEFINED.—For purposes of this section and subject to paragraph (5), the term 'financial activity' means any 1 or more of the following:

"(A) Receiving money subject to a deposit or other repayment obligation.

"(B) Lending, exchanging, transferring, investing, or safeguarding money or other financial assets.

"(C) Providing any device or other instrumentality for transferring money or other financial assets.

"(D) Acting as agent or broker in the placement of annuities contracts or contracts insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death.

"(E) Providing financial, investment, or economic advisory or information services, including advising an investment company (as defined in section 3 of the Investment Company Act of 1940).

"(F) Issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly.

"(G) Arranging, effecting, or facilitating financial transactions for the account of third parties.

"(H) Directly or indirectly acquiring or controlling, whether as principal, on behalf of 1 or more entities (including entities that the financial subsidiary 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 any activity not authorized pursuant to this section if—

"(i) the shares, assets, or ownership interests are not acquired or held by a depository institution;

"(ii) such shares, assets, or ownership interests are acquired and held by a securities affiliate or an affiliate thereof as part of a bona fide underwriting or merchant banking activity, including investment activities engaged in for the purpose of appreciation and ultimate resale or disposition of the investment;

"(iii) such shares, assets, or ownership interests, are held only for such a period of time as will permit the sale or disposition thereof on a reasonable basis consistent with the nature of the activities described in clause (ii); and

"(iv) during the period such shares, assets, or ownership interests are held, the financial subsidiary does not actively participate in the day to day management or operation of such company or entity, except insofar as necessary to achieve the objectives of clause (ii).

"(I) Underwriting, dealing in, or making a market in securities.

"(J) Engaging in any activity that was, by regulation or order, permissible for a bank holding company pursuant to section 4(c)(8) of the Bank Holding Company Act of 1956 (as in effect on the day before the date of enactment of the Financial Services Act of 1998).

"(K) Engaging, in the United States, in any activity that—

"(i) a bank holding company may engage in outside the United States; and

"(ii) the Board of Governors of the Federal Reserve System determined, under regulations issued pursuant to section 4(c)(13) of the Bank Holding Company Act of 1956 (as in effect on the day before the date of enactment of the Financial Services Act of 1998) to be usual in connection with the transaction of banking or other financial operations abroad;

"(L) Owning shares of a company to the extent permissible under section 4(c)(7) of the Bank Holding Company Act of 1956 (as in effect on the day before the date of enactment of the Financial Services Act of 1998).

"(M) Engaging in any activity that the Comptroller of the Currency determines by regulation or order is the functional equivalent of any activity described in 1 or more of subparagraphs (A) through (K).

“(N) Engaging in any activity that the Comptroller of the Currency determines by regulation or order to be financial, or related to a financial activity, having taken into account—

“(i) the purposes of this title and the Financial Services Act of 1998;

“(ii) changes or reasonably expected changes in the market in which bank subsidiaries compete;

“(iii) changes or reasonable expected changes in the technology delivering financial services; and

“(iv) whether such activity is necessary or appropriate to allow a bank and the subsidiaries of a bank to—

“(I) compete effectively with any company seeking to provide financial services in the United States;

“(II) use any available or emerging technological means, including any application necessary to protect the security or efficacy of systems for the transmission of data or financial transactions, in providing financial services; and

“(III) offer customers any available or emerging technological means for using financial services.

“(5) OTHER DEFINITIONS.—For purposes of this section, the following definitions shall apply:

“(A) FINANCIAL SUBSIDIARY.—The term ‘financial subsidiary’ means a company which—

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

“(ii) is engaged in a financial activity pursuant to paragraph (1) that is not a permissible activity for a national bank to engage in directly.

“(B) SUBSIDIARY.—The term ‘subsidiary’ has the meaning given to such term in section 2 of the Bank Holding Company Act of 1956.

“(C) WELL CAPITALIZED.—The term ‘well capitalized’ has the same meaning as in section 38 of the Federal Deposit Insurance Act and, for purposes of this section, the Comptroller shall have exclusive jurisdiction to determine whether a national bank is well capitalized.

“(D) WELL MANAGED.—The term ‘well managed’ means—

“(i) in the case of a bank that has been examined, unless otherwise determined in writing by the Comptroller, the achievement of—

“(I) a composite rating of 1 or 2 under the Uniform Financial Institutions Rating System (or an equivalent rating under an equivalent rating system) in connection with the most recent examination or subsequent review of the bank; and

“(II) at least a rating of 2 for management, if that rating is given; or

“(ii) in the case of any national bank that has not been examined, the existence and use of managerial resources that the Comptroller determines are satisfactory.

“(6) INSURANCE UNDERWRITING AND DIRECT INVESTMENT.—Except as provided in title III of the Financial Services Act of 1998, no subsidiary of a national bank (other than a corporation organized under section 25A of the Federal Reserve Act or a corporation operating under section 25 of such Act) may underwrite noncredit-related insurance or engage in real estate investment or development activities (except to the extent a national bank is specifically authorized by statute to engage in any such activity directly).

“(7) LIMITED EXCLUSIONS FROM COMMUNITY NEEDS REQUIREMENTS FOR NEWLY ACQUIRED DEPOSITORY INSTITUTIONS.—Any depository institution which becomes affiliated with a national bank during the 12-month period

preceding the submission of an application to acquire a financial subsidiary and any depository institution which becomes so affiliated after the approval of such application may be excluded for purposes of paragraph (1)(C) during the 12-month period beginning on the date of such acquisition if—

“(A) the national bank has submitted an affirmative plan to the Comptroller of the Currency to take such action as may be necessary in order for such institution to achieve a ‘satisfactory record of meeting community credit needs’, or better, during the most next examination of the institution; and

“(B) the plan has been accepted by the Comptroller.

“(b) CAPITAL DEDUCTION REQUIRED.—

“(1) IN GENERAL.—In determining compliance with applicable capital standards—

“(A) the amount of a national bank’s equity investment in a financial subsidiary shall be deducted from the national bank’s assets and tangible equity; and

“(B) the financial subsidiary’s assets and liabilities shall not be consolidated with those of the national bank.

“(2) REGULATIONS REQUIRED.—The Comptroller shall prescribe regulations implementing this subsection.

“(c) SAFEGUARDS FOR THE BANK.—A national bank that establishes or maintains a financial subsidiary shall assure that—

“(1) the bank’s procedures for identifying and managing financial and operational risks within the bank and financial subsidiaries of the bank adequately protect the bank from such risks;

“(2) the bank has, for the protection of the bank, reasonable policies and procedures to preserve the separate corporate identity and limited liability of the bank and subsidiaries of the bank; and

“(3) the bank complies with this section.

“(d) NATIONAL BANKS WHICH DO NOT COMPLY WITH REQUIREMENTS OF THIS SECTION.—

“(1) IN GENERAL.—If the Comptroller determines that a national bank which controls a financial subsidiary, or a depository institution affiliate of such national bank, does not continue to meet the requirements of subsection (a), the Comptroller shall give notice to the bank to that effect, describing the conditions giving rise to the notice.

“(2) AGREEMENT TO CORRECT CONDITIONS REQUIRED.—

“(A) CONTENT OF AGREEMENT.—Within 45 days of the receipt by a depository institution of a notice given under paragraph (1) (or such additional period as the Comptroller may permit), the depository institution failing to meet the requirements of subsection (a) shall execute an agreement with the appropriate Federal banking agency for such institution to correct the conditions described in the notice.

“(B) COMPTROLLER MAY IMPOSE LIMITATIONS.—Until the conditions giving rise to the notice are corrected, the Comptroller may impose such limitations on the conduct of the business of the national bank or subsidiary of such bank as the Comptroller determines to be appropriate under the circumstances.

“(3) FAILURE TO CORRECT.—If the conditions described in the notice are not corrected within 180 days after the bank receives the notice, the Comptroller may require, under such terms and conditions as may be imposed by the Comptroller and subject to such extensions of time as may be granted in the discretion of the Comptroller—

(A) the national bank to divest control of each subsidiary engaged in an activity that is not permissible for the bank to engage in directly; or

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

(b) CLERICAL AMENDMENT.—The table of sections for chapter one 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. Financial subsidiaries of national banks.”

SEC. 122. ACTIVITIES OF SUBSIDIARIES OF INSURED STATE BANKS.

Section 24(d) of the Federal Deposit Insurance Act (12 U.S.C. 1831a(d)) is amended—

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

“(3) CONDITIONS ON CERTAIN ACTIVITIES.—

“(A) IN GENERAL.—Subject to the approval of the appropriate Federal banking agency, a subsidiary of a State bank may engage in an activity in which a subsidiary of a national bank may engage as principal pursuant to subsection (a)(1) of section 5136A of the Revised Statutes of the United States but only if the State bank meets the same requirements which are applicable to national banks under subparagraphs (B) and (C) of such subsection and subsections (b) and (c) of such section.

“(B) APPLICATION OF SECTION 5136A OF REVISED STATUTES.—For purposes of applying section 5136A of the Revised Statutes of the United States with regard to the activities of a subsidiary of a State bank, all references in such section to the Comptroller of the Currency, or regulations and orders of the Comptroller, shall be deemed to be references to the appropriate Federal banking agency with respect to such State bank, and regulations and orders of such agency.

“(4) STATE BANKS WHICH FAIL TO COMPLY WITH PARAGRAPH (3) CONDITIONS.—

“(A) IN GENERAL.—If the appropriate Federal banking agency determines that a State bank that controls a subsidiary which is engaged as principal in financial activities pursuant to paragraph (3) does not meet the requirements of subparagraph (A) of such paragraph, the appropriate Federal banking agency shall give notice to the bank to that effect, describing the conditions giving rise to the notice.

“(A) AGREEMENT TO CORRECT CONDITIONS REQUIRED.—

“(i) CONTENT OF AGREEMENT.—Within 45 days of the receipt by a bank of a notice given under paragraph (1) (or such additional period as the appropriate Federal banking agency for such bank may permit), the bank failing to meet the requirements of paragraph (3)(A) shall execute an agreement with the appropriate Federal banking agency for such bank to correct the conditions described in the notice.

“(B) AGENCY MAY IMPOSE LIMITATIONS.—Until the conditions giving rise to the notice are corrected, the appropriate Federal banking agency for the State bank may impose such limitations on the conduct of the business of the bank or a subsidiary of the bank as the agency determines to be appropriate under the circumstances.

“(C) FAILURE TO CORRECT.—If the conditions described in the notice are not corrected within 180 days after the bank receives the notice, the appropriate Federal banking agency for the State may require, under such terms and conditions as may be imposed by such agency and subject to such extensions of time as may be granted in the discretion of the agency—

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

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

SEC. 123. RULES APPLICABLE TO FINANCIAL SUBSIDIARIES.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) BANK HOLDING COMPANY ACT AMENDMENTS OF 1970.—Section 106(a) of the Bank Holding Company Act Amendments of 1970 is amended by adding at the end the following new sentence: “For purposes of this section, a financial subsidiary (as defined in section 5136A(a)(5)(A) of the Revised Statutes of the United States or referenced in the 20th undesignated paragraph of section 9 of the Federal Reserve Act or section 24(d)(3)(A) of the

Federal Deposit Insurance Act) shall be deemed to be a subsidiary of a bank holding company, and not a subsidiary of a bank.”; and

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

[3. CONSUMER PROTECTION]

In paragraph (1) of section 45(a) of the Federal Deposit Insurance Act, as added by section 308(a) of the Amendment in the Nature of a Substitute, insert “governing sales practices” after “regulations” in the portion of such paragraph which precedes subparagraph (A).

In paragraph (1) of section 45(d) of the Federal Deposit Insurance Act, as added by section 308(a) of the Amendment in the Nature of a Substitute, strike “and the making of loans”.

Strike paragraph (2) of section 45(g) of the Federal Deposit Insurance Act, as added by section 308(a) of the Amendment in the Nature of a Substitute, and insert the following new paragraph:

“(2) EFFECT ON OTHER LAWS.—Subject to section 104, regulations prescribed by a Federal banking agency under this section shall not be construed as superseding, altering, or affecting the statutes, regulations, orders, or interpretations in effect in any State, except to the extent that such statutes, regulations, orders, or interpretations are inconsistent with the regulations prescribed by a Federal banking agency under this section and then only to the extent of the inconsistency. For purposes of this paragraph, a State statute, regulation, order, or interpretation is not inconsistent with the regulations prescribed by a Federal banking agency under this section if the protection such statute, regulation, order, or interpretation affords any consumer is greater than the protection provided by the regulations under this section.

In paragraph (1) of section 6(d) of the Bank Holding Company Act of 1956, as added by section 103(a) of the Amendment in the Nature of a Substitute, strike “or (C)” and insert “(C), or (D)”.

In paragraph (4)(D) of section 6(d) of the Bank Holding Company Act of 1956, as added by section 103(a) of the Amendment in the Nature of a Substitute, strike “or (C)” and insert “(C), or (D)”.

In section 307(e) of the Amendment in the Nature of a Substitute, strike “, without unequal deference”.

After section 145 of the Amendment in the Nature of a Substitute, insert the following new section (and redesignate the subsequent section and conform the table of contents accordingly):

SEC. 146. ANNUAL GAO REPORT.

(a) IN GENERAL.—By the end of the 1-year period beginning on the date of the enactment of this Act and annually thereafter, the Comptroller General of the United States shall submit a report to the Congress on market concentration in the financial services industry and its impact on consumers.

(b) ANALYSIS.—Each report submitted under subsection (a) shall contain an analysis of—

(1) the positive and negative effects of affiliations between various types of financial companies, and of acquisitions pursuant to

this Act and the amendments made by this Act to other provisions of law, including any positive or negative effects on consumers, area markets, and submarkets thereof or on registered securities brokers and dealers which have been purchased by depository institutions or depository institution holding companies;

(2) the changes in business practices and the effects of any such changes on the availability of venture capital, consumer credit, and other financial services or products and the availability of capital and credit for small businesses; and

(3) the acquisition patterns among depository institutions, depository institution holding companies, securities firms, and insurance companies including acquisitions among the largest 20 percent of firms and acquisitions within regions or other limited geographical areas.

After section 108 of the Amendment in the Nature of a Substitute, insert the following new section (and amend the table of contents accordingly):

SEC. 110. REPORTS ON ONGOING FTC STUDY OF CONSUMER PRIVACY ISSUES.

With respect to the ongoing multistage study being conducted by the Federal Trade Commission on consumer privacy issues, the Commission shall submit an interim report on the findings and conclusions of the Commission, together with such recommendations for legislative and administrative action as the Commission determines to be appropriate, to the Committee on Commerce and the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate at the conclusion of each stage of such study and a final report at the conclusion of the study.

It was decided in the { Yeas 115 negative } Nays 306

44.17

[Roll No. 144]

AYES—115

Allen	Hooley	Mollohan
Baesler	Hostettler	Moran (VA)
Barrett (WI)	Hoyer	Myrick
Becerra	Jackson (IL)	Oberstar
Bentsen	Jackson-Lee	Obey
Berman	(TX)	Olver
Bishop	Jefferson	Ortiz
Blumenauer	Johnson (WI)	Owens
Boehlert	Johnson, E. B.	Pastor
Bonior	Kanjorski	Payne
Borski	Kaptur	Pelosi
Boswell	Kelly	Petri
Brown (CA)	Kennedy (MA)	Price (NC)
Capps	Kennedy (RI)	Ramstad
Cardin	Kind (WI)	Roybal-Allard
Carson	Kleczka	Rush
Castle	Kucinich	Sabo
Clayton	LaFalce	Sanders
Clyburn	Lampson	Sandlin
Conyers	Lantos	Schumer
Davis (IL)	LaTourrette	Serrano
Davis (VA)	Lee	Sherman
DeFazio	Lewis (GA)	Slaughter
Dixon	Luther	Smith, Adam
Dreier	Maloney (CT)	Snyder
Eshoo	Maloney (NY)	Souder
Evans	Martinez	Stark
Farr	McDermott	Stokes
Fattah	McHale	Thompson
Filner	McInnis	Thurman
Frank (MA)	McIntosh	Tierney
Gibbons	McKinney	Torres
Goode	Meehan	Velazquez
Goodlatte	Meek (FL)	Vento
Green	Meeks (NY)	Viscosky
Gutierrez	Millender	Waters
Hall (OH)	McDonald	Watt (NC)
Hastings (FL)	Miller (CA)	Weygand
Hinchee	Moakley	Woolsey

NOES—306

Abercrombie	Archer	Baldacci
Ackerman	Armey	Ballenger
Aderholt	Bachus	Barcia
Andrews	Baker	Barr

Barrett (NE)	Gordon	Pease
Bartlett	Goss	Peterson (MN)
Barton	Graham	Peterson (PA)
Bass	Granger	Pickering
Bereuter	Greenwood	Pickett
Berry	Gutknecht	Pitts
Bilbray	Hall (TX)	Pombo
Bilirakis	Hamilton	Pomeroy
Blagojevich	Hansen	Porter
Bliley	Hastert	Portman
Blunt	Hastings (WA)	Poshard
Boehner	Hayworth	Pryce (OH)
Bonilla	Hefley	Quinn
Bono	Herger	Rahall
Boucher	Hill	Rangel
Boyd	Hilleary	Redmond
Brady	Hinojosa	Regula
Brown (FL)	Hobson	Reyes
Brown (OH)	Hoekstra	Riggs
Bryant	Holden	Riley
Bunning	Horn	Rivers
Burr	Houghton	Rodriguez
Burton	Hulshof	Roemer
Buyer	Hunter	Rogan
Callahan	Hutchinson	Rogers
Calvert	Hyde	Rohrabacher
Camp	Inglis	Ros-Lehtinen
Campbell	Istook	Rothman
Canady	Jenkins	Roukema
Cannon	John	Royce
Chabot	Johnson (CT)	Ryun
Chambliss	Johnson, Sam	Salmon
Chenoweth	Jones	Sanchez
Clement	Kasich	Sanford
Coble	Kennelly	Sawyer
Coburn	Kildee	Saxton
Collins	Kim	Scarborough
Combest	King (NY)	Schaefer, Dan
Condit	Kingston	Schaffer, Bob
Cook	Klink	Scott
Cooksey	Klug	Sensenbrenner
Costello	Knollenberg	Sessions
Cox	Kolbe	Shadegg
Coyne	LaHood	Shaw
Cramer	Largent	Shays
Crane	Latham	Shimkus
Crapo	Lazio	Shuster
Cubin	Leach	Sisisky
Cummings	Levin	Skeen
Cunningham	Lewis (CA)	Skelton
Danner	Lewis (KY)	Smith (MI)
Davis (FL)	Linder	Smith (NJ)
Deal	Lipinski	Smith (OR)
DeGette	Livingston	Smith (TX)
Delahunt	LoBiondo	Smith, Linda
DeLauro	Lofgren	Snowbarger
DeLay	Lowey	Solomon
Deutsch	Lucas	Spence
Diaz-Balart	Manton	Spratt
Dickey	Manzullo	Stabenow
Dicks	Markey	Stearns
Dingell	Mascara	Stenholm
Doggett	Matsui	Strickland
Dooley	McCarthy (MO)	Stump
Doolittle	McCarthy (NY)	Stupak
Doyle	McCollum	Sununu
Duncan	McCrery	Talent
Dunn	McDade	Tanner
Edwards	McGovern	Tauscher
Ehlers	McHugh	Tauzin
Ehrlich	McIntyre	Taylor (MS)
Emerson	McKeon	Taylor (NC)
Engel	McNulty	Thomas
English	Menendez	Thornberry
Ensign	Metcalf	Thune
Etheridge	Mica	Tiahrt
Everett	Miller (FL)	Towns
Ewing	Minge	Trafficant
Fawell	Mink	Turner
Fazio	Moran (KS)	Upton
Foley	Morella	Walsh
Forbes	Murtha	Wamp
Ford	Nadler	Watkins
Fossella	Neal	Watts (OK)
Fowler	Nethercutt	Waxman
Fox	Neumann	Weldon (FL)
Franks (NJ)	Ney	Weldon (PA)
Frelinghuysen	Northup	Weller
Frost	Norwood	Wexler
Furse	Nussle	White
Gallegly	Oxley	Whitfield
Ganske	Packard	Wicker
Gejdenson	Pallone	Wise
Gekas	Pappas	Wolf
Gephardt	Parker	Wynn
Gillmor	Pascrell	Yates
Gilman	Paul	Young (AK)
Goodling	Paxon	Young (FL)

NOT VOTING—11

Bateman	Gonzalez	Kilpatrick
Christensen	Harman	Radanovich
Clay	Hefner	Skaggs
Gilchrest	Hilliard	

So the amendment was not agreed to. After some further time, The Committee rose informally to receive a message from the President. The SPEAKER pro tempore, Mr. NETHERCUTT, assumed the Chair.

44.18 MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Sherman Williams, one of his secretaries.

The Committee resumed its sitting; and after some further time spent therein,

44.19 RECORDED VOTE

A recorded vote by electronic device was ordered in the Committee of the Whole on the following amendment submitted by Mr. BAKER:

After section 181, insert the following new sections (and conform the table of contents accordingly):

SEC. 182. CRA AMENDMENT.

Section 803(2) of the Community Reinvestment Act of 1977 (12 U.S.C. 2902(2)) is amended by inserting "which has total assets of more than \$100,000,000" before the semicolon at the end.

In section 305 of the Amendment in the Nature of a Substitute, strike "If a national bank" and insert "(a) IN GENERAL.—If a national bank".

In section 305 of the Amendment in the Nature of a Substitute, insert the following new subsections after subsection (a) (as so redesignated):

(b) STATE WAIVER.—If, in any community served by a national bank or a subsidiary of a national bank, there is no company licensed by the appropriate State regulator to provide insurance as agent which is available for acquisition, the State insurance regulator may, upon application by the national bank or subsidiary, waive the limitation of subsection (a) with respect to the provision of insurance as agent by such bank or subsidiary within such community.

(c) SUNSET.—This section shall cease to be effective at the end of the 3-year period beginning on the date of the enactment of this Act.

In paragraph (1) of section 45(d) of the Federal Deposit Insurance Act, as added by section 308(a) of the Amendment in the Nature of a Substitute, strike "and the making of loans".

In paragraph (2) of section 45(g) of the Federal Deposit Insurance Act, as added by section 308(a) of the Amendment in the Nature of a Substitute, strike "Regulations prescribed" and insert "Subject to section 104, regulations prescribed".

After section 309 of the Amendment in the Nature of a Substitute, add the following new section (and conform the table of contents accordingly):

SEC. 310. STUDY OF EFFECTIVENESS OF SAFE HARBOR.

(a) STUDY REQUIRED.—3 years after the date of the enactment of this Act, the Comptroller of the Currency shall study, in conjunction with the National Association of Insurance Commissioners should such Association choose to participate, the effectiveness of the provisions of section 104(b)(2)(A) in establishing a safe harbor for the regulation by States of insurance sales and solicitation activity.

(b) REPORT.—The Comptroller of the Currency, together with the National Association of Insurance Commissioners should such Association choose to participate, shall submit a report to the Congress before the end of the 6-month period beginning 3 years after the date of the enactment of this Act on findings made and conclusions reached with regard to the study required under subsection (a), together with such recommendations for legislative or administrative action as the Comptroller and the Association determine to be appropriate.

Paragraph (9) of section 10(c) of the Home Owners' Loan Act, as added by section 401 of the Amendment in the Nature of a Substitute, is amended by adding at the end the following new subparagraph:

"(C) NO ACQUISITION OF GRANDFATHERED UNITARIES BY UNREGULATED NONFINANCIAL COMPANIES.—Notwithstanding subparagraph (B), paragraph (3) shall not apply to any company described in subparagraph (B)(i)(II) which is not, at the time of the acquisition referred to in such subparagraph, subject to licensing, regulation, or examination by a Federal banking agency, the Securities and Exchange Commission, the Commodities Futures Trading Commission, or a State insurance regulator."

Strike the heading of subtitle C of title I of the Amendment in the Nature of a Substitute and insert the following new heading (and amend the table of contents accordingly):

SUBTITLE C—SUBSIDIARIES OF INSURED DEPOSITORY INSTITUTIONS

Strike section 121 of the Amendment in the Nature of a Substitute and insert the following new sections (and redesignate subsequent sections and amend the table of contents accordingly):

SEC. 121. SUBSIDIARIES OF NATIONAL BANKS AUTHORIZED TO ENGAGE IN FINANCIAL ACTIVITIES.

(a) FINANCIAL SUBSIDIARIES OF NATIONAL BANKS.—Chapter one of title LXII of the Revised Statutes of 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. FINANCIAL SUBSIDIARIES OF NATIONAL BANKS.

"(a) SUBSIDIARIES OF NATIONAL BANKS AUTHORIZED TO ENGAGE IN FINANCIAL ACTIVITIES.—

"(1) IN GENERAL.—A subsidiary of a national bank may engage in an activity that is not permissible for a national bank to engage in directly, but only if—

"(A) the activity is a financial activity (as defined in paragraph (4));

"(B) the national bank is well capitalized, well managed, and achieved a rating of 'satisfactory record of meeting community credit needs', or better, at the most recent examination of the bank;

"(C) all depository institution affiliates of such national bank are well capitalized, well managed, and have achieved a rating of 'satisfactory record of meeting community credit needs', or better, at the most recent examination of each such institution; and

"(D) the bank has received the approval of the Comptroller of the Currency.

"(2) NO EFFECT ON EDGE ACT OR AGREEMENT CORPORATIONS.—Paragraph (1) shall not apply with respect to any subsidiary which is a corporation organized under section 25A of the Federal Reserve Act or a corporation operating under section 25 of such Act.

"(3) OTHER SUBSIDIARIES PROHIBITED.—A national bank may not control any subsidiary other than a subsidiary—

"(A) which engages solely in activities that are permissible for a national bank to

engage in directly or are authorized under paragraph (I); or

“(B) which a national bank may control pursuant to section 25 or 25A of the Federal Reserve Act, the Bank Service Company Act, or any other Act that expressly by its terms authorizes national banks to control subsidiaries.

“(4) FINANCIAL ACTIVITY DEFINED.—For purposes of this section and subject to paragraphs (5) and (6), the term ‘financial activity’ means any activity determined under section 6(c) of the Bank Holding Company Act of 1956 to be financial in nature or incidental to financial activities.

“(5) OTHER DEFINITIONS.—For purposes of this section, the following definitions shall apply:

“(A) FINANCIAL SUBSIDIARY.—The term ‘financial subsidiary’ means a company which—

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

“(ii) is engaged in a financial activity pursuant to paragraph (I) that is not a permissible activity for a national bank to engage in directly.

“(B) SUBSIDIARY.—The term ‘subsidiary’ has the meaning given to such term in section 2 of the Bank Holding Company Act of 1956.

“(C) WELL CAPITALIZED.—The term ‘well capitalized’ has the same meaning as in section 38 of the Federal Deposit Insurance Act and, for purposes of this section, the Comptroller shall have exclusive jurisdiction to determine whether a national bank is well capitalized.

“(D) WELL MANAGED.—The term ‘well managed’ means—

“(i) in the case of a bank that has been examined, unless otherwise determined in writing by the Comptroller, the achievement of—

“(I) a composite rating of 1 or 2 under the Uniform Financial Institutions Rating System (or an equivalent rating under an equivalent rating system) in connection with the most recent examination or subsequent review of the bank; and

“(II) at least a rating of 2 for management, if that rating is given; or

“(ii) in the case of any national bank that has not been examined, the existence and use of managerial resources that the Comptroller determines are satisfactory.

“(6) INSURANCE UNDERWRITING, MERCHANT BANKING, AND DIRECT INVESTMENT.—Except as provided in title III of the Financial Services Act of 1998, no subsidiary of a national bank (other than a corporation organized under section 25A of the Federal Reserve Act or a corporation operating under section 25 of such Act) may underwrite noncredit-related insurance, engage in real estate investment or development activities (except to the extent a national bank is specifically authorized by statute to engage in any such activity directly), or engage in merchant banking (as described in section 6(c)(3)(H) of the Bank Holding Company Act of 1956).

“(7) LIMITED EXCLUSIONS FROM COMMUNITY NEEDS REQUIREMENTS FOR NEWLY ACQUIRED DEPOSITORY INSTITUTIONS.—Any depository institution which becomes affiliated with a national bank during the 12-month period preceding the submission of an application to acquire a financial subsidiary and any depository institution which becomes so affiliated after the approval of such application may be excluded for purposes of paragraph (I)(C) during the 12-month period beginning on the date of such acquisition if—

“(A) the national bank has submitted an affirmative plan to the Comptroller of the Currency to take such action as may be necessary in order for such institution to

achieve a ‘satisfactory record of meeting community credit needs’, or better, during the most next examination of the institution; and

“(B) the plan has been accepted by the Comptroller.

“(b) CAPITAL DEDUCTION REQUIRED.—

“(1) IN GENERAL.—In determining compliance with applicable capital standards—

“(A) the amount of a national bank’s equity investment in a financial subsidiary shall be deducted from the national bank’s assets and tangible equity; and

“(B) the financial subsidiary’s assets and liabilities shall not be consolidated with those of the national bank.

“(2) REGULATIONS REQUIRED.—The Comptroller shall prescribe regulations implementing this subsection.

“(c) SAFEGUARDS FOR THE BANK.—A national bank that establishes or maintains a financial subsidiary shall assure that—

“(1) the bank’s procedures for identifying and managing financial and operational risks within the bank and financial subsidiaries of the bank adequately protect the bank from such risks;

“(2) the bank has, for the protection of the bank, reasonable policies and procedures to preserve the separate corporate identity and limited liability of the bank and subsidiaries of the bank; and

“(3) the bank complies with this section.

“(d) NATIONAL BANKS WHICH DO NOT COMPLY WITH REQUIREMENTS OF THIS SECTION.—

“(1) IN GENERAL.—If the Comptroller determines that a national bank which controls a financial subsidiary, or a depository institution affiliate of such national bank, does not continue to meet the requirements of subsection (a), the Comptroller shall give notice to the bank to that effect, describing the conditions giving rise to the notice.

“(2) AGREEMENT TO CORRECT CONDITIONS REQUIRED.—

“(A) CONTENT OF AGREEMENT.—Within 45 days of the receipt by a depository institution of a notice given under paragraph (1) (or such additional period as the Comptroller may permit), the depository institution failing to meet the requirements of subsection (a) shall execute an agreement with the appropriate Federal banking agency for such institution to correct the conditions described in the notice.

“(B) COMPTROLLER MAY IMPOSE LIMITATIONS.—Until the conditions giving rise to the notice are corrected, the Comptroller may impose such limitations on the conduct of the business of the national bank or subsidiary of such bank as the Comptroller determines to be appropriate under the circumstances.

“(3) FAILURE TO CORRECT.—If the conditions described in the notice are not corrected within 180 days after the bank receives the notice, the Comptroller may require, under such terms and conditions as may be imposed by the Comptroller and subject to such extensions of time as may be granted in the discretion of the Comptroller—

(A) the national bank to divest control of each subsidiary engaged in an activity that is not permissible for the bank to engage in directly; or

“(B) each subsidiary of the national bank to cease any activity that is not permissible for the bank to engage in directly.

“(e) FUNCTIONAL REGULATION.—

“(1) IN GENERAL.—A financial subsidiary of a national bank shall not be treated as a bank for purposes of any definition of bank in the Federal securities laws.

“(2) DEFERENCE TO SEC.—The Comptroller shall defer to the Securities and Exchange Commission with regard to all interpretations of, and the enforcement of, applicable Federal securities laws relating to the ac-

tivities, conduct, and operations of registered brokers, dealers, investment advisers, and investment companies.

“(3) DEFERENCE TO EXAMINATIONS.—In the case of a financial subsidiary of a national bank which is a registered broker or dealer or a registered investment adviser, the Comptroller shall, to the fullest extent possible, address the circumstances which might otherwise permit or require an examination by the Comptroller by forgoing an examination and instead reviewing the reports of examination made of such subsidiary by or on behalf of the Securities and Exchange Commission.”

(b) CLERICAL AMENDMENT.—The table of sections for chapter one 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. Financial subsidiaries of national banks.”

SEC. 122. ACTIVITIES OF SUBSIDIARIES OF INSURED STATE BANKS.

Section 24(d) of the Federal Deposit Insurance Act (12 U.S.C. 1831a(d)) is amended—

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

“(3) CONDITIONS ON CERTAIN ACTIVITIES.—

“(A) IN GENERAL.—A subsidiary of a State bank may engage in an activity in which a subsidiary of a national bank may engage as principal pursuant to subsection (a)(1) of section 5136A of the Revised Statutes of the United States but only if the State bank meets the same requirements which are applicable to national banks under subparagraphs (B) and (C) of such subsection and subsections (b) and (c) of such section.

“(B) APPLICATION OF SECTION 5136A OF REVISED STATUTES.—For purposes of applying section 5136A of the Revised Statutes of the United States with regard to the activities of a subsidiary of a State bank, all references in such section to the Comptroller of the Currency, or regulations and orders of the Comptroller, shall be deemed to be references to the appropriate Federal banking agency with respect to such State bank, and regulations and orders of such agency.

“(4) STATE BANKS WHICH FAIL TO COMPLY WITH PARAGRAPH (3) CONDITIONS.—

“(A) IN GENERAL.—If the appropriate Federal banking agency determines that a State bank that controls a subsidiary which is engaged as principal in financial activities pursuant to paragraph (3) does not meet the requirements of subparagraph (A) of such paragraph, the appropriate Federal banking agency shall give notice to the bank to that effect, describing the conditions giving rise to the notice.

“(A) AGREEMENT TO CORRECT CONDITIONS REQUIRED.—

“(i) CONTENT OF AGREEMENT.—Within 45 days of the receipt by a bank of a notice given under paragraph (1) (or such additional period as the appropriate Federal banking agency for such bank may permit), the bank failing to meet the requirements of paragraph (3)(A) shall execute an agreement with the appropriate Federal banking agency for such bank to correct the conditions described in the notice.

“(B) AGENCY MAY IMPOSE LIMITATIONS.—Until the conditions giving rise to the notice are corrected, the appropriate Federal banking agency for the State bank may impose such limitations on the conduct of the business of the bank or a subsidiary of the bank as the agency determines to be appropriate under the circumstances.

“(C) FAILURE TO CORRECT.—If the conditions described in the notice are not corrected within 180 days after the bank re-

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

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

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

SEC. 123. RULES APPLICABLE TO FINANCIAL SUBSIDIARIES.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44.20 [Roll No. 145] AYES—140

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

NOES—281

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

- Burr Johnson (WI)
Burton Johnson, E. B.
Calvert Kanjorski
Campbell Kaptur
Capps Kasich
Cardin Kennedy (MA)
Carson Kennedy (RI)
Chabot Kennelly
Clay Kildee
Clayton Kilpatrick
Clement Kind (WI)
Clyburn Kingston
Condit Kleczka
Conyers Klink
Costello Knollenberg
Coyne Kolbe
Crane Kucinich
Cubin LaFalce
Cummings LaHood
Cunningham Lampson
Danner Lantos
Davis (FL) Leach
Davis (IL) Lee
DeFazio Levin
DeGette Lewis (CA)
Delahunt Lewis (GA)
DeLauro Lewis (KY)
Deutsch Lipinski
Diaz-Balart Livingston
Dicks LoBiondo
Dingell Lofgren
Dixon Lowey
Doggett Luther
Dooley Maloney (CT)
Doyle Maloney (NY)
Dunn Manton
Edwards Manzullo
Ehlers Markey
Engel Martinez
Eshoo Mascara
Etheridge Matsui
Evans McCarthy (MO)
Farr McCarthy (NY)
Fattah McDade
Fazio McDermott
Filner McGovern
Forbes McHale
Ford McHugh
Fossella McIntyre
Fowler McKinney
Frank (MA) McNulty
Franks (NJ) Meehan
Frelinghuysen Meek (FL)
Frost Meeke (NY)
Furse Menendez
Ganske Metcalf
Gejdenson Mica
Gekas Millender-
Gephardt McDonald
Gibbons Miller (CA)
Gillmor Minge
Gilman Mink
Goodling Moakley
Gordon Mollohan
Greenwood Morella
Gutierrez Murtha
Hall (OH) Nadler
Hamilton Neal
Hastert Ney
Hastings (FL) Northrup
Hastings (WA) Oberstar
Herger Obey
Hinchev Oliver
Hinojosa Ortiz
Hobson Owens
Holden Oxley
Hooley Packard
Houghton Pallone
Hoyer Pappas
Hyde Parker
Jackson (IL) Pascrell
Jackson-Lee Pastor
(TX) Payne
Jefferson Pelosi
John Pickett
Johnson (CT) Pitts

ANSWERED “PRESENT”—1

Hall (TX)

NOT VOTING—10

- Bateman Harman Radanovich
Christensen Hefner Skaggs
Gonzalez Hilliard
Green Paxon

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

44.21 RECORDED VOTE

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

Substitute amendment submitted by Mr. LEACH:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendment submitted by Mrs. ROUKEMA:

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

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

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

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

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

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

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

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

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

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

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

percent limitation contained in such paragraph so long as—

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

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

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

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

44.22 [Roll No. 146] AYES—229

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

Sabo
Sanders
Sandlin
Sanford
Saxton
Scarborough
Schaefer, Dan
Shadegg
Shaw
Shimkus
Sisisky
Skeen
Skelton

Slaughter
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Linda
Snyder
Souder
Sununu
Taylor (NC)
Thomas
Thune
Tierney
Torres

Traficant
Upton
Wamp
Waters
Watkins
Waxman
Weller
Whitfield
Wicker
Wolf
Woolsey
Young (FL)

It was decided in the affirmative { Yeas 218
Nays 204

44.24

[Roll No. 147]

AYES—218

Abercrombie
Aderholt
Andrews
Archer
Bachus
Baesler
Baldacci
Ballenger
Barr
Barrett (NE)
Barrett (WI)
Barton
Bass
Becerra
Bentsen
Bereuter
Berman
Berry
Billirakis
Bishop
Bliley
Blunt
Boehlert
Bonior
Bono
Borski
Boswell
Boyd
Brady
Burton
Buyer
Calvert
Camp
Campbell
Canady
Cardin
Chabot
Chambliss
Chenoweth
Clement
Coble
Coburn
Collins
Combust
Condit
Cooksey
Costello
Cox
Cramer
Crane
Crapo
Danner
Deal
DeFazio
Delahunt
Diaz-Balart
Dicks
Dixon
Doolittle
Duncan
Dunham
Ehlers
Emerson
Ensign
Evans
Ewing
Fawell
Filner
Foley
Fowler
Fox
Franks (NJ)
Frelinghuysen

Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gillman
Goode
Goodling
Goss
Graham
Gutierrez
Gutknecht
Hall (OH)
Hamilton
Hansen
Hastings (WA)
Herger
Hillery
Hinchev
Hinojosa
Hobson
Horn
Hostettler
Houghton
Rey
Hulshof
Hunter
Hutchinson
Inglis
Istook
Jackson (IL)
Jenkins
Johnson (CT)
Johnson (WI)
Jones
Kanjorski
Kasich
Kennedy (MA)
Kennedy (RI)
Kildee
Kingston
Klecza
Klug
Kolbe
Kucinich
Lampson
Latham
Leach
Lipinski
Lofgren
Lucas
Luther
Maloney (NY)
Manzullo
Markey
Martinez
Matsui
McCarthy (MO)
McCrery
McDade
McDermott
McHugh
McInnis
McIntosh
McIntyre
McKeon
Menendez
Metcalf
Mica
Miller (CA)

Miller (FL)
Minge
Moran (KS)
Murtha
Nethercutt
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Oxley
Pallone
Parker
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pickett
Pomeroy
Portman
Poshard
Redmond
Regula
Reyes
Riley
Rivers
Rodriguez
Rogers
Ros-Lehtinen
Rothman
Roybal-Allard
Sabo
Sanders
Sandlin
Sanford
Saxton
Scarborough
Schaefer, Dan
Shadegg
Shaw
Sisisky
Skeen
Skelton
Smith (NJ)
Smith (TX)
Smith, Linda
Snyder
Souder
Stark
Sununu
Taylor (MS)
Taylor (NC)
Thomas
Thune
Tierney
Torres
Traficant
Upton
Wamp
Waters
Watkins
Waxman
Weller
Whitfield
Wicker
Wolf
Woolsey
Young (FL)

Fossella
Frank (MA)
Frost
Furse
Goodlatte
Gordon
Granger
Green
Greenwood
Hall (TX)
Hastert
Hastings (FL)
Hayworth
Hefley
Hill
Hilliard
Hoekstra
Holden
Hooley
Hyde
Jackson-Lee
(TX)
Jefferson
John
Johnson, E.B.
Johnson, Sam
Kelly
Kennedy
Kilpatrick
Kim
Kind (WI)
King (NY)
Klink
Knollenberg
LaFalce
LaHood
Lantos
Largent
LaTourette
Lazio
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Livingston
LoBiondo
Lowey
Maloney (CT)

Manton
Mascara
McCarthy (NY)
McCollum
McGovern
McHale
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Millender-
McDonald
Mink
Moakley
Mollohan
Moran (VA)
Morella
Myrick
Nadler
Neal
Neumann
Ney
Owens
Packard
Pappas
Pascrell
Pastor
Paul
Paxon
Payne
Pitts
Pombo
Porter
Price (NC)
Pryce (OH)
Quinn
Rahall
Ramstad
Rangel
Riggs
Roemer
Rogan
Rohrabacher
Roukema
Royce
Rush
Ryun
Salmon
Sanchez

Sawyer
Schaffer, Bob
Schumer
Scott
Sensenbrenner
Serrano
Sessions
Shays
Sherman
Shimkus
Stuser
Slaughter
Smith (MI)
Smith (OR)
Smith, Adam
Snowbarger
Solomon
Spratt
Stabenow
Stearns
Stenholm
Stokes
Strickland
Stump
Stupak
Talent
Tanner
Tauscher
Tauzin
Thompson
Thornberry
Thurman
Tiahrt
Towns
Turner
Velazquez
Vento
Visclosky
Walsh
Watt (NC)
Watts (OK)
Weldon (FL)
Weldon (PA)
Wexler
Weygand
White
Wise
Wynn
Young (AK)

NOES—193

Ackerman
Allen
Armey
Baker
Barcia
Bartlett
Bentsen
Billbray
Blumenauer
Boehner
Bono
Boucher
Brown (CA)
Brown (FL)
Brown (OH)
Bryant
Bunning
Burr
Burton
Buyer
Callahan
Capps
Carson
Castle
Clay
Clayton
Clyburn
Cook
Coyne
Cunningham
Davis (FL)
Davis (IL)
DeGette
DeLauro
DeLay
Deutsch
Dickey
Dingell
Doggett
Dooley
Doyle
Dreier
Dunn
Ehrlich
Engel
English
Eshoo
Etheridge
Everett
Farr
Fattah
Fazio
Foley
Ford
Fossella
Frank (MA)
Frost
Furse
Gekas
Goodlatte
Gordon
Granger
Green
Greenwood
Hall (OH)

Hall (TX)
Hastert
Hastings (FL)
Hayworth
Hefley
Hill
Hilliard
Hoekstra
Holden
Hooley
Hunter
Jackson-Lee
(TX)
Jefferson
Johnson, E. B.
Johnson, Sam
Jones
Kelly
Kennedy
Kilpatrick
Kind (WI)
King (NY)
Klink
Knollenberg
LaFalce
LaHood
Lampson
Lantos
Largent
LaTourette
Lazio
Lee
Levin
Lewis (GA)
Lewis (KY)
Linder
Livingston
Lowe
Maloney (CT)
Manton
Mascara
McCarthy (NY)
Dunn
McCollum
McGovern
McHale
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Mink
Moakley
Mollohan
Moran (VA)
Morella
Murtha
Myrick
Neal
Neumann
Ney
Owens
Pascrell
Pastor
Paul
Paxon

Payne
Pitts
Porter
Price (NC)
Rahall
Ramstad
Rangel
Riggs
Roemer
Rogan
Rohrabacher
Roukema
Royce
Ryun
Salmon
Sanchez
Sawyer
Schaffer, Bob
Schumer
Scott
Sensenbrenner
Serrano
Sessions
Shays
Sherman
Sherman
Smith (MI)
Smith, Adam
Snowbarger
Solomon
Spratt
Stabenow
Stark
Stearns
Stenholm
Stokes
Strickland
Stump
Stupak
Talent
Tanner
Tauscher
Tauzin
Taylor (MS)
Thompson
Thornberry
Thurman
Tiahrt
Towns
Turner
Velazquez
Vento
Visclosky
Walsh
Watt (NC)
Watts (OK)
Weldon (FL)
Weldon (PA)
Wexler
Weygand
White
Wise
Wynn
Young (AK)

NOT VOTING—10

Bateman
Christensen
Forbes
Gonzalez

Harman
Hefner
Radanovich
Skaggs

Spence
Yates

So the substitute amendment was agreed to.

44.23 RECORDED VOTE

A recorded vote by electronic device was ordered in the Committee of the Whole on the foregoing amendment, as amended, submitted by Mrs. ROUKEMA.

NOES—204

Ackerman
Allen
Armey
Baker
Barcia
Bartlett
Billbray
Blagojevich
Blumenauer
Boehner
Bonilla
Boucher
Brown (CA)
Brown (FL)
Brown (OH)
Bryant
Bunning
Burr
Callahan

Cannon
Capps
Carson
Castle
Clay
Clayton
Clyburn
Conyers
Cook
Coyne
Cubin
Cummings
Cunningham
Davis (FL)
Davis (IL)
Davis (VA)
DeGette
DeLauro
DeLay

Deutsch
Dickey
Dingell
Doggett
Dooley
Doyle
Dreier
Edwards
Ehrlich
Engel
English
Eshoo
Etheridge
Everett
Farr
Fattah
Fazio
Forbes
Ford

Bateman
Christensen
Gonzalez
Harman
Hefner
Kaptur
Radanovich
Skaggs
Spence
Yates

So the amendment, as amended, was agreed to.

44.25 RECORDED VOTE

A recorded vote by electronic device was ordered in the Committee of the Whole on the following amendment submitted by Mr. KINGSTON:

After section 108 of the Amendment in the Nature of a Substitute, insert the following new section (and conform the table of contents accordingly):

SEC. 109. GAO STUDY OF ECONOMIC IMPACT ON COMMUNITY BANKS AND OTHER SMALL FINANCIAL INSTITUTIONS.

(a) STUDY REQUIRED.—The Comptroller General of the United States shall conduct a study of the projected economic impact that the enactment of this Act will have on financial institutions which have total assets of \$100,000,000 or less.

(b) REPORT TO THE CONGRESS.—The Comptroller General of the United States shall submit a report to the Congress before the end of the 6-month period beginning on the date of the date of the enactment of this Act containing the findings and conclusions of the Comptroller General with regard to the study required under subsection (a) and such recommendations for legislative or administrative action as the Comptroller General may determine to be appropriate.

It was decided in the affirmative { Yeas 404
 Nays 18
 Answered present 1

44.26 [Roll No. 148]
 AYES—404

- Ackerman Dicks Johnson, Sam
- Aderholt Dingell Jones
- Allen Dixon Kaptur
- Andrews Doggett Kasich
- Archer Doolittle Kelly
- Armey Doyle Kennedy (MA)
- Bachus Dreier Kennedy (RI)
- Baesler Duncan Kennelly
- Baker Dunn Kildee
- Baldacci Edwards Kilpatrick
- Ballenger Ehlers Kim
- Barcia Ehrlich King (NY)
- Barr Emerson Kingston
- Barrett (NE) Engel Kleczka
- Barrett (WI) English Klink
- Bartlett Ensign Klug
- Barton Eshoo Knollenberg
- Bass Etheridge Kolbe
- Becerra Evans Kucinich
- Bentsen Everett LaFalce
- Bereuter Ewing Lampson
- Berman Farr Lantos
- Berry Fattah Largent
- Bilbray Fawell Latham
- Bilirakis Filner LaTourette
- Bishop Foley Lazio
- Blagojevich Forbes Leach
- Bliley Ford Lee
- Blunt Fossella Levin
- Boehlert Fowler Lewis (CA)
- Boehner Fox Lewis (GA)
- Bonilla Franks (NJ) Lewis (KY)
- Bono Frelinghuysen Linder
- Borski Frost Lipinski
- Boswell Furse Livingston
- Boucher Gallegly LoBiondo
- Boyd Ganske Lofgren
- Brady Gejdenson Lowey
- Brown (CA) Gekas Lucas
- Brown (FL) Gephardt Luther
- Brown (OH) Gibbons Maloney (CT)
- Bryant Gilchrest Maloney (NY)
- Bunning Gillmor Manton
- Burr Gilman Manzullo
- Burton Goode Markey
- Buyer Goodlatte Martinez
- Callahan Goodling Mascara
- Calvert Gordon Matsui
- Camp Goss McCarthy (MO)
- Campbell Graham McCarthy (NY)
- Canady Granger McCollum
- Cannon Green McCrery
- Capps Greenwood McDade
- Cardin Gutierrez McDermott
- Carson Gutknecht McGovern
- Castle Hall (OH) McHale
- Chabot Hall (TX) McHugh
- Chambliss Hamilton McInnis
- Chenoweth Hansen McIntosh
- Christensen Hastings (FL) McIntyre
- Clay Hastings (WA) McKeon
- Clayton Hayworth McKinney
- Clement Hefley McNulty
- Clyburn Herger Meehan
- Coble Hill Meek (FL)
- Coburn Hillery Meeks (NY)
- Collins Hilliard Menendez
- Combest Hinchey Metcalf
- Condit Hinojosa Mica
- Cook Hobson Millender-
- Cooksey Hoekstra McDonald
- Costello Holden Miller (CA)
- Cox Hooley Miller (FL)
- Coyne Horn Minge
- Cramer Hostettler Moakley
- Crane Houghton Mollohan
- Crapo Hoyer Moran (KS)
- Cubin Hulshof Moran (VA)
- Cummings Hunter Morella
- Cunningham Hutchinson Murtha
- Danner Hyde Myrick
- Davis (FL) Inglis Nadler
- Davis (IL) Istook Neal
- Davis (VA) Jackson (IL) Nethercatt
- Deal Jackson-Lee Neumann
- DeGette (TX) Ney
- Delahunt Jefferson Northup
- DeLauro Jenkins Norwood
- DeLay John Nussle
- Deutsch Johnson (CT) Obey
- Diaz-Balart Johnson (WI) Olver
- Dickey Johnson, E. B. Ortiz

- Owens Royce
- Oxley Rush
- Packard Ryun
- Pallone Salmon
- Pappas Sanders
- Pascarella Sandlin
- Pastor Sanford
- Paul Sawyer
- Paxon Saxton
- Payne Scarborough
- Pease Schaefer, Dan
- Pelosi Schaffer, Bob
- Peterson (MN) Schumer
- Peterson (PA) Scott
- Petri Sensenbrenner
- Pickering Serrano
- Pickett Sessions
- Pitts Shadegg
- Polbo Shaw
- Pomeroy Shays
- Porter Sherman
- Portman Shimkus
- Poshard Shuster
- Price (NC) Sisisky
- Pryce (OH) Skeen
- Quinn Skelton
- Rahall Slaughtier
- Ramstad Smith (MI)
- Rangel Smith (NJ)
- Redmond Smith (OR)
- Regula Smith (TX)
- Reyes Smith, Adam
- Riggs Smith, Linda
- Riley Snowbarger
- Rivers Snyder
- Rodriguez Solomon
- Roemer Souder
- Rogan Spence
- Rogers Spratt
- Rohrabacher Stabenow
- Ros-Lehtinen Stearns
- Rothman Stenholm
- Roukema Stokes
- Roybal-Allard Strickland

NOES—18

- Abercrombie Kanjorski Sabo
- Blumenauer Kind (WI) Sanchez
- Bonior LaHood Stark
- Conyers Mink Torres
- Dooley Oberstar Velazquez
- Fazio Parker Vento

ANSWERED "PRESENT"—1

DeFazio
 NOT VOTING—9

- Bateman Harman Radanovich
- Frank (MA) Hastert Skaggs
- Gonzalez Hefner Yates

So the amendment was agreed to.

44.27 RECORDED VOTE

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

After subtitle H of title I, insert the following new subtitle (and redesignate the subsequent subtitle and conform the table of contents accordingly):

Subtitle I—Deposit Insurance Funds

SEC. 186. STUDY OF SAFETY AND SOUNDNESS OF FUNDS.

(a) STUDY REQUIRED.—The Board of Directors of the Federal Deposit Insurance Corporation shall conduct a study of the following issues with regard to the Bank Insurance Fund and the Savings Association Insurance Fund:

(1) The safety and soundness of the funds and the adequacy of the reserve requirements applicable to the funds in light of—

(A) the size of the insured depository institutions which are resulting from mergers and consolidations since the effective date of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994; and

(B) the affiliation of insured depository institutions with other financial institutions pursuant to this Act and the amendments made by this Act.

(2) The concentration levels of the funds, taking into account the number of members

of each fund and the geographic distribution of such members, and the extent to which either fund is exposed to higher risks due to a regional concentration of members or an insufficient membership base relative to the size of member institutions.

(3) Issues relating to the planned merger of the funds, including the cost of merging the funds and the manner in which such costs will be distributed among the members of the respective funds.

(b) REPORT REQUIRED.—

(1) IN GENERAL.—Before the end of the 9-month period beginning on the date of the enactment of this Act, the Board of Directors of the Federal Deposit Insurance Corporation shall submit a report to the Congress on the study conducted pursuant to subsection (a).

(2) CONTENTS OF REPORT.—The report shall include—

(A) a detailed findings of the Board of Directors with regard to the issues described in subsection (a);

(B) a description of the plans developed by the Board of Directors for merging the Bank Insurance Fund and the Savings Association Insurance Fund, including an estimate of the amount of the cost of such merger which would be borne by Savings Association Insurance Fund members; and

(C) such recommendations for legislative and administrative action as the Board of Directors determines to be necessary or appropriate to preserve the safety and soundness of the deposit insurance funds, reduce the risks to such funds, provide for an efficient merger of such funds, and for other purposes.

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

(1) INSURED DEPOSITORY INSTITUTION.—The term "insured depository institution" has the meaning given to such term in section 3(c) of the Federal Deposit Insurance Act.

(2) BIF AND SAIF MEMBERS.—The terms "Bank Insurance Fund member" and "Savings Association Insurance Fund member" have the meaning given to such terms in section 7(l) of the Federal Deposit Insurance Act.

It was decided in the affirmative { Yeas 406
 Nays 13

44.28 [Roll No. 149]
 AYES—406

- Abercrombie Boswell Cook
- Ackerman Boucher Cooksey
- Aderholt Boyd Costello
- Allen Brady Cox
- Andrews Brown (CA) Coyne
- Archer Brown (FL) Cramer
- Bachus Brown (OH) Crane
- Baesler Bryant Cubin
- Baker Bunning Cummings
- Baldacci Burr Cunningham
- Ballenger Burton Danner
- Barcia Buyer Davis (FL)
- Barr Callahan Davis (IL)
- Barrett (NE) Calvert Davis (VA)
- Barrett (WI) Camp Deal
- Bartlett Campbell DeFazio
- Barton Canady DeGette
- Becerra Cannon Delahunt
- Bentsen Capps DeLauro
- Bereuter Cardin DeLay
- Berman Carson Deutsch
- Berry Castle Diaz-Balart
- Bilbray Chabot Dicks
- Bilirakis Chambliss Dingell
- Bishop Chenoweth Dixon
- Blagojevich Christensen Doggett
- Bliley Clay Dooley
- Blumenauer Clayton Doolittle
- Blunt Clement Doyle
- Boehlert Clyburn Dreier
- Boehner Coble Duncan
- Bonilla Coburn Dunn
- Bonior Collins Edwards
- Bono Bono Combest Ehlers
- Borski Condit Ehrlich

Emerson
Engel
English
Ensign
Eshoo
Etheridge
Evans
Everett
Ewing
Farr
Fattah
Fawell
Fazio
Filner
Foley
Forbes
Ford
Fossella
Fowler
Fox
Franks (NJ)
Frelinghuysen
Frost
Furse
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Gibbons
Gilchrist
Gillmor
Gilman
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Granger
Green
Greenwood
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hamilton
Hansen
Hastert
Hastings (FL)
Hastings (WA)
Hayworth
Herger
Hill
Hilleary
Hilliard
Hinchey
Hinojosa
Hobson
Hoekstra
Holden
Hooley
Horn
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inglis
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (WI)
Johnson, E. B.
Johnson, Sam
Jones
Kaptur
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kim
Kind (WI)
King (NY)
Kingston
Klecza
Klink
Klug
Knollenberg
Knobbe
Kucinich

LaFalce
Lampson
Lantos
Largent
Latham
LaTourette
Lazio
Leach
Lee
Levin
Lewis (GA)
Lewis (KY)
Linder
Lipinski
Livingston
LoBiondo
Lofgren
Lowey
Lucas
Luther
Maloney (CT)
Maloney (NY)
Manton
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McDermott
McGovern
McHale
McHugh
McInnis
McIntosh
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalfe
Mica
Millender-
McDonald
Miller (CA)
Miller (FL)
Minge
Mink
Moakley
Mollohan
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Neal
Neumann
Ney
Northup
Norwood
Nussle
Obey
Olver
Ortiz
Owens
Oxley
Packard
Pallone
Pappas
Pascrell
Pastor
Paul
Paxon
Payne
Pease
Pelosi
Peterson (PA)
Petri
Pickering
Pickett
Pitts
Pomeroy
Porter
Portman
Poshard
Price (NC)
Pryce (OH)
Quinn
Rahall
Ramstad
Rangel
Redmond

Regula
Reyes
Riggs
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryun
Salmon
Sanchez
Sanders
Sandlin
Sanford
Sawyer
Saxton
Scarborough
Schaefer, Dan
Schaffer, Bob
Schumer
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Sisisky
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Adam
Smith, Linda
Snowbarger
Snyder
Solomon
Souder
Spence
Spratt
Stabenow
Stark
Stearns
Stokes
Strickland
Stupak
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Thomas
Thompson
Thornberry
Thune
Thurman
Tiahrt
Tierney
Torres
Towns
Traficant
Turner
Upton
Velazquez
Vento
Visclosky
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
White
Whitfield
Wicker

Wise
Wolf

Woolsey
Wynn

Young (AK)
Young (FL)

NOES—13

Conyers
Dickey
Hefley
Hostettler
Kanjorski

LaHood
Oberstar
Parker
Peterson (MN)
Pombo

Sabo
Stenholm
Stump

NOT VOTING—13

Armev
Bass
Bateman
Crapo
Frank (MA)

Gonzalez
Harman
Hefner
Lewis (CA)
Nethercutt

Radanovich
Skaggs
Yates

Bilbray
Bilirakis
Bliley
Boehlert
Boehner
Bonilla
Bono
Boswell
Boucher
Brady
Brown (OH)
Bryant
Bunning
Burr
Burton
Buyer
Hulshof
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Castle
Chabot
Chambliss
Chenoweth
Christensen
Coble
Coburn
Collins
Combest
Cooksey
Crane
Crapo
Cubin
Cunningham
Davis (VA)
Deal
DeGette
DeLay
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Ensign
Etheridge
Everett
Ewing
Fawell
Foley
Forbes
Fossella
Fowler
Fox
Franks (NJ)
Frelinghuysen
Frost
Gallegly
Ganske
Gekas
Gibbons
Gilchrist
Gilman
Goode
Goodlatte
Goodling
Goss
Graham
Granger
Greenwood
Gutierrez
Gutknecht
Hall (OH)

Hall (TX)
Hansen
Hastert
Hastings (WA)
Hayworth
Hefley
Herger
Hill
Hilleary
Hobson
Hoekstra
Hooley
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Inglis
Istook
Jackson-Lee (TX)
Jenkins
John
Johnson, Sam
Jones
Kasich
Kelly
Kilpatrick
Kim
King (NY)
Kingston
Klug
Knollenberg
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Livingston
LoBiondo
Lofgren
Lucas
Manton
Manzullo
McCarthy (NY)
McCollum
McCrery
McDade
McDermott
McGovern
McHugh
McInnis
McIntosh
McIntyre
McKeon
Metcalfe
Mica
Millender-
McDonald
Miller (FL)
Moran (KS)
Morella
Myrick
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Packard
Pallone
Paxon
Payne
Pease
Pelosi
Peterson (PA)
Petri
Pickering
Pickett
Pitts
Pomeroy
Porter
Portman
Poshard
Price (NC)
Pryce (OH)
Quinn
Rahall
Ramstad
Rangel
Redmond

Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Pryce (OH)
Quinn
Rahall
Ramstad
Rangel
Redmond

So the amendment was agreed to.
After some further time,
The SPEAKER pro tempore, Mr. BARRETT of Nebraska, assumed the Chair.

When Mrs. EMERSON, Chairman, pursuant to House Resolution 428, reported the bill back to the House with an amendment adopted by the Committee.

The previous question having been ordered by said resolution.

Mr. KLECZKA demanded a separate vote on the amendment numbered 11 in House Report 105-531, by Mr. METCALF.

The question being put, viva voce,

Will the House agree to the following amendment on which a separate vote had been demanded?

After section 401 of the Amendment in the Nature of a Substitute, insert the following new section (and conform the table of contents accordingly):

SEC. 402. RETENTION OF "FEDERAL" IN NAME OF CONVERTED FEDERAL SAVINGS ASSOCIATION.

Section 2 of the Act entitled "an Act to enable national banking associations to increase their capital stock and to change their names or locations." and approved May 1, 1886 (12 U.S.C. 30) is amended by adding at the end the following new subsection:

"(d) RETENTION OF 'FEDERAL' IN NAME OF CONVERTED FEDERAL SAVINGS ASSOCIATION—

"(1) IN GENERAL.—Notwithstanding subsection (a) or any other provision of law, any depository institution the charter of which is converted from that of a Federal savings association to a national bank or a State bank after the date of the enactment of the Financial Services Act of 1998 may retain the term 'Federal' in the name of such institution so long as such depository institution remains an insured depository institution.

"(2) DEFINITIONS.—For purposes of this subsection, the terms 'depository institution', 'insured depository institution', 'national bank', and 'State bank' have the same meanings given to such terms in section 3 of the Federal Deposit Insurance Act."

The SPEAKER pro tempore, Mr. BARRETT of Nebraska, announced that the nays had it.

Mr. LEACH demanded a recorded vote on agreeing to said amendment, which demand was supported by one-fifth of a quorum, so a recorded vote was ordered.

The vote was taken by electronic device.

It was decided in the { Yeas 256
affirmative } Nays 166

44.29 [Roll No. 150]
YEAS—256

Aderholt
Archer
Armev
Bachus

Baker
Ballenger
Barcia
Barr

Barrett (NE)
Bartlett
Barton
Bass

NAYS—166

Abercrombie
Ackerman
Allen
Andrews
Baesler
Baldacci
Barrett (WI)
Becerra
Bentsen
Bereuter
Berman
Berry
Bishop
Blagojevich
Blumenauer
Blunt

Bonior
Borski
Boyd
Brown (CA)
Brown (FL)
Cardin
Carson
Clay
Clayton
Clement
Clyburn
Condit
Conyers
Cook
Costello
Coyne

Cramer
Cummings
Danner
Davis (FL)
Davis (IL)
DeFazio
DeLauro
Dixon
Doggett
Dooley
Doyle
Edwards
Engel
Eshoo
Evans

Farr	Lewis (GA)	Reyes
Fattah	Lipinski	Rodriguez
Fazio	Lowey	Roemer
Filner	Luther	Rothman
Ford	Maloney (CT)	Roybal-Allard
Furse	Maloney (NY)	Royce
Gejdenson	Markey	Sabo
Gephardt	Martinez	Sanchez
Gillmor	Mascara	Sandlin
Gordon	Matsui	Schumer
Green	McCarthy (MO)	Serrano
Hamilton	McHale	Shays
Hastings (FL)	McKinney	Sherman
Hilliard	McNulty	Shimkus
Hinchey	Meehan	Skelton
Hinojosa	Meek (FL)	Slaughter
Holden	Meeke (NY)	Snyder
Hoyer	Menendez	Spratt
Jackson (IL)	Miller (CA)	Stark
Jefferson	Minge	Stearns
Johnson (CT)	Mink	Stokes
Johnson (WI)	Moakley	Strickland
Johnson, E. B.	Mollohan	Tanner
Kanjorski	Moran (VA)	Tauscher
Kaptur	Murtha	Taylor (MS)
Kennedy (MA)	Nadler	Thompson
Kennedy (RI)	Neal	Thurman
Kennelly	Oberstar	Tierney
Kildee	Obey	Torres
Kind (WI)	Olver	Towns
Kleczka	Ortiz	Velazquez
Klink	Owens	Vento
Kolbe	Pascrell	Waters
Kucinich	Pastor	Watt (NC)
LaFalce	Payne	Waxman
LaHood	Pelosi	Wexler
Lampson	Pickett	Weygand
Lantos	Pomeroy	Wise
Lee	Poshard	
Levin	Price (NC)	

NOT VOTING—10

Bateman	Gonzalez	Skaggs
Cox	Harman	Yates
Doolittle	Hefner	
Frank (MA)	Radanovich	

So the amendment was agreed to.

The following amendment, reported from the Committee of the Whole House on the state of the Union, was agreed to:

Strike out all after the enacting clause and insert:

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

(a) SHORT TITLE.—This Act may be cited as the “Financial Services Act of 1998”.

(b) PURPOSES.—The purposes of this Act are as follows:

(1) To enhance competition in the financial services industry, in order to foster innovation and efficiency.

(2) To ensure the continued safety and soundness of depository institutions.

(3) To provide necessary and appropriate protections for investors and ensure fair and honest markets in the delivery of financial services.

(4) To provide for appropriate functional regulation of insurance activities.

(5) To reduce and, to the maximum extent practicable, to eliminate the legal barriers preventing affiliation among depository institutions, securities firms, insurance companies, and other financial service providers and to provide a prudential framework for achieving that result.

(6) To enhance the availability of financial services to citizens of all economic circumstances and in all geographic areas.

(7) To enhance the competitiveness of United States financial service providers internationally.

(8) To ensure compliance by depository institutions with the provisions of the Community Reinvestment Act of 1977 and enhance the ability of depository institutions to meet the capital and credit needs of all citizens and communities, including underserved communities and populations.

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

Sec. 1. Short title; purposes; table of contents.

TITLE I—FACILITATING AFFILIATION AMONG SECURITIES FIRMS, INSURANCE COMPANIES, AND DEPOSITORY INSTITUTIONS

Subtitle A—Affiliations

Sec. 101. Glass-Steagall Act reformed.

Sec. 102. Activity restrictions applicable to bank holding companies which are not financial holding companies.

Sec. 103. Financial holding companies.

Sec. 104. Certain State laws preempted.

Sec. 105. Mutual bank holding companies authorized.

Sec. 106. Prohibition on deposit production offices.

Sec. 107. Clarification of branch closure requirements.

Sec. 108. Amendments relating to limited purpose banks.

Sec. 109. Responsiveness to community needs for financial services.

Sec. 110. Reports on ongoing FTC study of consumer privacy issues.

Sec. 110A. GAO study of economic impact on community banks and other small financial institutions.

Subtitle B—Streamlining Supervision of Financial Holding Companies

Sec. 111. Streamlining financial holding company supervision.

Sec. 112. Elimination of application requirement for financial holding companies.

Sec. 113. Authority of State insurance regulator and Securities and Exchange Commission.

Sec. 114. Prudential safeguards.

Sec. 115. Examination of investment companies.

Sec. 116. Limitation on rulemaking, prudential, supervisory, and enforcement authority of the Board.

Sec. 117. Interagency consultation.

Subtitle C—Subsidiaries of National Banks

Sec. 121. Permissible activities for subsidiaries of national banks.

Sec. 122. Misrepresentations regarding depository institution liability for obligations of affiliates.

Sec. 123. Repeal of stock loan limit in Federal Reserve Act.

Subtitle D—Wholesale Financial Holding Companies; Wholesale Financial Institutions
CHAPTER 1—WHOLESALE FINANCIAL HOLDING COMPANIES

Sec. 131. Wholesale financial holding companies established.

Sec. 132. Authorization to release reports.

Sec. 133. Conforming amendments.

CHAPTER 2—WHOLESALE FINANCIAL INSTITUTIONS

Sec. 136. Wholesale financial institutions.

Subtitle E—Preservation of FTC Authority

Sec. 141. Amendment to the Bank Holding Company Act of 1956 to modify notification and post-approval waiting period for section 3 transactions.

Sec. 142. Interagency data sharing.

Sec. 143. Clarification of status of subsidiaries and affiliates.

Sec. 144. Annual GAO report.

Subtitle F—Applying the Principles of National Treatment and Equality of Competitive Opportunity to Foreign Banks and Foreign Financial Institutions

Sec. 151. Applying the principles of national treatment and equality of competitive opportunity to foreign banks that are financial holding companies.

Sec. 152. Applying the principles of national treatment and equality of competitive opportunity to foreign banks and foreign financial institutions that are wholesale financial institutions.

Subtitle G—Federal Home Loan Bank System

Sec. 161. Federal home loan banks—

Sec. 162. Membership and collateral.

Sec. 163. The Office of Finance.

Sec. 164. Management of banks.

Sec. 165. Advances to nonmember borrowers.

Sec. 166. Powers and duties of banks.

Sec. 167. Mergers and consolidations of Federal home loan banks.

Sec. 168. Technical amendments.

Sec. 169. Definitions.

Sec. 170. Resolution funding corporation

Sec. 171. Capital structure of the Federal home loan banks.

Sec. 172. Investments.

Sec. 173. Federal Housing Finance Board.

Subtitle H—Direct Activities of Banks

Sec. 181. Authority of national banks to underwrite certain municipal bonds

Subtitle I—Deposit Insurance Funds

Sec. 186. Study of safety and soundness of funds.

Subtitle J—Effective Date of Title

Sec. 191. Effective date.

TITLE II—FUNCTIONAL REGULATION

Subtitle A—Brokers and Dealers

Sec. 201. Definition of broker.

Sec. 202. Definition of dealer.

Sec. 203. Registration for sales of private securities offerings.

Sec. 204. Sales practices and complaint procedures.

Sec. 205. Information sharing.

Sec. 206. Definition and treatment of banking products.

Sec. 207. Derivative instrument and qualified investor defined.

Sec. 208. Government securities defined.

Sec. 209. Effective date.

Sec. 210. Rule of construction.

Subtitle B—Bank Investment Company Activities

Sec. 211. Custody of investment company assets by affiliated bank.

Sec. 212. Lending to an affiliated investment company.

Sec. 213. Independent directors.

Sec. 214. Additional SEC disclosure authority.

Sec. 215. Definition of broker under the Investment Company Act of 1940.

Sec. 216. Definition of dealer under the Investment Company Act of 1940.

Sec. 217. Removal of the exclusion from the definition of investment adviser for banks that advise investment companies.

Sec. 218. Definition of broker under the Investment Advisers Act of 1940.

Sec. 219. Definition of dealer under the Investment Advisers Act of 1940.

Sec. 220. Interagency consultation.

Sec. 221. Treatment of bank common trust funds.

Sec. 222. Investment advisers prohibited from having controlling interest in registered investment company.

Sec. 223. Conforming change in definition.

Sec. 224. Conforming amendment.

Sec. 225. Effective date.

Subtitle C—Securities and Exchange Commission Supervision of Investment Bank Holding Companies

Sec. 231. Supervision of investment bank holding companies by the Securities and Exchange Commission.

Subtitle D—Study

- Sec. 241. Study of methods to inform investors and consumers of uninsured products.
- Sec. 242. Study of limitation on fees associated with acquiring financial products.

Subtitle E—Disclosure of Customer Costs of Acquiring Financial Products

- Sec. 251. Improved and consistent disclosure.

TITLE III—INSURANCE

Subtitle A—State Regulation of Insurance

- Sec. 301. State regulation of the business of insurance.
- Sec. 302. Mandatory insurance licensing requirements.
- Sec. 303. Functional regulation of insurance.
- Sec. 304. Insurance underwriting in national banks.
- Sec. 305. New bank agency activities only through acquisition of existing licensed agents.
- Sec. 306. Title insurance activities of national banks and their affiliates.
- Sec. 307. Expedited and equalized dispute resolution for financial regulators.
- Sec. 308. Consumer protection regulations.
- Sec. 309. Certain State affiliation laws preempted for insurance companies and affiliates.

Subtitle B—Redomestication of Mutual Insurers

- Sec. 311. General application.
- Sec. 312. Redomestication of mutual insurers.
- Sec. 313. Effect on State laws restricting redomestication.
- Sec. 314. Other provisions.
- Sec. 315. Definitions.
- Sec. 316. Effective date.

Subtitle C—National Association of Registered Agents and Brokers

- Sec. 321. State flexibility in multistate licensing reforms.
- Sec. 322. National Association of Registered Agents and Brokers.
- Sec. 323. Purpose.
- Sec. 324. Relationship to the Federal Government.
- Sec. 325. Membership.
- Sec. 326. Board of directors.
- Sec. 327. Officers.
- Sec. 328. Bylaws, rules, and disciplinary action.
- Sec. 329. Assessments.
- Sec. 330. Functions of the NAIC.
- Sec. 331. Liability of the Association and the directors, officers, and employees of the Association.
- Sec. 332. Elimination of NAIC oversight.
- Sec. 333. Relationship to State law.
- Sec. 334. Coordination with other regulators.
- Sec. 335. Judicial review.
- Sec. 336. Definitions.

TITLE IV—UNITARY SAVINGS AND LOAN HOLDING COMPANIES

- Sec. 401. Termination of expanded powers for new unitary S&L holding companies.
- Sec. 402. Retention of "Federal" in name of converted Federal savings association.

TITLE I—FACILITATING AFFILIATION AMONG SECURITIES FIRMS, INSURANCE COMPANIES, AND DEPOSITORY INSTITUTIONS

Subtitle A—Affiliations

SEC. 101. GLASS-STEAGALL ACT REFORMED.

(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) SECTION 32 REPEALED.—Section 32 (12 U.S.C. 78) of the Banking Act of 1933 is repealed.

SEC. 102. ACTIVITY RESTRICTIONS APPLICABLE TO BANK HOLDING COMPANIES WHICH ARE NOT FINANCIAL HOLDING COMPANIES.

(a) IN GENERAL.—Section 4(c)(8) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)(8)) is amended to read as follows:

"(8) shares of any company the activities of which had been determined by the Board by regulation under this paragraph as of the day before the date of the enactment of the Financial Services Act of 1998, to be so closely related to banking as to be a proper incident thereto (subject to such terms and conditions contained in such regulation, unless modified by the Board);".

(b) CONFORMING CHANGES TO OTHER STATUTES.—

(1) AMENDMENT TO THE BANK HOLDING COMPANY ACT AMENDMENTS OF 1970.—Section 105 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1850) is amended by striking ", to engage directly or indirectly in a nonbanking activity pursuant to section 4 of such Act,".

(2) AMENDMENT TO THE BANK SERVICE COMPANY ACT.—Section 4(f) of the Bank Service Company Act (12 U.S.C. 1864(f)) is amended by striking the period and adding at the end the following: "as of the day before the date of enactment of the Financial Services Act of 1998.".

SEC. 103. FINANCIAL HOLDING COMPANIES.

(a) IN GENERAL.—The Bank Holding Company Act of 1956 is amended by inserting after section 5 (12 U.S.C. 1844) the following new section:

"SEC. 6. FINANCIAL HOLDING COMPANIES.

"(a) FINANCIAL HOLDING COMPANY DEFINED.—For purposes of this section, the term 'financial holding company' means a bank holding company which meets the requirements of subsection (b).

"(b) ELIGIBILITY REQUIREMENTS FOR FINANCIAL HOLDING COMPANIES.—

"(1) IN GENERAL.—No bank holding company may engage in any activity or directly or indirectly acquire or retain shares of any company under this section unless the bank holding company meets the following requirements:

"(A) All of the subsidiary depository institutions of the bank holding company are well capitalized.

"(B) All of the subsidiary depository institutions of the bank holding company are well managed.

"(C) All of the subsidiary depository institutions of the bank holding company have achieved a rating of 'satisfactory record of meeting community credit needs', or better, at the most recent examination of each such institution under the Community Reinvestment Act of 1977.

"(D) All of the subsidiary insured depository institutions of the bank holding company (other than any such depository institution which does not, in the ordinary course of the business of the depository institution, offer consumer transaction accounts to the general public) offer and maintain low-cost basic banking accounts.

"(E) The company has filed with the Board a declaration that the company elects to be a financial holding company and certifying that the company meets the requirements of subparagraphs (A) through (D).

"(2) FOREIGN BANKS AND COMPANIES.—For purposes of paragraph (1), the Board shall establish and apply comparable capital standards to a foreign bank that operates a branch or agency or owns or controls a bank or commercial lending company in the United States, and any company that owns or controls such foreign bank, giving due regard to the principle of national treatment and equality of competitive opportunity.

"(3) LIMITED EXCLUSIONS FROM COMMUNITY NEEDS REQUIREMENTS FOR NEWLY ACQUIRED DEPOSITORY INSTITUTIONS.—

"(A) IN GENERAL.—If the requirements of subparagraph (B) are met, any depository institution acquired by a bank holding company during the 24-month period preceding the submission of a declaration under paragraph (1)(E) and any depository institution acquired after the submission of such declaration may be excluded for purposes of paragraph (1)(C) until the later of—

"(i) the end of the 24-month period beginning on the date the acquisition of the depository institution by such company is consummated; or

"(ii) the date of completion of the first examination of such depository institution under the Community Reinvestment Act of 1977 which is conducted after the date of the acquisition of the depository institution.

"(B) REQUIREMENTS.—The requirements of this subparagraph are met with respect to any bank holding company referred to in subparagraph (A) if—

"(i) the bank holding company has submitted an affirmative plan to the appropriate Federal banking agency to take such action as may be necessary in order for such institution to achieve a rating of 'satisfactory record of meeting community credit needs', or better, at the next examination of the institution under the Community Reinvestment Act of 1977; and

"(ii) the plan has been approved by such agency.

"(c) ENGAGING IN ACTIVITIES FINANCIAL IN NATURE.—

"(1) IN GENERAL.—Notwithstanding section 4(a), a financial holding company and a wholesale financial holding company may engage in any activity, and acquire and retain the shares of any company engaged in any activity, which the Board has determined (by regulation or order) to be financial in nature or incidental to such financial activities.

"(2) FACTORS TO BE CONSIDERED.—In determining whether an activity is financial in nature or incidental to financial activities, the Board shall take into account—

"(A) the purposes of this Act and the Financial Services Act of 1998;

"(B) changes or reasonably expected changes in the marketplace in which bank holding companies compete;

"(C) changes or reasonably expected changes in the technology for delivering financial services; and

"(D) whether such activity is necessary or appropriate to allow a bank holding company and the affiliates of a bank holding company to—

"(i) compete effectively with any company seeking to provide financial services in the United States;

"(ii) use any available or emerging technological means, including any application necessary to protect the security or efficacy of systems for the transmission of data or financial transactions, in providing financial services; and

"(iii) offer customers any available or emerging technological means for using financial services.

"(3) ACTIVITIES THAT ARE FINANCIAL IN NATURE.—The following activities shall be considered to be financial in nature:

"(A) Lending, exchanging, transferring, investing for others, or safeguarding money or securities.

"(B) Insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, or providing and issuing annuities, and acting as principal, agent, or broker for purposes of the foregoing.

"(C) Providing financial, investment, or economic advisory services, including advising an investment company (as defined in

section 3 of the Investment Company Act of 1940).

“(D) Issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly.

“(E) Underwriting, dealing in, or making a market in securities.

“(F) Engaging in any activity that the Board has determined, by order or regulation that is in effect on the date of enactment of the Financial Services Act of 1998, to be so closely related to banking or managing or controlling banks as to be a proper incident thereto (subject to the same terms and conditions contained in such order or regulation, unless modified by the Board).

“(G) Engaging, in the United States, in any activity that—

“(i) a bank holding company may engage in outside the United States; and

“(ii) the Board has determined, under regulations issued pursuant to section 4(c)(13) of this Act (as in effect on the day before the date of enactment of the Financial Services Act of 1998) to be usual in connection with the transaction of banking or other financial operations abroad.

“(H) Directly or indirectly acquiring or controlling, 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 bank 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 any activity not authorized pursuant to this section if—

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

“(ii) such shares, assets, or ownership interests are acquired and held by a securities affiliate or an affiliate thereof as part of a bona fide underwriting or merchant banking activity, including investment activities engaged in for the purpose of appreciation and ultimate resale or disposition of the investment;

“(iii) such shares, assets, or ownership interests, are held only for such a period of time as will permit the sale or disposition thereof on a reasonable basis consistent with the nature of the activities described in clause (i); and

“(iv) during the period such shares, assets, or ownership interests are held, the bank holding company does not actively participate in the day to day management or operation of such company or entity, except insofar as necessary to achieve the objectives of clause (ii).

“(I) Directly or indirectly acquiring or controlling, 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 bank 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 any activity not authorized pursuant to this section if—

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

“(ii) such shares, assets, or ownership interests are acquired and held by an insurance company that is predominantly engaged in underwriting life, accident and health, or

property and casualty insurance (other than credit-related insurance);

“(iii) such shares, assets, or ownership interests represent an investment made in the ordinary course of business of such insurance company in accordance with relevant State law governing such investments; and

“(iv) during the period such shares, assets, or ownership interests are held, the bank holding company does not directly or indirectly participate in the day-to-day management or operation of the company or entity except insofar as necessary to achieve the objectives of clauses (ii) and (iii).

“(4) ACTIONS REQUIRED.—The Board shall, by regulation or order, define, consistent with the purposes of this Act, the following activities as, and the extent to which such activities are, financial in nature or incidental to activities which are financial in nature:

“(A) Lending, exchanging, transferring, investing for others, or safeguarding financial assets other than money or securities.

“(B) Providing any device or other instrumentality for transferring money or other financial assets;

“(C) Arranging, effecting, or facilitating financial transactions for the account of third parties.

“(5) POST CONSUMMATION NOTIFICATION.—

“(A) IN GENERAL.—A financial holding company and a wholesale financial holding company that acquires any company, or commences any activity, pursuant to this subsection shall provide written notice to the Board describing the activity commenced or conducted by the company acquired no later than 30 calendar days after commencing the activity or consummating the acquisition.

“(B) APPROVAL NOT REQUIRED FOR CERTAIN FINANCIAL ACTIVITIES.—Except as provided in section 4(j) with regard to the acquisition of a savings association, a financial holding company and a wholesale financial holding company may commence any activity, or acquire any company, pursuant to paragraph (3) or any regulation prescribed or order issued under paragraph (4), without prior approval of the Board.

“(d) PROVISIONS APPLICABLE TO FINANCIAL HOLDING COMPANIES THAT FAIL TO MEET REQUIREMENTS.—

“(1) IN GENERAL.—If the Board finds that a financial holding company is not in compliance with the requirements of subparagraph (A), (B), (C), or (D) of subsection (b)(1), the Board shall give notice of such finding to the company.

“(2) AGREEMENT TO CORRECT CONDITIONS REQUIRED.—Within 45 days of receipt by a financial holding company of a notice given under paragraph (1) (or such additional period as the Board may permit), the company shall execute an agreement acceptable to the Board to comply with the requirements applicable to a financial holding company.

“(3) BOARD MAY IMPOSE LIMITATIONS.—Until the conditions described in a notice to a financial holding company under paragraph (1) are corrected, the Board may impose such limitations on the conduct or activities of the company or any affiliate of the company as the Board determines to be appropriate under the circumstances.

“(4) FAILURE TO CORRECT.—If, after receiving a notice under paragraph (1), a financial holding company does not—

“(A) execute and implement an agreement in accordance with paragraph (2);

“(B) comply with any limitations imposed under paragraph (3);

“(C) in the case of a notice of failure to comply with subsection (b)(1)(A), restore each depository institution subsidiary to well capitalized status before the end of the 180-day period beginning on the date such no-

tice is received by the company (or such other period permitted by the Board); or

“(D) in the case of a notice of failure to comply with subparagraph (B), (C), or (D) of subsection (b)(1), restore compliance with any such subparagraph by the date the next examination of the depository institution subsidiary is completed or by the end of such other period as the Board determines to be appropriate,

the Board may require such company, under such terms and conditions as may be imposed by the Board and subject to such extension of time as may be granted in the Board's discretion, to divest control of any depository institution subsidiary or, at the election of the financial holding company, instead to cease to engage in any activity conducted by such company or its subsidiaries pursuant to this section.

“(5) CONSULTATION.—In taking any action under this subsection, the Board shall consult with all relevant Federal and State regulatory agencies.

“(e) SAFEGUARDS FOR BANK SUBSIDIARIES.—A financial holding company shall assure that—

“(1) the procedures of the holding company for identifying and managing financial and operational risks within the company, and the subsidiaries of such company, adequately protect the subsidiaries of such company which are insured depository institutions from such risks;

“(2) the holding company has reasonable policies and procedures to preserve the separate corporate identity and limited liability of such company and the subsidiaries of such company, for the protection of the company's subsidiary insured depository institutions; and

“(3) the holding company complies with this section.

“(f) AUTHORITY TO RETAIN LIMITED NON-FINANCIAL ACTIVITIES AND AFFILIATIONS.—

“(1) IN GENERAL.—Notwithstanding section 4(a), a company that is not a bank holding company or a foreign bank (as defined in section 1(b)(7) of the International Banking Act of 1978) and becomes a financial holding company after the date of the enactment of the Financial Services Act of 1998 may continue to engage in any activity and retain direct or indirect ownership or control of shares of a company engaged in any activity if—

“(A) the holding company lawfully was engaged in the activity or held the shares of such company on September 30, 1997;

“(B) the holding company is predominantly engaged in financial activities as defined in paragraph (2); and

“(C) the company engaged in such activity continues to engage only in the same activities that such company conducted on September 30, 1997, and other activities permissible under this Act.

“(2) PREDOMINANTLY FINANCIAL.—For purposes of this subsection, a company is predominantly engaged in financial activities if the annual gross revenues derived by the holding company and all subsidiaries of the holding company (excluding revenues derived from subsidiary depository institutions), on a consolidated basis, from engaging in activities that are financial in nature or are incidental to activities that are financial in nature under subsection (c) represent at least 85 percent of the consolidated annual gross revenues of the company.

“(3) NO EXPANSION OF GRANDFATHERED COMMERCIAL ACTIVITIES THROUGH MERGER OR CONSOLIDATION.—A financial holding company that engages in activities or holds shares pursuant to this subsection, or a subsidiary of such financial holding company, may not acquire, in any merger, consolidation, or other type of business combination, assets of any other company which is engaged in any activity which the Board has not determined

to be financial in nature or incidental to activities that are financial in nature under subsection (c).

“(4) CONTINUING REVENUE LIMITATION ON GRANDFATHERED COMMERCIAL ACTIVITIES.—Notwithstanding any other provision of this subsection, a financial holding company may continue to engage in activities or hold shares in companies pursuant to this subsection only to the extent that the aggregate annual gross revenues derived from all such activities and all such companies does not exceed 15 percent of the consolidated annual gross revenues of the financial holding company (excluding revenues derived from subsidiary depository institutions).

“(5) CROSS MARKETING RESTRICTIONS APPLICABLE TO COMMERCIAL ACTIVITIES.—A depository institution controlled by a financial holding company shall not—

“(A) offer or market, directly or through any arrangement, any product or service of a company whose activities are conducted or whose shares are owned or controlled by the financial holding company pursuant to this subsection or subparagraph (H) or (I) of subsection (c)(3); or

“(B) permit any of its products or services to be offered or marketed, directly or through any arrangement, by or through any company described in subparagraph (A).

“(6) TRANSACTIONS WITH NONFINANCIAL AFFILIATES.—An insured depository institution controlled by a financial holding company may not engage in a covered transaction (as defined by section 23A(b)(7) of the Federal Reserve Act) with any affiliate controlled by the company pursuant to this subsection or subparagraph (H) or (I) of subsection (c)(3).

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

“(g) DEVELOPING ACTIVITIES.—A financial holding company and a wholesale financial holding company may engage directly or indirectly, or acquire shares of any company engaged, in any activity that the Board has not determined to be financial in nature or incidental to financial activities under subsection (c) if—

“(1) the holding company reasonably concludes that the activity is financial in nature or incidental to financial activities;

“(2) the gross revenues from all activities conducted under this subsection represent less than 5 percent of the consolidated gross revenues of the holding company;

“(3) the aggregate total assets of all companies the shares of which are held under this subsection do not exceed 5 percent of the holding company's consolidated total assets;

“(4) the total capital invested in activities conducted under this subsection represents less than 5 percent of the consolidated total capital of the holding company;

“(5) the Board has not determined that the activity is not financial in nature or incidental to financial activities under subsection (c); and

“(6) the holding company provides written notification to the Board describing the activity commenced or conducted by the company acquired no later than 10 business days after commencing the activity or consummating the acquisition.”.

SEC. 104. CERTAIN STATE LAWS PREEMPTED.

(a) AFFILIATIONS.—No State may by statute, regulation, order, interpretation, or oth-

erwise, prevent or significantly interfere with the ability of an insured depository institution or a wholesale financial institution to be affiliated with an entity (including an entity engaged in insurance activities) as authorized by this Act or any other provision of Federal law.

(b) ACTIVITIES.—

(1) Except as provided in paragraphs (2), (3), and (4), no State may by statute, regulation, order, interpretation, or otherwise, prevent or significantly interfere with the ability of an insured depository institution or a wholesale financial institution to engage, directly or indirectly or in conjunction with an affiliate, in any activity authorized under this Act or any other provision of Federal law.

(2) In accordance with the decision of the Supreme Court of the United States in *Barnett Bank of Marion County, N.A. v. Nelson*, 116 S.Ct. 1103 (1996), no State may, by statute, regulation, order, interpretation, or otherwise, prevent or significantly interfere with the ability of an insured depository institution or wholesale financial institution to engage, directly or indirectly, or in conjunction with an affiliate, in any insurance sales or solicitation activity, except that—

(A) State statutes and regulations governing insurance sales and solicitations which are no more restrictive than provisions in the Illinois “Act Authorizing and Regulating the Sale of Insurance by Financial Institutions, Public Act 90-41” (215 ILCS 5/1400-1416), as in effect on October 1, 1997, shall not be deemed to prevent or significantly interfere with the ability of an insured depository institution or wholesale financial institution to engage, directly or indirectly, or in conjunction with an affiliate, in any insurance sales or solicitation activity; and

(B) subparagraph (A) shall not create any inference regarding State statutes and regulations governing insurance sales and solicitations other than State statutes and regulations described in subparagraph (A).

(3) State statutes, regulations, orders, and interpretations or otherwise shall not be preempted under paragraph (1) if they—

(A) relate to, or are enacted or issued for the purpose of regulating, the business of insurance in accordance with the McCarran-Ferguson Act;

(B) apply only to entities that are not insured depository institutions or wholesale financial institutions but which are engaged in the business of insurance;

(C) do not relate to, and are not enacted or issued for the purpose of regulating—

(i) cross-marketing; or

(ii) activities, including cross-marketing, which are subject to paragraph (2);

(D) are applicable to and are applied in the same manner with respect to an affiliate of an insured depository institution or a wholesale financial institution as they are applicable to and are applied to those entities that are not affiliated with an insured depository institution or a wholesale financial institution; and

(E) do not prevent or significantly interfere with the ability of an insured depository institution or wholesale financial institution to engage in activities authorized for such institution under this Act or any other provision of Federal law.

(4) Paragraphs (1) and (2) shall not be construed as affecting the jurisdiction of the securities commission (or any agency or office performing like functions) of any State, under the laws of such State, to investigate and bring enforcement actions, consistent with section 18(c) of the Securities Act of 1933, with respect to fraud or deceit or unlawful conduct by any person, in connection with securities or securities transactions.

SEC. 105. MUTUAL BANK HOLDING COMPANIES AUTHORIZED.

(a) IN GENERAL.—Section 3(g)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(g)(2)) is amended to read as follows:

“(2) REGULATIONS.—A bank holding company organized as a mutual holding company shall be regulated on terms, and shall be subject to limitations, comparable to those applicable to any other bank holding company.”.

SEC. 106. PROHIBITION ON DEPOSIT PRODUCTION OFFICES.

(a) IN GENERAL.—Section 109(d) of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (12 U.S.C. 1835a(d)) is amended—

(1) by inserting “, the Financial Services Act of 1998,” after “pursuant to this title”; and

(2) by inserting “or such Act” after “made by this title”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 109(e)(4) of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (12 U.S.C. 1835a(e)(4)) is amended by inserting “and any branch of a bank controlled by an out-of-State bank holding company (as defined in section 2(o)(7) of the Bank Holding Company Act of 1956)” before the period.

SEC. 107. CLARIFICATION OF BRANCH CLOSURE REQUIREMENTS.

Section 42(d)(4)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1831r-1(d)(4)(A)) is amended by inserting “and any bank controlled by an out-of-State bank holding company (as defined in section 2(o)(7) of the Bank Holding Company Act of 1956)” before the period.

SEC. 108. AMENDMENTS RELATING TO LIMITED PURPOSE BANKS.

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

(1) in paragraph (2)(A)(ii)—

(A) by striking “and” at the end of subclause (IX);

(B) by inserting “and” after the semicolon at the end of subclause (X); and

(C) by inserting after subclause (X) the following new subclause:

“(XI) assets that are derived from, or are incidental to, activities in which institutions described in section 2(c)(2)(F) are permitted to engage.”;

(2) in paragraph (2), by striking subparagraph (B) and inserting the following new subparagraphs:

“(B) any bank subsidiary of such company engages in any activity in which the bank was not lawfully engaged as of March 5, 1987, unless the bank is well managed and well capitalized;

“(C) any bank subsidiary of such company both—

“(i) accepts demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties; and

“(ii) engages in the business of making commercial loans (and, for purposes of this clause, loans made in the ordinary course of a credit card operation shall not be treated as commercial loans); or

“(D) after the date of the enactment of the Competitive Equality Amendments of 1987, any bank subsidiary of such company permits any overdraft (including any intraday overdraft), or incurs any such overdraft in such bank's account at a Federal reserve bank, on behalf of an affiliate, other than an overdraft described in paragraph (3).”;

(3) by striking paragraphs (3) and (4) and inserting the following new paragraphs:

“(3) PERMISSIBLE OVERDRAFTS DESCRIBED.—For purposes of paragraph (2)(D), an overdraft is described in this paragraph if—

“(A) such overdraft results from an inadvertent computer or accounting error that is

beyond the control of both the bank and the affiliate; or

“(B) such overdraft—

“(i) is permitted or incurred on behalf of an affiliate which is monitored by, reports to, and is recognized as a primary dealer by the Federal Reserve Bank of New York; and

“(ii) is fully secured, as required by the Board, by bonds, notes, or other obligations which are direct obligations of the United States or on which the principal and interest are fully guaranteed by the United States or by securities and obligations eligible for settlement on the Federal Reserve book entry system.

“(4) DIVESTITURE IN CASE OF LOSS OF EXEMPTION.—If any company described in paragraph (1) fails to qualify for the exemption provided under such paragraph by operation of paragraph (2), such exemption shall cease to apply to such company and such company shall divest control of each bank it controls before the end of the 180-day period beginning on the date that the company receives notice from the Board that the company has failed to continue to qualify for such exemption, unless before the end of such 180-day period, the company has—

“(A) corrected the condition or ceased the activity that caused the company to fail to continue to qualify for the exemption; and

“(B) implemented procedures that are reasonably adapted to avoid the reoccurrence of such condition or activity.”.

SEC. 109. RESPONSIVENESS TO COMMUNITY NEEDS FOR FINANCIAL SERVICES.

(a) STUDY.—The Secretary of the Treasury, in consultation with the Federal banking agencies (as defined in section 3(z) of the Federal Deposit Insurance Act) and the Securities and Exchange Commission, shall conduct a study of the extent to which adequate services are being provided as intended by the Community Reinvestment Act of 1977, including services in low- and moderate-income neighborhoods and for persons of modest means, as a result of the enactment of this Act.

(b) REPORT.—Before the end of the 2-year period beginning on the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Federal banking agencies and the Securities and Exchange Commission, shall submit a report to the Congress on the study conducted pursuant to subsection (a) and shall include such recommendations as the Secretary determines to be appropriate for administrative and legislative action with respect to institutions covered under the Community Reinvestment Act of 1977.

SEC. 110. REPORTS ON ONGOING FTC STUDY OF CONSUMER PRIVACY ISSUES.

With respect to the ongoing multistage study being conducted by the Federal Trade Commission on consumer privacy issues, the Commission shall submit to the Congress an interim report on the findings and conclusions of the Commission, together with such recommendations for legislative and administrative action as the Commission determines to be appropriate, at the conclusion of each stage of such study and a final report at the conclusion of the study.

SEC. 110A. GAO STUDY OF ECONOMIC IMPACT ON COMMUNITY BANKS AND OTHER SMALL FINANCIAL INSTITUTIONS.

(a) STUDY REQUIRED.—The Comptroller General of the United States shall conduct a study of the projected economic impact that the enactment of this Act will have on financial institutions which have total assets of \$100,000,000 or less.

(b) REPORT TO THE CONGRESS.—The Comptroller General of the United States shall submit a report to the Congress before the end of the 6-month period beginning on the date of the date of the enactment of this Act

containing the findings and conclusions of the Comptroller General with regard to the study required under subsection (a) and such recommendations for legislative or administrative action as the Comptroller General may determine to be appropriate.

Subtitle B—Streamlining Supervision of Financial Holding Companies

SEC. 111. STREAMLINING FINANCIAL HOLDING COMPANY SUPERVISION.

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) REPORTS.—

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

“(i) its financial condition, systems for monitoring and controlling financial and operating risks, and transactions with depository institution subsidiaries of the holding company; and

“(ii) compliance by the company or subsidiary with applicable provisions of 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 bank holding company or any subsidiary of such company has provided or been required to provide to other Federal and State supervisors or to appropriate self-regulatory organizations.

“(ii) AVAILABILITY.—A bank 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).

“(iii) REQUIRED USE OF PUBLICLY REPORTED INFORMATION.—The Board shall, to the fullest extent possible, accept in fulfillment of any reporting or recordkeeping requirements under this Act information that is otherwise required to be reported publicly and externally audited financial statements.

“(iv) REPORTS FILED WITH OTHER AGENCIES.—In the event the Board requires a report from a functionally regulated nondepository institution subsidiary of a bank holding company of a kind that is not required by another Federal or State regulator or appropriate self-regulatory organization, the Board shall request that the appropriate regulator or self-regulatory organization obtain such report. If the report is not made available to the Board, and the report is necessary to assess a material risk to the bank holding company or its subsidiary depository institution or compliance with this Act, the Board may require such subsidiary to provide such a report to the Board.

“(C) DEFINITION.—For purposes of this subsection, the term ‘functionally regulated nondepository institution’ means—

“(i) a broker or dealer registered under the Securities Exchange Act of 1934;

“(ii) an investment adviser registered under the Investment Advisers Act of 1940, with respect to the investment advisory activities of such investment adviser and activities incidental to such investment advisory activities;

“(iii) an insurance company subject to supervision by a State insurance commission, agency, or similar authority; and

“(iv) an entity subject to regulation by the Commodity Futures Trading Commission, with respect to the commodities activities of such entity and activities incidental to such commodities activities.

“(2) EXAMINATIONS.—

“(A) EXAMINATION AUTHORITY.—

“(i) IN GENERAL.—The Board may make examinations of each bank holding company

and each subsidiary of a bank holding company.

“(ii) FUNCTIONALLY REGULATED NONDEPOSITORY INSTITUTION SUBSIDIARIES.—Notwithstanding clause (i), the Board may make examinations of a functionally regulated nondepository institution subsidiary of a bank holding company only if—

“(I) the Board has reasonable cause to believe that such subsidiary is engaged in activities that pose a material risk to an affiliated depository institution, or

“(II) based on reports and other available information, the Board has reasonable cause to believe that a subsidiary is not in compliance with this Act or with provisions relating to transactions with an affiliated depository institution and the Board cannot make such determination through examination of the affiliated depository institution or bank holding company.

“(B) LIMITATIONS ON EXAMINATION AUTHORITY FOR BANK HOLDING COMPANIES AND SUBSIDIARIES.—Subject to subparagraph (A)(ii), the Board may make examinations under subparagraph (A)(i) of each bank holding company and each subsidiary of such holding company in order to—

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

“(ii) inform the Board of—

“(I) the financial and operational risks within the holding company system that may pose a threat to the safety and soundness of any subsidiary depository institution of such holding company; and

“(II) the systems for monitoring and controlling such risks; and

“(iii) monitor compliance with the provisions of this Act and those governing transactions and relationships between any subsidiary depository institution and its affiliates.

“(C) RESTRICTED FOCUS OF EXAMINATIONS.—The Board shall, to the fullest extent possible, limit the focus and scope of any examination of a bank holding company to—

“(i) the bank holding company; and

“(ii) any subsidiary of the holding company that, because of—

“(I) the size, condition, or activities of the subsidiary;

“(II) the nature or size of transactions between such subsidiary and any depository institution which is also a subsidiary of such holding company; or

“(III) the centralization of functions within the holding company system, could have a materially adverse effect on the safety and soundness of any depository institution affiliate of the holding company.

“(D) DEFERENCE TO BANK EXAMINATIONS.—The Board shall, to the fullest extent possible, use, for the purposes of this paragraph, the reports of examinations of depository institutions made by the appropriate Federal and State depository institution supervisory authority.

“(E) DEFERENCE TO OTHER EXAMINATIONS.—The Board shall, to the fullest extent possible, address the circumstances which might otherwise permit or require an examination by the Board by forgoing an examination and instead reviewing the reports of examination made of—

“(i) any registered broker or dealer or registered investment adviser by or on behalf of the Securities and Exchange Commission;

“(ii) any licensed insurance company by or on behalf of any state regulatory authority responsible for the supervision of insurance companies; and

“(iii) any other subsidiary that the Board finds to be comprehensively supervised by a Federal or State authority.

“(3) CAPITAL.—

“(A) IN GENERAL.—The Board shall not, by regulation, guideline, order or otherwise,

prescribe or impose any capital or capital adequacy rules, guidelines, standards, or requirements on any subsidiary of a financial holding company that is not a depository institution and—

“(i) is in compliance with applicable capital requirements of another Federal regulatory authority (including the Securities and Exchange Commission) or State insurance authority; or

“(ii) is registered as an investment adviser under the Investment Advisers Act of 1940.

“(B) **RULE OF CONSTRUCTION.**—Subparagraph (A) shall not be construed as preventing the Board from imposing capital or capital adequacy rules, guidelines, standards, or requirements with respect to activities of a registered investment adviser other than investment advisory activities or activities incidental to investment advisory activities.

“(4) **TRANSFER OF BOARD AUTHORITY TO APPROPRIATE FEDERAL BANKING AGENCY.**—

“(A) **IN GENERAL.**—In the case of any bank holding company which is not significantly engaged in nonbanking activities, the Board, in consultation with the appropriate Federal banking agency, may designate the appropriate Federal banking agency of the lead insured depository institution subsidiary of such holding company as the appropriate Federal banking agency for the bank holding company.

“(B) **AUTHORITY TRANSFERRED.**—An agency designated by the Board under subparagraph (A) shall have the same authority as the Board under this Act to—

“(i) examine and require reports from the bank holding company and any affiliate of such company (other than a depository institution) under section 5;

“(ii) approve or disapprove applications or transactions under section 3;

“(iii) take actions and impose penalties under subsections (e) and (f) of section 5 and section 8; and

“(iv) take actions regarding the holding company, any affiliate of the holding company (other than a depository institution), or any institution-affiliated party of such company or affiliate under the Federal Deposit Insurance Act and any other statute which the Board may designate.

“(C) **AGENCY ORDERS.**—Section 9 (of this Act) and section 105 of the Bank Holding Company Act Amendments of 1970 shall apply to orders issued by an agency designated under subparagraph (A) in the same manner such sections apply to orders issued by the Board.

“(5) **FUNCTIONAL REGULATION OF SECURITIES AND INSURANCE ACTIVITIES.**—The Board shall defer to—

“(A) the Securities and Exchange Commission with regard to all interpretations of, and the enforcement of, applicable Federal securities laws relating to the activities, conduct, and operations of registered brokers, dealers, investment advisers, and investment companies; and

“(B) the relevant State insurance authorities with regard to all interpretations of, and the enforcement of, applicable State insurance laws relating to the activities, conduct, and operations of insurance companies and insurance agents.”.

SEC. 112. ELIMINATION OF APPLICATION REQUIREMENT FOR FINANCIAL HOLDING COMPANIES.

(a) **PREVENTION OF DUPLICATIVE FILINGS.**—Section 5(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(a)) is amended by adding the following new sentence at the end: “A declaration filed in accordance with section 6(b)(1)(E) shall satisfy the requirements of this subsection with regard to the registration of a bank holding company but not any requirement to file an application to acquire a bank pursuant to section 3.”.

(b) **DIVESTITURE PROCEDURES.**—Section 5(e)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(e)(1)) is amended—

(1) by striking “Financial Institutions Supervisory Act of 1966, order” and inserting “Financial Institutions Supervisory Act of 1966, at the election of the bank holding company—

“(A) order”; and

(2) by striking “shareholders of the bank holding company. Such distribution” and inserting “shareholders of the bank holding company; or

“(B) order the bank holding company, after due notice and opportunity for hearing, and after consultation with the bank’s primary supervisor, which shall be the Comptroller of the Currency in the case of a national bank, and the Federal Deposit Insurance Corporation and the appropriate State supervisor in the case of an insured nonmember bank, to terminate (within 120 days or such longer period as the Board may direct) the ownership or control of any such bank by such company.

The distribution referred to in subparagraph (A)”.

SEC. 113. AUTHORITY OF STATE INSURANCE REGULATOR AND SECURITIES AND EXCHANGE COMMISSION.

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) **AUTHORITY OF STATE INSURANCE REGULATOR AND THE SECURITIES AND EXCHANGE COMMISSION.**—

“(1) **IN GENERAL.**—Notwithstanding any other provision of law, any regulation, order, or other action of the Board which requires a bank holding company to provide funds or other assets to a subsidiary insured depository institution shall not be effective nor enforceable if—

“(A) such funds or assets are to be provided by—

“(i) a bank holding company that is an insurance company or is a broker or dealer registered under the Securities Exchange Act of 1934; or

“(ii) an affiliate of the depository institution which is an insurance company or a broker or dealer registered under such Act; and

“(B) the State insurance authority for the insurance company or the Securities and Exchange Commission for the registered broker or dealer, as the case may be, determines in writing sent to the holding company and the Board that the holding company shall not provide such funds or assets because such action would have a material adverse effect on the financial condition of the insurance company or the broker or dealer, as the case may be.

“(2) **NOTICE TO STATE INSURANCE AUTHORITY OR SEC REQUIRED.**—If the Board requires a bank holding company, or an affiliate of a bank holding company, which is an insurance company or a broker or dealer described in paragraph (1)(A) to provide funds or assets to an insured depository institution subsidiary of the holding company pursuant to any regulation, order, or other action of the Board referred to in paragraph (1), the Board shall promptly notify the State insurance authority for the insurance company or the Securities and Exchange Commission, as the case may be, of such requirement.

“(3) **DIVESTITURE IN LIEU OF OTHER ACTION.**—If the Board receives a notice described in paragraph (1)(B) from a State insurance authority or the Securities and Exchange Commission with regard to a bank holding company or affiliate referred to in such paragraph, the Board may order the bank holding company to divest the insured depository institution within 180 days of receiving notice or such longer period as the Board determines consistent with the safe

and sound operation of the insured depository institution.

“(4) **CONDITIONS BEFORE DIVESTITURE.**—During the period beginning on the date an order to divest is issued by the Board under paragraph (3) to a bank holding company and ending on the date the divestiture is completed, the Board may impose any conditions or restrictions on the holding company’s ownership or operation of the insured depository institution, including restricting or prohibiting transactions between the insured depository institution and any affiliate of the institution, as are appropriate under the circumstances.”.

SEC. 114. PRUDENTIAL SAFEGUARDS.

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 113 of this subtitle) the following new subsection:

“(h) **PRUDENTIAL SAFEGUARDS.**—

“(1) **IN GENERAL.**—The Board may, by regulation or order, impose restrictions or requirements on relationships or transactions between a depository institution subsidiary of a bank holding company and any affiliate of such depository institution (other than a subsidiary of such institution) which the Board finds is consistent with the public interest, the purposes of this Act, the Financial Services Act of 1998, the Federal Reserve Act, and other Federal law applicable to depository institution subsidiaries of bank holding companies and the standards in paragraph (2).

“(2) **STANDARDS.**—The Board may exercise authority under paragraph (1) if the Board finds that such action will have any of the following effects:

“(A) Avoid any significant risk to the safety and soundness of depository institutions or any Federal deposit insurance fund.

“(B) Enhance the financial stability of bank holding companies.

“(C) Avoid conflicts of interest or other abuses.

“(D) Enhance the privacy of customers of depository institutions.

“(E) Promote the application of national treatment and equality of competitive opportunity between nonbank affiliates owned or controlled by domestic bank holding companies and nonbank affiliates owned or controlled by foreign banks operating in the United States.

“(3) **REVIEW.**—The Board shall regularly—

“(A) review all restrictions or requirements established pursuant to paragraph (1) to determine whether there is a continuing need for any such restriction or requirement to carry out the purposes of the Act, including any purpose described in paragraph (2); and

“(B) modify or eliminate any restriction or requirement the Board finds is no longer required for such purposes.”.

SEC. 115. EXAMINATION OF INVESTMENT COMPANIES.

(a) **EXCLUSIVE COMMISSION AUTHORITY.**—

(1) **IN GENERAL.**—The Commission shall be the sole Federal agency with authority to inspect and examine any registered investment company that is not a bank holding company.

(2) **PROHIBITION ON BANKING AGENCIES.**—A Federal banking agency may not inspect or examine any registered investment company that is not a bank holding company.

(b) **EXAMINATION RESULTS AND OTHER INFORMATION.**—The Commission shall provide to any Federal banking agency, upon request, the results of any examination, reports, records, or other information with respect to any registered investment company to the extent necessary for the agency to carry out its statutory responsibilities.

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

(1) BANK HOLDING COMPANY.—The term “bank holding company” has the meaning given to such term in section 2 of the Bank Holding Company Act of 1956.

(2) COMMISSION.—The term “Commission” means the Securities and Exchange Commission.

(3) FEDERAL BANKING AGENCY.—The term “Federal banking agency” has the meaning given to such term in section 3(2) of the Federal Deposit Insurance Act.

(4) REGISTERED INVESTMENT COMPANY.—The term “registered investment company” means an investment company which is registered with the Commission under the Investment Company Act of 1940.

SEC. 116. LIMITATION ON RULEMAKING, PRUDENTIAL, SUPERVISORY, AND ENFORCEMENT AUTHORITY OF THE BOARD.

The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended by inserting after section 10 the following new section:

“SEC. 10A. LIMITATION ON RULEMAKING, PRUDENTIAL, SUPERVISORY, AND ENFORCEMENT AUTHORITY OF THE BOARD.

“(a) LIMITATION ON DIRECT ACTION.—

“(1) IN GENERAL.—The Board may not prescribe regulations, issue or seek entry of orders, impose restraints, restrictions, guidelines, requirements, safeguards, or standards, or otherwise take any action under or pursuant to any provision of this Act or section 8 of the Federal Deposit Insurance Act against or with respect to a regulated subsidiary of a bank holding company unless the action is necessary to prevent or redress an unsafe or unsound practice or breach of fiduciary duty by such subsidiary that poses a material risk to—

“(A) the financial safety, soundness, or stability of an affiliated depository institution; or

“(B) the domestic or international payment system.

“(2) CRITERIA FOR BOARD ACTION.—The Board shall not take action otherwise permitted under paragraph (1) unless the Board finds that it is not reasonably possible to effectively protect against the material risk at issue through action directed at or against the affiliated depository institution or against depository institutions generally.

“(b) LIMITATION ON INDIRECT ACTION.—The Board may not prescribe regulations, issue or seek entry of orders, impose restraints, restrictions, guidelines, requirements, safeguards, or standards, or otherwise take any action under or pursuant to any provision of this Act or section 8 of the Federal Deposit Insurance Act against or with respect to a financial holding company or a wholesale financial holding company where the purpose or effect of doing so would be to take action indirectly against or with respect to a regulated subsidiary that may not be taken directly against or with respect to such subsidiary in accordance with subsection (a).

“(c) ACTIONS SPECIFICALLY AUTHORIZED.—Notwithstanding subsection (a), the Board may take action under this Act or section 8 of the Federal Deposit Insurance Act to enforce compliance by a regulated subsidiary with Federal law that the Board has specific jurisdiction to enforce against such subsidiary.

“(d) REGULATED SUBSIDIARY DEFINED.—For purposes of this section, the term ‘regulated subsidiary’ means any company that is not a bank holding company and is—

“(1) a broker or dealer registered under the Securities Exchange Act of 1934;

“(2) an investment adviser registered under the Investment Advisers Act of 1940, with respect to the investment advisory activities of such investment adviser and activities incidental to such investment advisory activities;

“(3) an investment company registered under the Investment Company Act of 1940;

“(4) an insurance company or an insurance agency subject to supervision by a State insurance commission, agency, or similar authority; or

“(5) an entity subject to regulation by the Commodity Futures Trading Commission, with respect to the commodities activities of such entity and activities incidental to such commodities activities.”.

SEC. 117. INTERAGENCY CONSULTATION.

(a) PURPOSE.—It is the intention of Congress that the Board of Governors of the Federal Reserve System, as the umbrella supervisor for financial holding companies, and the State insurance regulators, as the functional regulators of companies engaged in insurance activities, coordinate efforts to supervise companies that control both a depository institution and a company engaged in insurance activities regulated under State law. In particular, Congress believes that the Board and the State insurance regulators should share, on a confidential basis, information relevant to the supervision of companies that control both a depository institution and a company engaged in insurance activities, including information regarding the financial health of the consolidated organization and information regarding transactions and relationships between insurance companies and affiliated depository institutions. The appropriate Federal banking agencies for depository institutions should also share, on a confidential basis, information with the relevant State insurance regulators regarding transactions and relationships between depository institutions and affiliated companies engaged in insurance activities. The purpose of this section is to encourage this coordination and confidential sharing of information, and to thereby improve both the efficiency and the quality of the supervision of financial holding companies and their affiliated depository institutions and companies engaged in insurance activities.

(b) EXAMINATION RESULTS AND OTHER INFORMATION.—

(1) INFORMATION OF THE BOARD.—Upon the request of the appropriate insurance regulator of any State, the Board may provide any information of the Board regarding the financial condition, risk management policies, and operations of any financial holding company that controls a company that is engaged in insurance activities and is regulated by such State insurance regulator, and regarding any transaction or relationship between such an insurance company and any affiliated depository institution. The Board may provide any other information to the appropriate State insurance regulator that the Board believes is necessary or appropriate to permit the State insurance regulator to administer and enforce applicable State insurance laws.

(2) BANKING AGENCY INFORMATION.—Upon the request of the appropriate insurance regulator of any State, the appropriate Federal banking agency may provide any information of the agency regarding any transaction or relationship between a depository institution supervised by such Federal banking agency and any affiliated company that is engaged in insurance activities regulated by such State insurance regulator. The appropriate Federal banking agency may provide any other information to the appropriate State insurance regulator that the agency believes is necessary or appropriate to permit the State insurance regulator to administer and enforce applicable State insurance laws.

(3) STATE INSURANCE REGULATOR INFORMATION.—Upon the request of the Board or the appropriate Federal banking agency, a State insurance regulator may provide any exam-

ination or other reports, records, or other information to which such insurance regulator may have access with respect to a company which—

(A) is engaged in insurance activities and regulated by such insurance regulator; and

(B) is an affiliate of an insured depository institution, wholesale financial institution, or financial holding company.

(c) CONSULTATION.—Before making any determination relating to the initial affiliation of, or the continuing affiliation of, an insured depository institution, wholesale financial institution, or financial holding company with a company engaged in insurance activities, the appropriate Federal banking agency shall consult with the appropriate State insurance regulator of such company and take the views of such insurance regulator into account in making such determination.

(d) EFFECT ON OTHER AUTHORITY.—Nothing in this section shall limit in any respect the authority of the appropriate Federal banking agency with respect to an insured depository institution, wholesale financial institution, or bank holding company or any affiliate thereof under any provision of law.

(e) CONFIDENTIALITY AND PRIVILEGE.—

(1) CONFIDENTIALITY.—The appropriate Federal banking agency shall not provide any information or material that is entitled to confidential treatment under applicable Federal banking agency regulations, or other applicable law, to a State insurance regulator unless such regulator agrees to maintain the information or material in confidence and to take all reasonable steps to oppose any effort to secure disclosure of the information or material by the regulator. The appropriate Federal banking agency shall treat as confidential any information or material obtained from a State insurance regulator that is entitled to confidential treatment under applicable State regulations, or other applicable law, and take all reasonable steps to oppose any effort to secure disclosure of the information or material by the Federal banking agency.

(2) PRIVILEGE.—The provision pursuant to this section of information or material by a Federal banking agency or State insurance regulator shall not constitute a waiver of, or otherwise affect, any privilege to which the information or material is otherwise subject.

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

(1) APPROPRIATE FEDERAL BANKING AGENCY; INSURED DEPOSITORY INSTITUTION.—The terms “appropriate Federal banking agency” and “insured depository institution” shall have the same meanings as in section 3 of the Federal Deposit Insurance Act.

(2) BOARD; FINANCIAL HOLDING COMPANY; AND WHOLESALE FINANCIAL INSTITUTION.—The terms “Board”, “financial holding company”, and “wholesale financial institution” shall have the same meanings as in section 2 of the Bank Holding Company Act of 1956.

Subtitle C—Subsidiaries of National Banks
SEC. 121. PERMISSIBLE ACTIVITIES FOR SUBSIDIARIES OF NATIONAL BANKS.

(a) FINANCIAL SUBSIDIARIES OF NATIONAL BANKS.—Chapter one of title LXII of the Revised Statutes of 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. SUBSIDIARIES OF NATIONAL BANKS.

“(a) SUBSIDIARIES OF NATIONAL BANKS AUTHORIZED TO ENGAGE IN FINANCIAL ACTIVITIES.—

“(1) EXCLUSIVE AUTHORITY.—No provision of section 5136 or any other provision of this title LXII of the Revised Statutes shall be construed as authorizing a subsidiary of a

national bank to engage in, or own any share of or any other interest in any company engaged in, any activity that—

“(A) is not permissible for a national bank to engage in directly; or

“(B) is conducted under terms or conditions other than those that would govern the conduct of such activity by a national bank, unless a national bank is specifically authorized by the express terms of a Federal statute and not by implication or interpretation to acquire shares of or an interest in, or to control, such subsidiary, such as by paragraph (2) of this subsection and section 25A of the Federal Reserve Act.

“(2) SPECIFIC AUTHORIZATION TO CONDUCT AGENCY ACTIVITIES WHICH ARE FINANCIAL IN NATURE.—A national bank may control a company that engages in agency activities that have been determined to be financial in nature or incidental to such financial activities pursuant to and in accordance with section 6(c) of the Bank Holding Company Act of 1956 if—

“(A) the company engages in such activities solely as agent and not directly or indirectly as principal;

“(B) the national bank is well capitalized and well managed, and has achieved a rating of satisfactory or better at the most recent examination of the bank under the Community Reinvestment Act of 1977;

“(C) all depository institution affiliates of the national bank are well capitalized and well managed, and have achieved a rating of satisfactory or better at the most recent examination of each such depository institution under the Community Reinvestment Act of 1977; and

“(D) the bank has received the approval of the Comptroller of the Currency.

“(3) DEFINITIONS.—

“(A) COMPANY; CONTROL; SUBSIDIARY.—The terms ‘company’, ‘control’, and ‘subsidiary’ have the meanings given to such terms in section 2 of the Bank Holding Company Act of 1956.

“(B) WELL CAPITALIZED.—The term ‘well capitalized’ has the same meaning as in section 38 of the Federal Deposit Insurance Act and, for purposes of this section, the Comptroller shall have exclusive jurisdiction to determine whether a national bank is well capitalized.

“(C) WELL MANAGED.—The term ‘well managed’ means—

“(i) in the case of a bank that has been examined, unless otherwise determined in writing by the Comptroller—

“(I) the achievement of a composite rating of 1 or 2 under the Uniform Financial Institutions Rating System (or an equivalent rating under an equivalent rating system) in connection with the most recent examination or subsequent review of the bank; and

“(II) at least a rating of 2 for management, if that rating is given; or

“(ii) in the case of any national bank that has not been examined, the existence and use of managerial resources that the Comptroller determines are satisfactory.

“(b) LIMITED EXCLUSIONS FROM COMMUNITY NEEDS REQUIREMENTS FOR NEWLY ACQUIRED DEPOSITORY INSTITUTIONS.—Any depository institution which becomes affiliated with a national bank during the 24-month period preceding the submission of an application to acquire a subsidiary under subsection (a)(2), and any depository institution which becomes so affiliated after the approval of such application, may be excluded for purposes of subsection (a)(2)(B) during the 24-month period beginning on the date of such acquisition if—

“(1) the depository institution has submitted an affirmative plan to the appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act) to take such action as may be necessary

in order for such institution to achieve a ‘satisfactory record of meeting community credit needs’, or better, at the next examination of the institution under the Community Reinvestment Act of 1977; and

“(2) the plan has been approved by the appropriate Federal banking agency.”

(b) LIMITATION ON CERTAIN ACTIVITIES IN SUBSIDIARIES.—Section 21(a)(1) of the Banking Act of 1933 (12 U.S.C. 378(a)(1)) is amended—

(1) by inserting “, or to be a subsidiary of any person, firm, corporation, association, business trust, or similar organization engaged (unless such subsidiary (A) was engaged in such securities activities as of September 15, 1997, or (B) is a nondepository subsidiary of a foreign bank and is not also a subsidiary of a domestic depository institution),” after “to engage at the same time”; and

(2) by inserting “or any subsidiary of such bank, company, or institution” after “or private bankers”.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) ANTIITYING.—Section 106(a) of the Bank Holding Company Act Amendments of 1970 is amended by adding at the end the following new sentence: “For purposes of this section, a subsidiary of a national bank which engages in activities as an agent pursuant to section 5136A(a)(2) shall be deemed to be a subsidiary of a bank holding company, and not a subsidiary of a bank.”

(2) SECTION 23B.—Section 23B(a) of the Federal Reserve Act (12 U.S.C. 371c-1(a)) is amended by adding at the end the following new paragraph:

“(4) SUBSIDIARY OF NATIONAL BANK.—For purposes of this section, a subsidiary of a national bank which engages in activities as an agent pursuant to section 5136A(a)(2) shall be deemed to be an affiliate of the national bank and not a subsidiary of the bank.”

(d) CLERICAL AMENDMENT.—The table of sections for chapter one 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. Financial subsidiaries of national banks.”

SEC. 122. MISREPRESENTATIONS REGARDING DEPOSITORY INSTITUTION LIABILITY FOR OBLIGATIONS OF AFFILIATES.

(a) IN GENERAL.—Chapter 47 of title 18, United States Code, is amended by inserting after section 1007 the following new section:

“**§ 1008. Misrepresentations regarding financial institution liability for obligations of affiliates**

“(a) IN GENERAL.—No institution-affiliated party of an insured depository institution or institution-affiliated party of a subsidiary or affiliate of an insured depository institution shall fraudulently represent that the institution is or will be liable for any obligation of a subsidiary or other affiliate of the institution.

“(b) CRIMINAL PENALTY.—Whoever violates subsection (a) shall be fined under this title, imprisoned for not more than 1 year, or both.

“(c) INSTITUTION-AFFILIATED PARTY DEFINED.—For purposes of this section, the term ‘institution-affiliated party’ with respect to a subsidiary or affiliate has the same meaning as in section 3 except references to an insured depository institution shall be deemed to be references to a subsidiary or affiliate of an insured depository institution.

“(d) OTHER DEFINITIONS.—For purposes of this section, the terms ‘affiliate’, ‘insured depository institution’, and ‘subsidiary’ have

same meanings as in section 3 of the Federal Deposit Insurance Act.”

(b) CLERICAL AMENDMENT.—The table of sections for chapter 47 of title 18, United States Code, is amended by inserting after the item relating to section 1007 the following new item:

“1008. Misrepresentations regarding financial institution liability for obligations of affiliates.”

SEC. 123. REPEAL OF STOCK LOAN LIMIT IN FEDERAL RESERVE ACT.

Section 11 of the Federal Reserve Act (12 U.S.C. 248) is amended by striking the paragraph designated as “(m)” and inserting “(m) [Repealed]”.

Subtitle D—Wholesale Financial Holding Companies; Wholesale Financial Institutions
CHAPTER 1—WHOLESALE FINANCIAL HOLDING COMPANIES

SEC. 131. WHOLESALE FINANCIAL HOLDING COMPANIES ESTABLISHED.

(a) DEFINITION AND SUPERVISION.—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. WHOLESALE FINANCIAL HOLDING COMPANIES.**

“(a) COMPANIES THAT CONTROL WHOLESALE FINANCIAL INSTITUTIONS.—

“(1) WHOLESALE FINANCIAL HOLDING COMPANY DEFINED.—The term ‘wholesale financial holding company’ means any company that—

“(A) is registered as a bank holding company;

“(B) is predominantly engaged in financial activities as defined in section 6(g)(2);

“(C) controls 1 or more wholesale financial institutions;

“(D) does not control—

“(i) a bank other than a wholesale financial institution;

“(ii) an insured bank other than an institution permitted under subparagraph (D), (F), or (G) of section 2(c)(2); or

“(iii) a savings association; and

“(E) is not a foreign bank (as defined in section 1(b)(7) of the International Banking Act of 1978).

“(2) SAVINGS ASSOCIATION TRANSITION PERIOD.—Notwithstanding paragraph (1)(C)(iii), the Board may permit a company that controls a savings association and that otherwise meets the requirements of paragraph (1) to become supervised under paragraph (1), if the company divests control of any such savings association within such period not to exceed 5 years after becoming supervised under paragraph (1) as permitted by the Board.

“(b) SUPERVISION BY THE BOARD.—

“(1) IN GENERAL.—The provisions of this section shall govern the reporting, examination, and capital requirements of wholesale financial holding companies.

“(2) REPORTS.—

“(A) IN GENERAL.—The Board from time to time may require any wholesale financial 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 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 require-

ments under this paragraph that the wholesale financial holding company or any subsidiary of such company has provided or been required to provide to other Federal and State supervisors or to appropriate self-regulatory organizations.

“(ii) AVAILABILITY.—A wholesale financial 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).

“(C) 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 regulation prescribed under this paragraph.

“(ii) CRITERIA FOR CONSIDERATION.—In making any determination under clause (i) with regard to any exemption under such clause, the Board shall consider, among such other factors as the Board may determine to be appropriate, the following 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) or a foreign regulatory authority of a similar type.

“(II) The primary business of the company.

“(III) The nature and extent of the domestic and foreign regulation of the activities of the company.

“(3) EXAMINATIONS.—

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

“(i) inform the Board regarding the nature of the operations and financial condition of the wholesale financial holding company and its subsidiaries;

“(ii) inform the Board regarding—

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

“(II) the systems of the holding company and its 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 the wholesale financial 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 wholesale financial holding company under this paragraph to—

“(i) the holding company; and

“(ii) any subsidiary (other than an insured depository institution subsidiary) of the holding company that, because of the size, condition, or activities of the subsidiary, the nature or size of transactions between such subsidiary and any affiliated depository institution, or the centralization of functions within the holding company system, could have a materially adverse effect on the safety and soundness of any depository institution affiliate of the holding company.

“(C) DEFERENCE TO BANK EXAMINATIONS.—The Board shall, to the fullest extent possible, use the reports of examination of depository institutions made by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Director of 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, address the circumstances which might otherwise permit or require an examination by the Board by forgoing an examination and by instead reviewing the reports of examination made of—

“(i) any registered broker or dealer or any registered investment adviser by or on behalf of the Commission; and

“(ii) any licensed insurance company by or on behalf of any State government insurance agency responsible for the supervision of the insurance company.

“(E) CONFIDENTIALITY OF REPORTED INFORMATION.—

“(i) IN GENERAL.—Notwithstanding any other provision of law, the Board shall not be compelled to disclose any nonpublic 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 wholesale financial 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 the 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 any 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, the wholesale financial holding company.

“(4) CAPITAL ADEQUACY GUIDELINES.—

“(A) CAPITAL ADEQUACY PROVISIONS.—Subject to the requirements of, and solely in accordance with, the terms of this paragraph, the Board may adopt capital adequacy rules or guidelines for wholesale financial holding companies.

“(B) METHOD OF CALCULATION.—In developing rules or guidelines under this paragraph, the following provisions shall apply:

“(i) FOCUS ON DOUBLE LEVERAGE.—The Board shall focus on the use by wholesale financial holding companies of debt and other liabilities to fund capital investments in subsidiaries.

“(ii) NO UNWEIGHTED CAPITAL RATIO.—The Board shall not, by regulation, guideline, order, or otherwise, impose under this section a capital ratio that is not based on appropriate risk-weighting considerations.

“(iii) NO CAPITAL REQUIREMENT ON REGULATED ENTITIES.—The Board shall not, by regulation, guideline, order or otherwise, prescribe or impose any capital or capital adequacy rules, standards, guidelines, or requirements upon any subsidiary that—

“(I) is not a depository institution; and

“(II) is in compliance with applicable capital requirements of another Federal regulatory authority (including the Securities and Exchange Commission) or State insurance authority.

“(iv) LIMITATION.—The Board shall not, by regulation, guideline, order or otherwise, prescribe or impose any capital or capital adequacy rules, standards, guidelines, or re-

quirements upon any subsidiary that is not a depository institution and that is registered as an investment adviser under the Investment Advisers Act of 1940, except that this clause shall not be construed as preventing the Board from imposing capital or capital adequacy rules, guidelines, standards, or requirements with respect to activities of a registered investment adviser other than investment advisory activities or activities incidental to investment advisory activities.

“(v) APPROPRIATE EXCLUSIONS.—The Board shall take full account of—

“(I) the capital requirements made applicable to any subsidiary that is not a depository institution by another Federal regulatory authority or State insurance authority; and

“(II) industry norms for capitalization of a company's unregulated subsidiaries and activities.

“(vi) INTERNAL RISK MANAGEMENT MODELS.—The Board may incorporate internal risk management models of wholesale financial holding companies into its capital adequacy guidelines or rules and may take account of the extent to which resources of a subsidiary depository institution may be used to service the debt or other liabilities of the wholesale financial holding company.

“(c) NONFINANCIAL ACTIVITIES AND INVESTMENTS.—

“(1) GRANDFATHERED ACTIVITIES.—

“(A) IN GENERAL.—Notwithstanding section 4(a), a company that becomes a wholesale financial holding company may continue to engage, directly or indirectly, in any activity and may retain ownership and control of shares of a company engaged in any activity if—

“(i) on the date of the enactment of the Financial Services Act of 1998, such wholesale financial holding company was lawfully engaged in that nonfinancial activity, held the shares of such company, or had entered into a contract to acquire shares of any company engaged in such activity; and

“(ii) the company engaged in such activity continues to engage only in the same activities that such company conducted on the date of the enactment of the Financial Services Act of 1998, and other activities permissible under this Act.

“(B) NO EXPANSION OF GRANDFATHERED COMMERCIAL ACTIVITIES THROUGH MERGER OR CONSOLIDATION.—A wholesale financial holding company that engages in activities or holds shares pursuant to this paragraph, or a subsidiary of such wholesale financial holding company, may not acquire, in any merger, consolidation, or other type of business combination, assets of any other company which is engaged in any activity which the Board has not determined to be financial in nature or incidental to activities that are financial in nature under section 6(c).

“(C) LIMITATION TO SINGLE EXEMPTION.—No company that engages in any activity or controls any shares under subsection (f) of section 6 may engage in any activity or own any shares pursuant to this paragraph or paragraph (1).

“(2) COMMODITIES.—

“(A) IN GENERAL.—Notwithstanding section 4(a), a wholesale financial holding company which was predominately engaged as of January 1, 1997, in financial 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, 1997, if such wholesale financial holding company, or any subsidiary of such holding company, was engaged directly, indirectly, or through any such company in any of such ac-

tivities as of January 1, 1997, in the United States.

“(B) LIMITATION.—The attributed aggregate consolidated assets of a wholesale financial holding company held under the authority granted under this paragraph and not otherwise permitted to be held by all wholesale financial holding companies under this section may not exceed 5 percent of the total consolidated assets of the wholesale financial holding company, except that the Board may increase such percentage of total consolidated assets by such amounts and under such circumstances as the Board considers appropriate, consistent with the purposes of this Act.

“(3) CROSS MARKETING RESTRICTIONS.—A wholesale financial holding company shall not permit—

“(A) any company whose shares it owns or controls pursuant to paragraph (1) or (2) to offer or market any product or service of an affiliated wholesale financial institution; or

“(B) any affiliated wholesale financial institution to offer or market any product or service of any company whose shares are owned or controlled by such wholesale financial holding company pursuant to such paragraphs.

“(d) QUALIFICATION OF FOREIGN BANK AS WHOLESALE FINANCIAL HOLDING COMPANY.—

“(1) IN GENERAL.—Any foreign bank, or any company that owns or controls a foreign bank, that—

“(A) operates a branch, agency, or commercial lending company in the United States, including a foreign bank or company that owns or controls a wholesale financial institution; and

“(B) owns, controls, or is affiliated with 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 a wholesale financial holding company for purposes of subsection (c).

“(2) CONDITIONS FOR TREATMENT AS A WHOLESALE FINANCIAL HOLDING COMPANY.—A foreign bank and a company that owns or controls a foreign bank may not be treated as a wholesale financial 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 (other than an institution described in subparagraph (D) or (F) of section 2(c)(2)) 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) TRANSACTION 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 (d) 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 comply 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 a wholesale financial holding company under this subsection shall be treated as a wholesale financial institution for purposes of subsection (c)(4) of this section and subsections (c)(1)(C) and (c)(3) of section 9B of the Federal Reserve Act, and any such foreign bank or company shall be subject to

paragraphs (3), (4), and (5) of section 9B(d) of the Federal Reserve Act, 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 a wholesale financial holding company under this subsection shall not be eligible for any exception described in section 2(h).

“(5) SUPERVISION OF FOREIGN BANK WHICH MAINTAINS NO BANKING PRESENCE OTHER THAN CONTROL OF A WHOLESALE FINANCIAL INSTITUTION.—A foreign bank that owns or controls a wholesale financial institution but does not operate a branch, agency, or commercial lending company in the United States (and any company that owns or controls such foreign bank) may request a determination from the Board that such bank or company be treated as a wholesale financial holding company for purposes of subsection (c), except that such bank or company shall be subject to the restrictions of paragraphs (2)(A), (3), and (4) of this subsection.

“(6) NO EFFECT ON OTHER PROVISIONS.—This section shall not be construed as limiting the authority of the Board under the International Banking Act of 1978 with respect to the regulation, supervision, or examination of foreign banks and their offices and affiliates in the United States.

“(7) APPLICABILITY OF COMMUNITY REINVESTMENT ACT OF 1977.—The branches in the United States of a foreign bank that is, or is affiliated with a company that is, treated as a wholesale financial holding company shall be subject to section 9B(b)(11) of the Federal Reserve Act as if the foreign bank were a wholesale financial institution under such section. The Board and the Comptroller of the Currency shall apply the provisions of sections 803(2), 804, and 807(1) of the Community Reinvestment Act of 1977 to branches of foreign banks which receive only such deposits as are permissible for receipt by a corporation organized under section 25A of the Federal Reserve Act, in the same manner and to the same extent such sections apply to such a corporation.”

(b) UNINSURED STATE BANKS.—Section 9 of the Federal Reserve Act (U.S.C. 321 et seq.) is amended by adding at the end the following new paragraph:

“(24) ENFORCEMENT AUTHORITY OVER UNINSURED STATE MEMBER BANKS.—Section 3(u) of the Federal Deposit Insurance Act, subsections (j) and (k) of section 7 of such Act, and subsections (b) through (n), (s), (u), and (v) of section 8 of such Act shall apply to an uninsured State member bank in the same manner and to the same extent such provisions apply to an insured State member bank and any reference in any such provision to ‘insured depository institution’ shall be deemed to be a reference to ‘uninsured State member bank’ for purposes of this paragraph.”

SEC. 132. AUTHORIZATION TO RELEASE REPORTS.

(a) FEDERAL RESERVE ACT.—The last sentence of the eighth undesignated paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 326) is amended to read as follows: “The Board of Governors of the Federal Reserve System, at its discretion, may furnish reports of examination or other confidential supervisory information concerning State member banks or any other entities examined under any other authority of the Board to any Federal or State authorities with supervisory or regulatory authority over the examined entity, to officers, directors, or receivers of the examined entity, and to any other person that the Board determines to be proper.”

(b) COMMODITY FUTURES TRADING COMMISSION.—

(1) Section 1101(7) of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401(7)) is amended—

(A) by redesignating subparagraphs (G) and (H) as subparagraphs (H) and (I), respectively; and

(B) by inserting after subparagraph (F) the following new subparagraph:

“(G) the Commodity Futures Trading Commission; or” and

(2) Section 1112(e) of the Right to Financial Privacy Act (12 U.S.C. 3412(e)) is amended by striking “and the Securities and Exchange Commission” and inserting “, the Securities and Exchange Commission, and the Commodity Futures Trading Commission”.

SEC. 133. CONFORMING AMENDMENTS.

(a) BANK HOLDING COMPANY ACT OF 1956.—

(1) DEFINITIONS.—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:

“(p) WHOLESALE FINANCIAL INSTITUTION.—The term ‘wholesale financial institution’ means a wholesale financial institution subject to section 9B of the Federal Reserve Act.

“(q) COMMISSION.—The term ‘Commission’ means the Securities and Exchange Commission.

“(r) DEPOSITORY INSTITUTION.—The term ‘depository institution’—

“(1) has the meaning given to such term in section 3 of the Federal Deposit Insurance Act; and

“(2) includes a wholesale financial institution.”

(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.”

(3) INCORPORATED DEFINITIONS.—Section 2(n) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(n)) is amended by inserting “‘insured bank,’” after “‘in danger of default’”.

(4) 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.”

(b) FEDERAL DEPOSIT INSURANCE ACT.—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 any wholesale financial institution as authorized pursuant to section 9B of the Federal Reserve Act;”

CHAPTER 2—WHOLESALE FINANCIAL INSTITUTIONS

SEC. 136. WHOLESALE FINANCIAL INSTITUTIONS.

(a) NATIONAL WHOLESALE FINANCIAL INSTITUTIONS.—

(1) IN GENERAL.—Chapter one 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 121(a) of this title) the following new section:

“SEC. 5136B. NATIONAL WHOLESALE FINANCIAL INSTITUTIONS.

“(a) AUTHORIZATION OF THE COMPTROLLER REQUIRED.—A national bank may apply to the Comptroller on such forms and in accordance with such regulations as the Comptroller may prescribe, for permission to operate as a national wholesale financial institution.

“(b) REGULATION.—A national wholesale financial institution may exercise, in accordance with such institution’s articles of incorporation and regulations issued by the Comptroller, all the powers and privileges of a national bank formed in accordance with

section 5133 of the Revised Statutes of the United States, subject to section 9B of the Federal Reserve Act and the limitations and restrictions contained therein.

“(c) COMMUNITY REINVESTMENT ACT OF 1977.—A national wholesale financial institution shall be subject to the Community Reinvestment Act of 1977.

“(d) EXAMINATION REPORTS.—The Comptroller of the Currency shall, to the fullest extent possible, use the report of examinations made by the Board of Governors of the Federal Reserve System of a wholesale financial institution.”

(2) CLERICAL AMENDMENT.—The table of sections for chapter one 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 121(d) of this title) the following new item:

“5136B. National wholesale financial institutions.”

(b) STATE WHOLESALE FINANCIAL INSTITUTIONS.—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 may apply to the Board of Governors of the Federal Reserve System to become a wholesale financial institution and, as a wholesale financial institution, to subscribe to the stock of the Federal reserve bank organized within the district where the applying bank is located.

“(B) TREATMENT AS MEMBER BANK.—Any application under subparagraph (A) shall be treated as an application under, and shall be subject to the provisions of section 9.

“(2) INSURANCE TERMINATION.—No bank the deposits of which are 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.

“(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 insured 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; and

“(B) 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), 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 to include 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 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) BRANCHING.—Notwithstanding any other provision of law, a wholesale financial institution may establish and operate a branch at any location on such terms and conditions as established by the Board and, in the case of a State-chartered wholesale financial institution, with the approval of the Board, and, in the case of a national bank wholesale financial institution, with the approval of the Comptroller of the Currency.

“(7) ACTIVITIES OF OUT-OF-STATE BRANCHES OF WHOLESALE FINANCIAL INSTITUTIONS.—

“(A) GENERAL.—A State-chartered wholesale financial institution shall be deemed a State bank and an insured State bank and a national wholesale financial institution shall be deemed a national bank for purposes of paragraphs (1), (2), and (3) of section 24(j) of the Federal Deposit Insurance Act.

“(B) DEFINITIONS.—The following definitions shall apply solely for purposes of applying paragraph (1):

“(i) HOME STATE.—The term ‘home State’ means—

“(I) with respect to a national wholesale financial institution, the State in which the main office of the institution is located; and

“(II) with respect to a State-chartered wholesale financial institution, the State by which the institution is chartered.

“(ii) HOST STATE.—The term ‘host State’ means a State, other than the home State of the wholesale financial institution, in which the institution maintains, or seeks to establish and maintain, a branch.

“(iii) OUT-OF-STATE BANK.—The term ‘out-of-State bank’ means, with respect to any State, a wholesale financial institution whose home State is another State.

“(8) DISCRIMINATION REGARDING INTEREST RATES.—Section 27 of the Federal Deposit Insurance Act shall apply to State-chartered wholesale financial institutions in the same manner and to the same extent as such provisions apply to State member insured banks and any reference in such section to a State-chartered insured depository institution shall be deemed to include a reference to a State-chartered wholesale financial institution.

“(9) PREEMPTION OF STATE LAWS REQUIRING DEPOSIT INSURANCE FOR WHOLESALE FINANCIAL INSTITUTIONS.—The appropriate State banking authority may grant a charter to a wholesale financial institution notwithstanding any State constitution or statute requiring that the institution obtain insurance of its deposits and any such State constitution or statute is hereby preempted solely for purposes of this paragraph.

“(10) PARITY FOR WHOLESALE FINANCIAL INSTITUTIONS.—A State bank that is a wholesale financial institution under this section shall have all of the rights, powers, privileges, and immunities (including those derived from status as a federally chartered institution) of and as if it were a national bank, subject to such terms and conditions as established by the Board.

“(11) COMMUNITY REINVESTMENT ACT OF 1977.—A State wholesale financial institution shall be subject to the Community Reinvestment Act of 1977.

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

“(1) LIMITATIONS ON DEPOSITS.—

“(A) MINIMUM AMOUNT.—

“(i) IN GENERAL.—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 wholesale financial institution may receive initial deposits of \$100,000 or less if such deposits constitute more than 5 percent of the institution’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 pertaining 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) MINIMUM CAPITAL LEVELS APPLICABLE TO WHOLESALE FINANCIAL INSTITUTIONS.—The Board shall, by regulation, adopt capital requirements for wholesale financial institutions—

“(A) 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

“(B) 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.

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

“(A) limitations on transactions, direct or indirect, with affiliates to prevent—

“(i) the transfer of risk to the deposit insurance funds; or

“(ii) 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 any insured depository institution affiliate of the wholesale financial institution;

“(ii) prevent the transfer of risk to the deposit insurance funds; or

“(iii) 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 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 or any insured depository institution affiliate of the wholesale financial institution;

“(B) the protection of the deposit insurance funds; and

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

“(5) LIMITATION ON TRANSACTIONS BETWEEN A WHOLESALE FINANCIAL INSTITUTION AND AN INSURED BANK.—For purposes of section 23A(d)(1) of the Federal Reserve Act, a

wholesale financial institution that is affiliated with an insured bank shall not be a bank.

“(6) 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 advance or discount under this Act to any member bank or other depository institution.

“(d) CAPITAL AND MANAGERIAL REQUIREMENTS.—

“(1) IN GENERAL.—A wholesale financial institution shall be well capitalized and well managed.

“(2) NOTICE TO COMPANY.—The Board shall promptly provide notice to a company that controls a wholesale financial institution whenever such wholesale financial institution is not well capitalized or well managed.

“(3) AGREEMENT TO RESTORE INSTITUTION.—Within 45 days of receipt of a notice under paragraph (2) (or such additional period not to exceed 90 days as the Board may permit), the company shall execute an agreement acceptable to the Board to restore the wholesale financial institution to compliance with all of the requirements of paragraph (1).

“(4) LIMITATIONS UNTIL INSTITUTION RESTORED.—Until the wholesale financial institution is restored to compliance with all of the requirements of paragraph (1), the Board may impose such limitations on the conduct or activities of the company or any affiliate of the company as the Board determines to be appropriate under the circumstances.

“(5) FAILURE TO RESTORE.—If the company does not execute and implement an agreement in accordance with paragraph (3), comply with any limitation imposed under paragraph (4), restore the wholesale financial institution to well capitalized status within 180 days after receipt by the company of the notice described in paragraph (2), or restore the wholesale financial institution to well managed status within such period as the Board may permit, the company shall, under such terms and conditions as may be imposed by the Board and subject to such extension of time as may be granted in the Board’s discretion, divest control of its subsidiary depository institutions.

“(6) WELL MANAGED DEFINED.—For purposes of this subsection, the term ‘well managed’ has the same meaning as in section 2 of the Bank Holding Company Act of 1956.

“(e) 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.

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

(c) 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 (10) as paragraphs (1) through (9), 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 approved 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; or

“(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.

“(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 subject to 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 con-

tinue 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 by inserting “, or any wholesale financial institution subject to section 9B of this Act” after “such Act”.

Subtitle E—Preservation of FTC Authority
SEC. 141. AMENDMENT TO THE BANK HOLDING COMPANY ACT OF 1956 TO MODIFY NOTIFICATION AND POST-APPROVAL WAITING PERIOD FOR SECTION 3 TRANSACTIONS.

Section 11(b)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1849(b)(1)) is amended by inserting “and, if the transaction also involves an acquisition under section 4 or section 6, the Board shall also notify the Federal Trade Commission of such approval” before the period at the end of the first sentence.

SEC. 142. INTERAGENCY DATA SHARING.

To the extent not prohibited by other law, the Comptroller of the Currency, the Director of the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System shall make available to the Attorney General and the Federal Trade Commission any data in the possession of any such banking agency that the antitrust agency deems necessary for antitrust review

of any transaction requiring notice to any such antitrust agency or the approval of such agency under section 3, 4, or 6 of the Bank Holding Company Act of 1956, section 18(c) of the Federal Deposit Insurance Act, the National Bank Consolidation and Merger Act, section 10 of the Home Owners' Loan Act, or the antitrust laws.

SEC. 143. CLARIFICATION OF STATUS OF SUBSIDIARIES AND AFFILIATES.

(a) CLARIFICATION OF FEDERAL TRADE COMMISSION JURISDICTION.—Any person which directly or indirectly controls, is controlled directly or indirectly by, or is directly or indirectly under common control with, any bank or savings association (as such terms are defined in section 3 of the Federal Deposit Insurance Act) and is not itself a bank or savings association shall not be deemed to be a bank or savings association for purposes of the Federal Trade Commission Act or any other law enforced by the Federal Trade Commission.

(b) SAVINGS PROVISION.—No provision of this section shall be construed as restricting the authority of any Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act) under any Federal banking law, including section 8 of the Federal Deposit Insurance Act.

(c) HART-SCOTT-RODINO AMENDMENT.—Section 7A(c)(7) of the Clayton Act (15 U.S.C. 18a(c)(7)) is amended by inserting before the semicolon at the end thereof the following: “, except that a portion of a transaction is not exempt under this paragraph if such portion of the transaction (A) requires notice under section 6 of the Bank Holding Company Act of 1956; and (B) does not require approval under section 3 or 4 of the Bank Holding Company Act of 1956”.

SEC. 144. ANNUAL GAO REPORT.

(a) IN GENERAL.—By the end of the 1-year period beginning on the date of the enactment of this Act and annually thereafter, the Comptroller General of the United States shall submit a report to the Congress on market concentration in the financial services industry and its impact on consumers.

(b) ANALYSIS.—Each report submitted under subsection (a) shall contain an analysis of—

(1) the positive and negative effects of affiliations between various types of financial companies, and of acquisitions pursuant to this Act and the amendments made by this Act to other provisions of law, including any positive or negative effects on consumers, area markets, and submarkets thereof or on registered securities brokers and dealers which have been purchased by depository institutions or depository institution holding companies;

(2) the changes in business practices and the effects of any such changes on the availability of venture capital, consumer credit, and other financial services or products and the availability of capital and credit for small businesses; and

(3) the acquisition patterns among depository institutions, depository institution holding companies, securities firms, and insurance companies including acquisitions among the largest 20 percent of firms and acquisitions within regions or other limited geographical areas.

Subtitle F—Applying the Principles of National Treatment and Equality of Competitive Opportunity to Foreign Banks and Foreign Financial Institutions

SEC. 151. APPLYING THE PRINCIPLES OF NATIONAL TREATMENT AND EQUALITY OF COMPETITIVE OPPORTUNITY TO FOREIGN BANKS THAT ARE FINANCIAL HOLDING COMPANIES.

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) TERMINATION OF GRANDFATHERED RIGHTS.—

“(A) IN GENERAL.—If any foreign bank or foreign company files a declaration under section 6(b)(1)(E) or which receives a determination under section 10(d)(1) of the Bank Holding Company Act of 1956, any authority conferred by this subsection on any foreign bank or company to engage in any activity which the Board has determined to be permissible for financial holding companies under section 6 of such Act shall terminate immediately.

“(B) RESTRICTIONS AND REQUIREMENTS AUTHORIZED.—If a foreign bank or company that engages, directly or through an affiliate pursuant to paragraph (1), in an activity which the Board has determined to be permissible for financial holding companies under section 6 of the Bank Holding Company Act of 1956 has not filed a declaration with the Board of its status as a financial holding company under such section or received a determination under section 10(d)(1) by the end of the 2-year period beginning on the date of enactment of the Financial Services Act of 1998, the Board, giving due regard to the principle of national treatment and equality of competitive opportunity, may impose such restrictions and requirements on the conduct of such activities by such foreign bank or company as are comparable to those imposed on a financial holding company organized under the laws of the United States, including a requirement to conduct such activities in compliance with any prudent safeguards established under section 5(h) of the Bank Holding Company Act of 1956.”.

SEC. 152. APPLYING THE PRINCIPLES OF NATIONAL TREATMENT AND EQUALITY OF COMPETITIVE OPPORTUNITY TO FOREIGN BANKS AND FOREIGN FINANCIAL INSTITUTIONS THAT ARE WHOLESALE FINANCIAL INSTITUTIONS.

Section 8A of the Federal Deposit Insurance Act (as added by section 136(c)(2) of this Act) is amended by adding at the end the following new subsection:

“(i) VOLUNTARY TERMINATION OF DEPOSIT INSURANCE.—The provisions on voluntary termination of insurance in this section shall apply to an insured branch of a foreign bank (including a Federal branch) in the same manner and to the same extent as they apply to an insured State bank or a national bank.”.

Subtitle G—Federal Home Loan Bank System

SEC. 161. FEDERAL HOME LOAN BANKS.

The first sentence of section 3 of the Federal Home Loan Bank Act (12 U.S.C. 1423) is amended—

(1) by striking “the continental United States” and all that follows through the “eight”; and

(2) by inserting “the States into not less than 1” before “nor”.

SEC. 162. MEMBERSHIP AND COLLATERAL.

(a) Subsection (f) of section 5 of the Home Owners' Loan Act (12 U.S.C. 1464) is amended to read as follows:

“(f) FEDERAL HOME LOAN BANK MEMBERSHIP.—A Federal savings association may become a member, of the Federal Home Loan Bank System, and shall qualify for such membership in the manner provided by the Federal Home Loan Bank Act, beginning January 1, 1999.”.

(b) Section 10(a)(5) of the Federal Home Loan Bank Act (12 U.S.C. 1430(a)(5)) is amended—

(1) in the second sentence, by striking “and the Board”; and

(2) in the third sentence, by striking “Board” and inserting “Bank”.

(c) Section 10(a) of the Federal Home Loan Bank Act (12 U.S.C. 1430(a)) is amended—

(1) in the second sentence, by striking “All long-term advances” and inserting “Except as provided in the succeeding sentence, all long-term advances”;

(2) by inserting after the second sentence, the following sentence: “Notwithstanding the preceding sentence, long-term advances may be made to members insured by the Federal Deposit Insurance Corporation which have less than \$500,000,000 in total assets for the purpose of funding small businesses, agriculture, rural development, or low-income community development (as defined by the Board).”; and

(3) by redesignating paragraph (5) as paragraph (6) and inserting after paragraph (4) the following new paragraph:

“(5) In the case of any member insured by the Federal Deposit Insurance Corporation which has total assets of less than \$500,000,000, secured loans for small business, agriculture, rural development, or low-income community development, or securities representing a whole interest in such secured loans.”.

(d) Section 4(a) of the Federal Home Loan Bank Act (12 U.S.C. 1424(a)) is amended by adding at the end the following new paragraph:

“(3) ELIGIBILITY REQUIREMENTS FOR COMMUNITY FINANCIAL INSTITUTIONS.—The requirements of paragraph (2) (other than subparagraph (B) of such paragraph) shall not apply to any insured depository institution which has total assets of less than \$500,000,000.

(e) Section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430) is amended by striking the first of the 2 subsections designated as subsection (e) (relating to qualified thrift lender status).

SEC. 163. THE OFFICE OF FINANCE.

The Federal Home Loan Bank Act (12 U.S.C. 1421) is amended by inserting after section 4 the following new section:

“SEC. 5. THE OFFICE OF FINANCE.

“(a) OPERATION.—The Federal home loan banks shall operate jointly an office of finance (hereafter in this section referred to as the ‘Office’) to issue the notes, bonds, and debentures of the Federal home loan banks in accordance with this Act.

“(b) POWERS.—Subject to the other provisions of this Act and such safety and soundness regulations as the Finance Board may prescribe, the Office shall be authorized by the Federal home loan banks to act as the agent of such banks to issue Federal home loan bank notes, bonds and debentures pursuant to section 11 of this Act on behalf of the banks.

“(c) CENTRAL BOARD OF DIRECTORS.—

“(1) ESTABLISHMENT.—The Federal home loan banks shall establish a central board of directors of the Office to administer the affairs of the Office in accordance with the provisions of this Act.

“(2) COMPOSITION OF BOARD.—Each Federal home loan bank shall annually select one individual who, as of the time of the election, is an officer or director of such bank to serve as a member of the central board of directors of the Office.

“(d) STATUS.—Except to the extent expressly provided in this Act, the Office shall be treated as a Federal home loan bank for purposes of any law.”.

SEC. 164. MANAGEMENT OF BANKS.

(a) Subsections (a) and (b) of section 7 of the Federal Home Loan Bank Act (12 U.S.C. 1427(a) and (b)) are amended to read as follows:

“(a) The management of each Federal home loan bank shall be vested in a board of 15 directors, nine of whom shall be elected by the members in accordance with this section, six of whom shall be appointed by the Board referred to in section 2A, and all of whom shall be citizens of the United States and

bona fide residents of the district in which such bank is located. At least two of the Federal home loan bank directors who are appointed by the Board shall be representatives chosen from organizations with more than a 2-year history of representing consumer or community interests on banking services, credit needs, housing, or financial consumer protections. No Federal home loan bank director who is appointed pursuant to this subsection may, during such bank director's term of office, serve as an officer of any Federal home loan bank or a director or officer of any member of a bank, or hold shares, or any other financial interest in, any member of a bank.

"(b) The elective directors shall be divided into three classes, designated as classes A, B, and C, as nearly equal in number as possible. Each directorship shall be filled by a person who is an officer or director of a member located in that bank's district. Each class shall represent members of similar asset size, and the Board shall, to the maximum extent possible, seek to achieve geographic diversity. The Finance Board shall establish the minimum and maximum asset size for each class. Any member shall be entitled to nominate and elect eligible persons for its class of directorship; such offices shall be filled from such nominees by a plurality of the votes which members of each class may cast for nominees in their corresponding class of directors in an election held for the purpose of filling such offices. Each member shall be permitted to cast one vote for each share of Federal home loan bank stock owned by that member. No person who is an officer or director of a member that fails to meet any applicable capital requirement is eligible to hold the office of Federal Home Loan Bank director. As used in this subsection, the term "member" means a member of a Federal home loan bank which was a member of such Bank as of a record date established by the Bank."

(b) Section 7 of the Federal Home Loan Bank Act (12 U.S.C. 1427) is amended—

(1) by striking subsections (c) and (h); and
(2) by redesignating subsections (d), (e), (f), (g), (i), (j), and (k) as subsections (c), (d), (e), (f), (g), (h), and (i), respectively.

(c) Subsection (c) of section 7 of the Federal Home Loan Bank Act (12 U.S.C. 1427(d)) (as so redesignated by subsection (b) of this section) is amended by striking the first and second sentences and inserting the following two new sentences: "The term of each position of director shall be 3 years. No director serving for three consecutive terms, nor any other officer, director or that member or any affiliated depository institution, shall be eligible for another term earlier than 3 years after the expiration of the last expiring of said 3-year terms. Three elected directors of different classes as specified by the Finance Board shall be elected by ballot annually."

(d) Subsection (d) of section 7 of the Federal Home Loan Bank Act (12 U.S.C. 1427(e)) (as so redesignated by subsection (b) of this section) is amended to read as follows:

"(d) TRANSITION PROVISION.—In the first election after the date of the enactment of the Financial Services Act of 1998, three directors shall be elected in each of the 3 classes of elective directorship. The Finance Board may, in the first election after such date of enactment, designate the terms of each elected director in each class, not to exceed 3 years, to assure that, in each subsequent election, 3 directors from different classes of elective directorships are elected each year."

(e) Subsection (g) of section 7 of the Federal Home Loan Bank Act (12 U.S.C. 1427(i)) (as so redesignated by subsection (b) of this section) is amended by striking "subject to the approval of the board".

SEC. 165. ADVANCES TO NONMEMBER BORROWERS.

Section 10b of the Federal Home Loan Bank Act (12 U.S.C. 1430b) is amended—

(1) in subsection (a), by striking "(a) IN GENERAL.—";

(2) by striking the fourth sentence of subsection (a), and inserting "Notwithstanding the preceding sentence, if an advance is made for the purpose of facilitating mortgage lending that benefits individuals and families that meet the income requirements set forth in section 142(d) or 143(f) of the Internal Revenue Code of 1986, the advance may be collateralized as provided in section 10(a) of this Act."; and

(3) by striking subsection (b).

SEC. 166. POWERS AND DUTIES OF BANKS.

(a) Subsection (a) of section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431(a)) is amended—

(1) by inserting "through the Office of Finance" after "to issue"; and

(2) by striking "Board" after "upon such terms and conditions as the" and inserting "board of directors of the bank".

(b) Subsection (b) of section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431(b)) is amended to read as follows:

"(b) ISSUANCE OF FEDERAL HOME LOAN BANK CONSOLIDATED BONDS.—

"(1) IN GENERAL.— The Office of Finance may issue consolidated Federal home loan bank bonds and other consolidated obligations on behalf of the banks.

"(2) JOINT AND SEVERAL OBLIGATION; TERMS AND CONDITIONS.—Consolidated obligations issued by the Office of Finance under paragraph (1) shall—

"(A) be the joint and several obligations of all the Federal home loan banks; and

"(B) shall be issued upon such terms and conditions as shall be established by the Office of Finance subject to such rules and regulations as the Finance Board may prescribe."

(c) Section 11(f) of the Federal Home Loan Bank Act (12 U.S.C. 1430(f)) (as designated before the redesignation by subsection (e) of this section) is amended by striking both commas immediately following "permit" and inserting "or".

(d) Subsection (i) of section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431(i)) is amended by striking the second undesignated paragraph.

(e) Section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431) is amended—

(1) by striking subsection (c); and

(2) by redesignating subsections (d) through (k) as subsections (c) through (j), respectively.

SEC. 167. MERGERS AND CONSOLIDATIONS OF FEDERAL HOME LOAN BANKS.

Section 26 of the Federal Home Loan Bank Act (12 U.S.C. 1446) is amended by designating the current paragraph as "(a)" and adding the following new sections:

"(b) Nothing in this section shall preclude voluntary mergers, combinations or consolidation by or among the Federal home loan banks pursuant to such regulations as the Finance Board may prescribe.

"(c) NUMBER OF ELECTED DIRECTORS OF RESULTING BANK.— Subject to section 7 of this Act, any bank resulting from a merger, combination, or consolidation pursuant to this section may have a number of elected directors equal to or less than the total number of elected directors of all the banks which participated in such transaction (as determined immediately before such transaction).

"(d) NUMBER OF APPOINTED DIRECTORS OF RESULTING BANK.—The number of appointed directors of any bank resulting from a merger, combination, or consolidation pursuant to this section shall be a number that is three less than the number of elected directors.

"(e) ADJUSTMENT OF DISTRICT BOUNDARIES.—After consummation of any merger, combination, or consolidation of two or more Federal home loan banks, the Finance Board shall adjust the districts established in section 3 of this Act to reflect such merger, combination, or consolidation."

SEC. 168. TECHNICAL AMENDMENTS.

(a) REPEAL OF SECTIONS 22A AND 27.—The Federal Home Loan Bank Act (12 U.S.C. 1421 et seq.) is amended by striking sections 22A (12 U.S.C. 1442a) and 27 (12 U.S.C. 1447).

(b) SECTION 12.—

(1) Section 12(a) of the Federal Home Loan Bank Act (12 U.S.C. 1432(a)) is amended—

(A) by striking "subject to the approval of the Board" immediately following "transaction of its business"; and

(B) by striking "and, by its Board of directors, to prescribe, amend, and repeal by-laws, rules, and regulations governing the manner in which its affairs may be administered; and the powers granted to it by law may be exercised and enjoyed subject to the approval of the Board. The president of a Federal Home Loan Bank may also be a member of the Board of directors thereof, but no other officer, employee, attorney, or agent of such bank," and inserting "and, by the board of directors of the bank, to prescribe, amend, and repeal by-laws governing the manner in which its affairs may be administered, consistent with applicable statute and regulation, as administered by the Finance Board. No officer, employee, attorney, or agent of a Federal home loan bank".

(2) Section 12 of the Federal Home Loan Bank Act (12 U.S.C. 1432) is amended by inserting after subsection (b) the following new subsection:

"(c) PROHIBITION ON EXCESSIVE COMPENSATION.—

"(1) IN GENERAL.—The Finance Board shall prohibit the Federal home loan banks from providing compensation to any officer, director, or employee that is not reasonable and comparable with the compensation for employment in other similar businesses involving similar duties and responsibilities. However, the Finance Board may not prescribe or set a specific level or range of compensation for any officer, director, or employee.

"(2) REGULATIONS.—The Finance Board, by regulation, may provide for the requirements of paragraph (1) to be phased-in over a period not to exceed 3 years.

"(3) EXCEPTION FOR EXISTING CONTRACTS.— Paragraph (1) shall not apply to any contract entered into before June 1, 1997."

(c) POWERS AND DUTIES OF FEDERAL HOUSING FINANCE BOARD.—

(1) Subsection (a)(1) of section 2B of the Federal Home Loan Bank Act (12 U.S.C. 1422b(a)(1)) is amended by striking the period at the end of the sentence and inserting "; and to have the same powers, rights, and duties to enforce this Act with respect to the Federal home loan banks and the senior officers and directors of such banks as the Office of Federal Housing Enterprise Oversight has over the Federal housing enterprises and the senior officers and directors of such enterprises under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992."

(2) Subsection (b) of section 2B of the Federal Home Loan Bank Act (12 U.S.C. 1422b(b)) is amended—

(A) by striking "(1) BOARD STAFF.—";

(B) by striking "function to any employee, administrative unit" and inserting "function to any employee or administrative unit";

(C) by striking the second sentence in paragraph (1); and

(D) by striking paragraph (2).

(3) Section 111 of Public Law 93-495 (12 U.S.C. 250) is amended by striking "Federal Home Loan Bank Board" and inserting "Federal Housing Finance Board".

(d) ELIGIBILITY TO SECURE ADVANCES.—

(1) SECTION 9.—Section 9 of the Federal Home Loan Bank Act (12 U.S.C. 1429) is amended—

(A) in the second sentence, by striking “with the approval of the Board”; and

(B) in the third sentence, by striking “, subject to the approval of the Board.”.

(2) SECTION 10.—

(A) Subsection (a) of section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430(a)) is amended in paragraph (3), by striking “Deposits” and inserting “Cash or deposits”.

(B) Subsection (c) of section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430(c)) is amended—

(i) in the first sentence by striking “Board” and inserting “Federal home loan bank”; and

(ii) by striking the second sentence.

(C) Subsection (d) of section 10 of the Federal Home Loan Bank Act (12 U.S.C. 1430(d)) is amended—

(i) in the first sentence, by striking “and the approval of the Board”; and

(ii) in the last sentence, by striking “Subject to the approval of the Board, any” and inserting “Any”.

(D) Section 10(j) of the Federal Home Loan Bank Act (12 U.S.C. 1430(j)) is amended—

(i) in the first sentence of paragraph (1) by striking “to subsidize the interest rate on advances” and inserting “to provide subsidies, including subsidized interest rates on advances”;

(ii) in paragraphs (2), (3), (4), (5), (9), (11), and (12) by striking “advances” and “subsidized advances” each place such terms appear and inserting “subsidies, including subsidized advances”;

(iii) in paragraph (1), by inserting “(A)” before the first sentence, and inserting the following at the end of the paragraph:

“(B) Subject to such regulations as the Finance Board may prescribe, the board of directors of each Federal home loan bank may approve or disapprove requests from members for Affordable Housing Program subsidies, and may not delegate such authority.”;

(iv) in paragraph (2), by striking subparagraph (B) and inserting the following new subparagraph:

“(B) finance the purchase, construction or rehabilitation of rental housing if, for a period of at least 15 years, either 20 percent or more of the units in such housing are occupied by and affordable for households whose income is 50 percent or less of area median income (as determined by the Secretary of Housing and Urban Development, and as adjusted for family size); or 40 percent or more of the units in such housing are occupied by and affordable for households whose income is 60 percent or less of area median income (as determined by the Secretary of Housing and Urban Development, and as adjusted for family size).”;

(v) in paragraph (5)—

(I) by striking the colon after “Affordable Housing Program”;

(II) by striking subparagraphs (A) and (B); and

(III) by striking “(C) In 1995, and subsequent years.”;

(vi) in paragraph (11)—

(I) by inserting “, pursuant to a nomination process that is as broad and as participatory as possible, and giving consideration to the size of the District and the diversity of low- and moderate-income housing needs and activities within the District,” after “Advisory Council of 7 to 15 persons”;

(II) by inserting “a diverse range of” before “community and nonprofit organizations”;

(III) by inserting after the first sentence, the following new sentence: “Representatives of no one group shall constitute an

undue proportion of the membership of the Advisory Council.”; and

(vii) in paragraph (13), by striking subparagraph (D) and inserting the following new subparagraph:

“(D) AFFORDABLE.—For purposes of paragraph (2)(B), the term “affordable” means that the rent with respect to a unit shall not exceed 30 percent of the income limitation under paragraph (2)(B) applicable to occupants of such unit.”.

(e) SECTION 16.—Subsection (a) of section 16 of the Federal Home Loan Bank Act (12 U.S.C. 1436) is amended in the third sentence by striking “net earnings” and inserting “previously retained earnings or current net earnings”; by striking “, and then only with the approval of the Federal Housing Finance Board”; and by striking the fourth sentence.

(f) SECTION 18.—Subsection (b) of section 18 of the Federal Home Loan Bank Act (12 U.S.C. 1438) is amended by striking paragraph (4).

(g) SECTION 11.—Section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431) is amended by inserting after subsection (j) (as so redesignated by section 166(e) of this subtitle) the following subsection:

“(k) PROHIBITION ON OTHER ACTIVITIES.—

“(1) A Federal home loan bank may not engage in any activity other than the activities authorized under this Act and activities incidental to such authorized activities.

“(2) All activities specified in paragraph (1) are subject to Finance Board approval.”.

SEC. 169. DEFINITIONS.

Paragraph (3) of section 2 of the Federal Home Loan Bank Act (12 U.S.C. 1422(3)) is amended to read as follows:

“(3) The term “State” in addition to the states of the United States, includes the District of Columbia, Guam, Puerto Rico, the United States Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands.”.

SEC. 170. RESOLUTION FUNDING CORPORATION.

(a) IN GENERAL.—Section 21B(f)(2)(C) of the Federal Home Loan Bank Act (12 U.S.C. 1411b(f)(2)(C)) is amended to read as follows:

“(C) PAYMENTS BY FEDERAL HOME LOAN BANKS.—To the extent the amounts available pursuant to subparagraphs (A) and (B) are insufficient to cover the amount of interest payments, each Federal home loan bank shall pay to the Funding Corporation each calendar year 20.75 percent of the net earnings of such bank (after deducting expenses relating to subsection (j) of section 10 and operating expenses).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 1999.

SEC. 171. CAPITAL STRUCTURE OF THE FEDERAL HOME LOAN BANKS.

(a) IN GENERAL.—Section 6 of the Federal Home Loan Bank Act (12 U.S.C. 1426) is amended to read as follows:

“**SEC. 6. CAPITAL STRUCTURE OF FEDERAL HOME LOAN BANKS.**

“(a) CAPITAL STRUCTURE PLAN.—On or before January 1, 1999, the board of directors of each Federal home loan bank shall submit for Finance Board approval a plan establishing and implementing a capital structure for such bank which—

“(1) the board of directors determines is the best suited for the condition and operation of the bank and the interests of the shareholders of the bank;

“(2) meets the requirements of subsection (b); and

“(3) meets the minimum capital standards and requirements established under subsection (c) and any regulations prescribed by the Finance Board pursuant to such subsection.

“(b) CONTENTS OF PLAN.—The capital structure plan of each Federal home loan bank shall meet the following requirements:

“(1) STOCK PURCHASE REQUIREMENTS.—

“(A) IN GENERAL.—Each capital structure plan of a Federal home loan bank shall require the shareholders of the bank to maintain an investment in the stock of the bank in amount not less than—

“(i) a minimum percentage of the total assets of the shareholder; and

“(ii) a minimum percentage of the outstanding advances from the bank to the shareholder.

“(B) MINIMUM PERCENTAGE LEVELS.—The minimum percentages established pursuant to subparagraph (A) shall be set at levels sufficient to meet the bank’s minimum capital requirements established by the Finance Board under subsection (c).

“(C) MAXIMUM ASSET BASED CAPITAL REQUIREMENT.—The asset-based capital requirement applicable to any shareholder of a Federal home loan bank in any year shall not exceed the lesser of—

“(i) 0.6 percent of a shareholder’s total assets at the close of the preceding year; or

“(ii) \$300,000,000.

“(D) MAXIMUM ADVANCE-BASED REQUIREMENT.—The advance-based capital requirement applicable to any shareholder of a Federal home loan bank shall not exceed 6 percent of the total outstanding advances from the bank to the shareholder.

“(E) MINIMUM STOCK PURCHASE REQUIREMENT AUTHORIZED.—A capital structure plan may establish a minimum dollar amount of stock of a Federal home loan bank in which a shareholder shall be required to invest.

“(2) ADJUSTMENTS TO STOCK PURCHASE REQUIREMENTS.—The capital structure plan adopted by each Federal home loan bank shall impose a continuing obligation on the board of directors of the bank to review and adjust as necessary member stock purchase requirements in order to ensure that the bank remains in compliance with applicable minimum capital levels established by the Finance Board.

“(3) TRANSITION RULE FOR STOCK PURCHASE REQUIREMENTS.—

“(A) IN GENERAL.—A capital structure plan may allow shareholders who were members of a Federal home loan bank on the date of the enactment of the Financial Services Act of 1998 to come into compliance with the asset-based stock purchase requirement established under paragraph (1) during a transition period established under the plan of not more than 3 years, if such requirement exceeds the asset-based stock purchase requirement in effect on such date of enactment.

“(B) INTERIM PURCHASE REQUIREMENTS.—A capital structure plan may establish interim asset-based stock purchase requirements applicable to members referred to in subparagraph (A) during a transition period established under subparagraph (A).

“(4) CLASSES OF STOCK.—

“(A) IN GENERAL.—Each capital structure plan shall afford each shareholder of a Federal home loan bank the option of meeting the shareholder’s stock purchase requirements through the purchase of any combination of Class A or Class B stock.

“(B) CLASS A STOCK.—Class A stock shall be stock of a Federal home loan bank that shall be redeemed in cash and at par by the bank no later than 12 months following submission of a written notice by a shareholder of the shareholder’s intention to divest all shares of stock in the bank.

“(C) CLASS B STOCK.—Class B stock shall be stock of a Federal home loan bank that shall be redeemed in cash and at par by the bank no later than 5 years following submission of a written notice by a shareholder of the shareholder’s intention to divest all shares of stock in the bank.

“(D) RIGHTS REQUIREMENT.—The Class B stock of a Federal home loan bank may re-

ceive a dividend premium over that paid on Class A stock, and may have preferential voting rights in the election of Federal home loan bank directors.

“(E) LOWER STOCK PURCHASE REQUIREMENTS FOR CLASS B STOCK.—A capital structure plan may provide for lower stock purchase requirements with respect to those shareholder’s that elect to purchase Class B stock in a manner that is consistent with meeting the bank’s own minimum capital requirements as established by the Finance Board.

“(F) NO OTHER CLASSES OF STOCK PERMITTED.—No class of stock other than the Class A and Class B stock described in subparagraphs (B) and (C) may be issued by a Federal home loan bank.

“(5) LIMITED TRANSFERABILITY OF STOCK.—Each capital structure plan shall provide that any equity securities issued by the bank shall be available only to, held only by, and tradable only among shareholders of the bank.

“(c) CAPITAL STANDARDS.—

“(1) IN GENERAL.—The Finance Board shall prescribe, by regulation, uniform capital standards applicable to each Federal home loan bank which shall include—

“(A) a leverage limit in accordance with paragraph (2); and

“(B) a risk-based capital requirement in accordance with paragraph (3).

“(2) MINIMUM LEVERAGE LIMIT.—The leverage limit established by the Finance Board shall require each Federal home loan bank to maintain total capital in an amount not less than 5 percent of the total assets of the bank. In determining compliance with the minimum leverage ratio, the amount of retained earnings and the paid-in value of Class B stock, if any, shall be multiplied by 1.5 and such higher amount shall be deemed to be capital for purposes of meeting the 5 percent minimum leverage ratio.

“(3) RISK-BASED CAPITAL STANDARD.—The risk-based capital requirement shall be composed of the following components:

“(A) Capital sufficient to meet the credit risk to which a Federal home loan bank is subject, based on an amount which is not less than the amount of tier 1, risk-based capital required by regulations prescribed, or guidelines issued under section 38 of the Federal Deposit Insurance Act for a well capitalized insured depository institution.

“(B) Capital sufficient to meet the interest rate risk to which a Federal home loan bank is subject, based on an interest rate stress test applied by the Finance Board that rigorously tests for changes in interest rates, rate volatility, and changes in the shape of the yield curve.

“(d) REDEMPTION OF CAPITAL.—

“(1) IN GENERAL.—Any shareholder of a Federal home loan bank shall have the right to withdraw the shareholder’s membership from a Federal home loan bank and to redeem the shareholder’s stock in accordance with the redemption rights associated with the class of stock the shareholder holds, if—

“(A) such shareholder has filed a written notice of an intention to redeem all such shares; and

“(B) the shareholder has no outstanding advances from any Federal home loan bank at the time of such redemption.

“(2) PARTIAL REDEMPTION.—A shareholder who files notice of intention to redeem all shares of stock in a Federal home loan bank may redeem not more than 1/2 of all such shares, in cash and at par, 6 months before the date by which the bank is required to redeem such stock pursuant to subparagraph (B) or (C) of subsection (b)(4).

“(3) DIVESTITURE.—The board of directors of any Federal home loan bank may, after a hearing, order the divestiture by any shareholder of all ownership interests of such shareholder in the bank, if—

“(A) in the opinion of the board of directors, such shareholder has failed to comply with a provision of this Act or any regulation prescribed under this Act; or

“(B) the shareholder has been determined to be insolvent, or otherwise subject to the appointment of a conservator, receiver, or other legal custodian, by a State or Federal authority with regulatory and supervisory responsibility for such shareholder.

“(4) RETIREMENT OF EXCESS STOCK.—Any shareholder may—

“(A) retire shares of Class A stock or, at the option of the shareholder, shares of Class B stock, or any combination of Class A and Class B stock, that are excess to the minimum stock purchase requirements applicable to the shareholder; and

“(B) receive from the Federal home loan bank a prompt payment in cash equal to the par value of such stock.

“(5) IMPAIRMENT OF CAPITAL.—If the Finance Board or the board of directors of a Federal home loan bank determines that the paid-in capital of the bank is, or is likely to be, impaired as a result of losses in or depreciation of the assets of the bank, the Federal home loan bank shall withhold that portion of the amount due any shareholder with respect to any redemption or retirement of any class of stock which bears the same ratio to the total of such amount as the amount of the impaired capital bears to the total amount of capital allocable to such class of stock.

“(6) POLICIES.—Subject to the requirements of this section, the board of directors of each Federal home loan bank shall promptly establish policies, consistent with this Act, governing the capital stock of such bank and other provisions of this section.”.

SEC. 172. INVESTMENTS.

Subsection (j) of section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431) (as so redesignated by section 166(e) of this subtitle) is amended to read as follows:

“(j) INVESTMENTS.—Each bank shall reduce its investments to those necessary for liquidity purposes, for safe and sound operation of the banks, or for housing finance, as administered by the Finance Board.”.

SEC. 173. FEDERAL HOUSING FINANCE BOARD.

Section 2A(b)(1) of the Federal Home Loan Bank Act (12 U.S.C. 1422(b)(1)) is amended—

(1) by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively;

(2) by inserting before subparagraph (B) (as so redesignated by paragraph (1) of this section) the following new subparagraph:

“(A) The Secretary of the Treasury (or the Secretary of the Treasury’s designee), who shall serve without additional compensation.”; and

(3) in subparagraph (C) (as so redesignated by paragraph (1) of this section) by striking “Four” and inserting “3”.

Subtitle H—Direct Activities of Banks

SEC. 181. AUTHORITY OF NATIONAL BANKS TO UNDERWRITE CERTAIN MUNICIPAL BONDS.

The paragraph designated the Seventh of section 5136 of the Revised Statutes of the United States (12 U.S.C. 24(7)) is amended by adding at the end the following new sentence: “In addition to the provisions in this paragraph for dealing in, underwriting or purchasing securities, the limitations and restrictions contained in this paragraph as to dealing in, underwriting, and purchasing investment securities for the national bank’s own account shall not apply to obligations (including limited obligation bonds, revenue bonds, and obligations that satisfy the requirements of section 142(b)(1) of the Internal Revenue Code of 1986) issued by or on behalf of any state or political subdivision of a state, including any municipal corporate in-

strumentality of 1 or more states, or any public agency or authority of any state or political subdivision of a state, if the national banking association is well capitalized (as defined in section 38 of the Federal Deposit Insurance Act).”.

Subtitle I—Deposit Insurance Funds

SEC. 186. STUDY OF SAFETY AND SOUNDNESS OF FUNDS.

(a) STUDY REQUIRED.—The Board of Directors of the Federal Deposit Insurance Corporation shall conduct a study of the following issues with regard to the Bank Insurance Fund and the Savings Association Insurance Fund:

(1) The safety and soundness of the funds and the adequacy of the reserve requirements applicable to the funds in light of—

(A) the size of the insured depository institutions which are resulting from mergers and consolidations since the effective date of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994; and

(B) the affiliation of insured depository institutions with other financial institutions pursuant to this Act and the amendments made by this Act.

(2) The concentration levels of the funds, taking into account the number of members of each fund and the geographic distribution of such members, and the extent to which either fund is exposed to higher risks due to a regional concentration of members or an insufficient membership base relative to the size of member institutions.

(3) Issues relating to the planned merger of the funds, including the cost of merging the funds and the manner in which such costs will be distributed among the members of the respective funds.

(b) REPORT REQUIRED.—

(1) IN GENERAL.—Before the end of the 9-month period beginning on the date of the enactment of this Act, the Board of Directors of the Federal Deposit Insurance Corporation shall submit a report to the Congress on the study conducted pursuant to subsection (a).

(2) CONTENTS OF REPORT.—The report shall include—

(A) detailed findings of the Board of Directors with regard to the issues described in subsection (a);

(B) a description of the plans developed by the Board of Directors for merging the Bank Insurance Fund and the Savings Association Insurance Fund, including an estimate of the amount of the cost of such merger which would be borne by Savings Association Insurance Fund members; and

(C) such recommendations for legislative and administrative action as the Board of Directors determines to be necessary or appropriate to preserve the safety and soundness of the deposit insurance funds, reduce the risks to such funds, provide for an efficient merger of such funds, and for other purposes.

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

(1) INSURED DEPOSITORY INSTITUTION.—The term “insured depository institution” has the meaning given to such term in section 3(c) of the Federal Deposit Insurance Act.

(2) BIF AND SAIF MEMBERS.—The terms “Bank Insurance Fund member” and “Savings Association Insurance Fund member” have the meaning given to such terms in section 7(l) of the Federal Deposit Insurance Act.

Subtitle J—Effective Date of Title

SEC. 191. EFFECTIVE DATE.

Except with regard to any subtitle or other provision of this title for which a specific effective date is provided, this title and the amendments made by this title shall take effect at the end of the 270-day period begin-

ning on the date of the enactment of this Act.

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) EXCEPTION 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, to the extent practicable, 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 (other than associated persons of a broker or dealer who are qualified pursuant to the rules of a self-regulatory organization) perform only clerical or ministerial functions in connection with brokerage transactions including scheduling appointments with the associated persons of a broker or dealer, except that bank employees may forward customer funds or securities and may describe in general terms the range of investment vehicles available from the bank and the broker or dealer under the contractual or other arrangement;

“(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 rules of a self-regulatory organization, except that the bank employees may receive compensation for the referral of any customer if the compensation is a nominal one-time cash 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;

“(VIII) the bank does not carry a securities account of the customer except in a customary custodian or trustee capacity; and

“(IX) the bank, 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 deposits or other obligations of the bank, are not guaranteed by the bank, and are not insured by the Federal Deposit Insurance Corporation.

“(i) TRUST ACTIVITIES.—The bank effects transactions in a trustee capacity, or effects transactions in a fiduciary capacity in its

trust department or other department that is regularly examined by bank examiners for compliance with fiduciary principles and standards, and (in either case)—

“(I) is primarily compensated on the basis of an administration or annual fee (payable on a monthly, quarterly, or other basis), a percentage of assets under management, or a flat or capped per order processing fee, or any combination of such fees, but does not otherwise receive brokerage commissions, or other similar remuneration based on effecting transactions in securities, that exceed the cost incurred by the bank in connection with executing securities transactions for trustee or fiduciary customers; and

“(II) does not publicly solicit brokerage business, other than by advertising that it effects transactions in securities in conjunction with advertising its other trust activities.

“(iii) PERMISSIBLE SECURITIES TRANSACTIONS.—The bank effects transactions in—

“(I) commercial paper, bankers acceptances, or commercial bills;

“(II) exempted securities;

“(III) qualified Canadian government obligations as defined in section 5136 of the Revised Statutes, in conformity with section 15C of this title and the rules and regulations thereunder, or obligations of the North American Development Bank; or

“(IV) any standardized, credit enhanced debt security issued by a foreign government pursuant to the March 1989 plan of then Secretary of the Treasury Brady, used by such foreign government to retire outstanding commercial bank loans.

“(iv) CERTAIN STOCK PURCHASE PLANS.—

“(I) EMPLOYEE BENEFIT PLANS.—The bank effects transactions, as part of its transfer agency activities, in the securities of an issuer as part of any pension, retirement, profit-sharing, bonus, thrift, savings, incentive, or other similar benefit plan for the employees of that issuer or its subsidiaries, if—

“(aa) the bank does not solicit transactions or provide investment advice with respect to the purchase or sale of securities in connection with the plan; and

“(bb) the bank’s compensation for such plan or program consists of administration fees, or flat or capped per order processing fees, or both, but the bank does not otherwise receive brokerage commissions, or other similar remuneration based on effecting transactions in securities, that exceed the cost incurred by the bank in connection with executing securities transactions under this subclause (I).

“(II) DIVIDEND REINVESTMENT PLANS.—The bank effects transactions, as part of its transfer agency activities, in the securities of an issuer as part of that issuer’s dividend reinvestment plan, if—

“(aa) the bank does not solicit transactions or provide investment advice with respect to the purchase or sale of securities in connection with the plan;

“(bb) the bank does not net shareholders’ buy and sell orders, other than for programs for odd-lot holders or plans registered with the Commission; and

“(cc) the bank’s compensation for such plan or program consists of administration fees, or flat or capped per order processing fees, or both, but the bank does not otherwise receive brokerage commissions, or other similar remuneration based on effecting transactions in securities, that exceed the cost incurred by the bank in connection with executing securities transactions under this subclause (II).

“(III) ISSUER PLANS.—The bank effects transactions, as part of its transfer agency activities, in the securities of an issuer as part of a plan or program for the purchase or sale of that issuer’s shares, if—

“(aa) the bank does not solicit transactions or provide investment advice with respect to the purchase or sale of securities in connection with the plan or program;

“(bb) the bank does not net shareholders’ buy and sell orders, other than for programs for odd-lot holders or plans registered with the Commission; and

“(cc) the bank’s compensation for such plan or program consists of administration fees, or flat or capped per order processing fees, or both, but the bank does not otherwise receive brokerage commissions, or other similar remuneration based on effecting transactions in securities, that exceed the cost incurred by the bank in connection with executing securities transactions under this subclause (III).

“(IV) PERMISSIBLE DELIVERY OF MATERIALS.—The exception to being considered a broker for a bank engaged in activities described in subclauses (I), (II), and (III) will not be affected by a bank’s delivery of written or electronic plan materials to employees of the issuer, shareholders of the issuer, or members of affinity groups of the issuer, so long as such materials are—

“(aa) comparable in scope or nature to that permitted by the Commission as of the date of the enactment of the Financial Services Act of 1998; or

“(bb) otherwise permitted by the Commission.

“(v) 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.

“(vi) AFFILIATE TRANSACTIONS.—The bank effects transactions for the account of any affiliate of the bank (as defined in section 2 of the Bank Holding Company Act of 1956) other than—

“(I) a registered broker or dealer; or

“(II) an affiliate that is engaged in merchant banking, as described in section 6(c)(3)(H) of the Bank Holding company Act of 1956.

“(vii) PRIVATE SECURITIES OFFERINGS.—The bank—

“(I) effects sales as part of a primary offering of securities not involving a public offering, pursuant to section 3(b), 4(2), or 4(6) of the Securities Act of 1933 or the rules and regulations issued thereunder;

“(II) at any time after one year after the date of enactment of the Financial Services Act of 1998, is not affiliated with a broker or dealer that has been registered for more than one year; and

“(III) effects transactions exclusively with qualified investors.

“(viii) SAFEKEEPING AND CUSTODY ACTIVITIES.—

“(I) IN GENERAL.—The bank, as part of customary banking activities—

“(aa) provides safekeeping or custody services with respect to securities, including the exercise of warrants and other rights on behalf of customers;

“(bb) facilitates the transfer of funds or securities, as a custodian or a clearing agency, in connection with the clearance and settlement of its customers’ transactions in securities;

“(cc) effects securities lending or borrowing transactions with or on behalf of customers as part of services provided to customers pursuant to division (aa) or (bb) or invests cash collateral pledged in connection with such transactions; or

“(dd) holds securities pledged by a customer to another person or securities subject to purchase or resale agreements involving a customer, or facilitates the pledging or transfer of such securities by book entry or as otherwise provided under applicable law.

“(II) EXCEPTION FOR CARRYING BROKER ACTIVITIES.—The exception to being considered a broker for a bank engaged in activities described in subclause (I) shall not apply if the bank, in connection with such activities, acts in the United States as a carrying broker (as such term, and different formulations thereof, are used in section 15(c)(3) and the rules and regulations thereunder) for any broker or dealer, unless such carrying broker activities are engaged in with respect to government securities (as defined in paragraph (42) of this subsection).

“(ix) BANKING PRODUCTS.—The bank effects transactions in traditional banking products, as defined in section 206(a) of the Financial Services Act of 1998.

“(x) DE MINIMIS EXCEPTION.—The bank effects, other than in transactions referred to in clauses (i) through (ix), not more than 500 transactions in securities in any calendar year, and such transactions are not effected by an employee of the bank who is also an employee of a broker or dealer.

“(C) BROKER DEALER EXECUTION.—The exception to being considered a broker for a bank engaged in activities described in clauses (ii), (iv), and (viii) of subparagraph (B) shall not apply if the activities described in such provisions result in the trade in the United States of any security that is a publicly traded security in the United States, unless—

“(i) the bank directs such trade to a registered or broker dealer for execution;

“(ii) the trade is a cross trade or other substantially similar trade of a security that—

“(I) is made by the bank or between the bank and an affiliated fiduciary; and

“(II) is not in contravention of fiduciary principles established under applicable Federal or State law; or

“(iii) the trade is conducted in some other manner permitted under rules, regulations, or orders as the Commission may prescribe or issue.

“(D) NO EFFECT OF BANK EXEMPTIONS ON OTHER COMMISSION AUTHORITY.—The exception to being considered a broker for a bank engaged in activities described in subparagraphs (B) and (C) shall not affect the commission's authority under any other provision of this Act or any other securities law.

“(E) FIDUCIARY CAPACITY.—For purposes of subparagraph (B)(ii), the term ‘fiduciary capacity’ means—

“(i) in the capacity as trustee, executor, administrator, registrar of stocks and bonds, transfer agent, guardian, assignee, receiver, or custodian under a uniform gift to minor act, or as an investment adviser if the bank receives a fee for its investment advice;

“(ii) in any capacity in which the bank possesses investment discretion on behalf of another; or

“(iii) in any other similar capacity.

“(F) EXCEPTION 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 Act of 1998, 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, ei-

ther individually or in a fiduciary capacity, but not as a part of a regular business.

“(C) EXCEPTION 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) PERMISSIBLE SECURITIES TRANSACTIONS.—The bank buys or sells—

“(I) commercial paper, bankers acceptances, or commercial bills;

“(II) exempted securities;

“(III) qualified Canadian government obligations as defined in section 5136 of the Revised Statutes of the United States, in conformity with section 15C of this title and the rules and regulations thereunder, or obligations of the North American Development Bank; or

“(IV) any standardized, credit enhanced debt security issued by a foreign government pursuant to the March 1989 plan of then Secretary of the Treasury Brady, used by such foreign government to retire outstanding commercial bank loans.

“(ii) INVESTMENT, TRUSTEE, AND FIDUCIARY TRANSACTIONS.—The bank buys or sells securities for investment purposes—

“(I) for the bank; or

“(II) for accounts for which the bank acts as a trustee or fiduciary.

“(iii) ASSET-BACKED TRANSACTIONS.—The bank engages in the issuance or sale to qualified investors, 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 predominantly originated by the bank, or a syndicate of banks of which the bank is a member, or an affiliate of any such bank other than a broker or dealer.

“(iv) BANKING PRODUCTS.—The bank buys or sells traditional banking products, as defined in section 206(a) of the Financial Services Act of 1998.

“(v) DERIVATIVE INSTRUMENTS.—The bank issues, buys, or sells any derivative instrument to which the bank is a party—

“(I) to or from a corporation, limited liability company, or partnership that owns and invests on a discretionary basis, not less than \$10,000,000 in investments, or to or from a qualified investor, except that if the instrument provides for the delivery of one or more securities (other than a derivative instrument or government security), the transaction shall be effected with or through a registered broker or dealer; or

“(II) to or from other persons, except that if the derivative instrument provides for the delivery of one or more securities (other than a derivative instrument or government security), the transaction shall be effected with or through a registered broker or dealer; or

“(III) to or from any person if the instrument is neither a security nor provides for the delivery of one or more securities (other than a derivative instrument).”

SEC. 203. REGISTRATION FOR SALES OF PRIVATE SECURITIES OFFERINGS.

Section 15A of the Securities Exchange Act of 1934 (15 U.S.C. 78o-3) is amended by inserting after subsection (i) the following new subsection:

“(j) REGISTRATION FOR SALES OF PRIVATE SECURITIES OFFERINGS.—A registered securities association shall create a limited qualification category for any associated person of a member who effects sales as part of a primary offering of securities 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 thereunder, and shall deem qualified in such limited qualification category, without testing, any bank em-

ployee who, in the six month period preceding the date of enactment of this Act, engaged in effecting such sales.”

SEC. 204. SALES PRACTICES AND COMPLAINT PROCEDURES.

Section 18 of the Federal Deposit Insurance Act is amended by adding at the end the following new subsection:

“(s) SALES PRACTICES AND COMPLAINT PROCEDURES WITH RESPECT TO BANK SECURITIES ACTIVITIES.—

“(1) REGULATIONS REQUIRED.—Each Federal banking agency shall prescribe and publish in final form, not later than 6 months after the date of enactment of the Financial Services Act of 1998, regulations which apply to retail transactions, solicitations, advertising, or offers of any security by any insured depository institution or any affiliate thereof other than a registered broker or dealer or an individual acting on behalf of such a broker or dealer who is an associated person of such broker or dealer. Such regulations shall include—

“(A) requirements that sales practices comply with just and equitable principles of trade that are substantially similar to the Rules of Fair Practice of the National Association of Securities Dealers; and

“(B) requirements prohibiting (i) conditioning an extension of credit on the purchase or sale of a security; and (ii) any conduct leading a customer to believe that an extension of credit is conditioned upon the purchase or sale of a security.

“(2) PROCEDURES REQUIRED.—The appropriate Federal banking agencies shall jointly establish procedures and facilities for receiving and expeditiously processing complaints against any bank or employee of a bank arising in connection with the purchase or sale of a security by a customer, including a complaint alleging a violation of the regulations prescribed under paragraph (1), but excluding a complaint involving an individual acting on behalf of such a broker or dealer who is an associated person of such broker or dealer. The use of any such procedures and facilities by such a customer shall be at the election of the customer. Such procedures shall include provisions to refer a complaint alleging fraud to the Securities and Exchange Commission and appropriate State securities commissions.

“(3) REQUIRED ACTIONS.—The actions required by the Federal banking agencies under paragraph (2) shall include the following:

“(A) establishing a group, unit, or bureau within each such agency to receive such complaints;

“(B) developing and establishing procedures for investigating, and permitting customers to investigate, such complaints;

“(C) developing and establishing procedures for informing customers of the rights they may have in connection with such complaints;

“(D) developing and establishing procedures that allow customers a period of at least 6 years to make complaints and that do not require customers to pay the costs of the proceeding; and

“(E) developing and establishing procedures for resolving such complaints, including procedures for the recovery of losses to the extent appropriate.

“(4) CONSULTATION AND JOINT REGULATIONS.—The Federal banking agencies shall consult with each other and prescribe joint regulations pursuant to paragraphs (1) and (2), after consultation with the Securities and Exchange Commission.

“(5) PROCEDURES IN ADDITION TO OTHER REMEDIES.—The procedures and remedies provided under this subsection shall be in addition to, and not in lieu of, any other remedies available under law.

“(6) DEFINITION.—As used in this subsection—

“(A) the term ‘security’ has the meaning provided in section 3(a)(10) of the Securities Exchange Act of 1934;

“(B) the term ‘registered broker or dealer’ has the meaning provided in section 3(a)(48) of such Act; and

“(C) the term ‘associated person’ has the meaning provided in section 3(a)(18) of such Act.”.

SEC. 205. INFORMATION SHARING.

Section 18 of the Federal Deposit Insurance Act is amended by adding at the end the following new subsection:

“(t) RECORDKEEPING REQUIREMENTS.—

“(1) REQUIREMENTS.—Each appropriate Federal banking agency, after consultation with and consideration of the views of the Commission, shall establish recordkeeping requirements for banks relying on exceptions contained in paragraphs (4) and (5) of section 3(a) of the Securities Exchange Act of 1934. Such recordkeeping requirements shall be sufficient to demonstrate compliance with the terms of such exceptions and be designed to facilitate compliance with such exceptions. Each appropriate Federal banking agency shall make any such information available to the Commission upon request.

“(2) DEFINITIONS.—As used in this subsection the term ‘Commission’ means the Securities and Exchange Commission.”.

SEC. 206. DEFINITION AND TREATMENT OF BANKING PRODUCTS.

(a) DEFINITION OF TRADITIONAL BANKING PRODUCT.—

(1) IN GENERAL.—For purposes of paragraphs (4) and (5) of section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(4), (5)), the term ‘traditional banking product’ means—

(A) a deposit account, savings account, certificate of deposit, or other deposit instrument issued by a bank;

(B) a banker’s acceptance;

(C) a letter of credit issued or loan made by a bank;

(D) a debit account at a bank arising from a credit card or similar arrangement;

(E) a participation in a loan which the bank or an affiliate of the bank (other than a broker or dealer) funds, participates in, or owns that is sold—

(i) to qualified investors; or

(ii) to other persons that—

“(I) have the opportunity to review and assess any material information, including information regarding the borrower’s creditworthiness; and

“(II) based on such factors as financial sophistication, net worth, and knowledge and experience in financial matters, have the capability to evaluate the information available, as determined under generally applicable banking standards or guidelines; or

(F) any derivative instrument, whether or not individually negotiated, involving or relating to—

(i) foreign currencies, except options on foreign currencies that trade on a national securities exchange;

(ii) interest rates, except interest rate derivative instruments: (I) that are based on a security or a group or index of securities (other than government securities or a group or index of government securities); (II) that provide for the delivery of one or more securities (other than government securities); or (III) that trade on a national securities exchange; or

(iii) commodities, other rates, indices, or other assets, except derivative instruments: (I) that are securities or that are based on a group or index of securities (other than government securities or a group or index of government securities); (II) that provide for the delivery of one or more securities (other

than government securities); or (III) that trade on a national securities exchange.

(2) CLASSIFICATION LIMITED.—Classification of a particular product as a traditional banking product pursuant to this subsection shall not be construed as finding or implying that such product is or is not a security for any purpose under the securities laws, or is or is not an account, agreement, contract, or transaction for any purpose under the Commodity Exchange Act.

(3) DEFINITIONS.—For purposes of this subsection—

(A) the term “bank” has the meaning provided in section 3(a)(6) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(6));

(B) the term “qualified investor” has the meaning provided in section 3(a)(55) of such Act;

(C) the term “government securities” has the meaning provided in section 3(a)(42) of such Act, and, for purposes of this subsection, commercial paper, bankers acceptances, and commercial bills shall be treated in the same manner as government securities; and

(D) the term “Federal banking agency” has the meaning provided in section 3(z) of the Federal Deposit Insurance Act (12 U.S.C. 1813(z)).

(b) TREATMENT OF NEW BANKING PRODUCTS FOR PURPOSES OF BROKER/DEALER REQUIREMENTS.—Section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o) is amended by adding at the end the following new subsection:

“(i) RULEMAKING TO EXTEND REQUIREMENTS TO NEW BANKING PRODUCTS.—

“(1) LIMITATION.—The Commission shall not—

“(A) require a bank to register as a broker or dealer under this section because the bank engages in any transaction in, or buys or sells, a new banking product; or

“(B) bring an action against a bank for a failure to comply with a requirement described in subparagraph (A); unless the Commission has imposed such requirement by rule or regulation issued in accordance with this section.

“(2) CRITERIA FOR RULEMAKING.—The Commission shall not impose a requirement under paragraph (1) of this subsection with respect to any new banking product unless the Commission determines that—

“(A) the new banking product is a security; and

“(B) imposing such requirement is necessary or appropriate in the public interest and for the protection of investors, consistent with the requirements of section 3(f).

“(3) NEW BANKING PRODUCT.—For purposes of this subsection, the term ‘new banking product’ means a product that—

“(A) was not subjected to regulation by the Commission as a security prior to the date of enactment of this subsection; and

“(B) is not a traditional banking product, as such term is defined in section 206(a) of the Financial Services Act of 1998.

“(4) CONSULTATION.—In promulgating rules under this subsection, the Commission shall consult with and consider the views of the appropriate regulatory agencies concerning the proposed rule and the impact on the banking industry.”.

SEC. 207. DERIVATIVE INSTRUMENT AND QUALIFIED INVESTOR DEFINED.

Section 3(a) of the Securities Exchange Act of 1934 is amended by adding at the end the following new paragraphs:

“(54) DERIVATIVE INSTRUMENT.—

“(A) DEFINITION.—The term ‘derivative instrument’ means any individually negotiated contract, agreement, warrant, note, or option that is based, in whole or in part, on the value of, any interest in, or any quantitative measure or the occurrence of any event re-

lating to, one or more commodities, securities, currencies, interest or other rates, indices, or other assets, but does not include a traditional banking product, as defined in section 206(a) of the Financial Services Act of 1998.

“(B) CLASSIFICATION LIMITED.— Classification of a particular contract as a derivative instrument pursuant to this paragraph shall not be construed as finding or implying that such instrument is or is not a security for any purpose under the securities laws, or is or is not an account, agreement, contract, or transaction for any purpose under the Commodity Exchange Act.

“(55) QUALIFIED INVESTOR.—

“(A) DEFINITION.—For purposes of this title and section 206(a)(1)(E) of the Financial Services Act of 1998, the term ‘qualified investor’ means—

“(i) any investment company registered with the Commission under section 8 of the Investment Company Act of 1940;

“(ii) any issuer eligible for an exclusion from the definition of investment company pursuant to section 3(c)(7) of the Investment Company Act of 1940;

“(iii) any bank (as defined in paragraph (6) of this subsection), savings and loan association (as defined in section 3(b) of the Federal Deposit Insurance Act), broker, dealer, insurance company (as defined in section 2(a)(13) of the Securities Act of 1933), or business development company (as defined in section 2(a)(48) of the Investment Company Act of 1940);

“(iv) any small business investment company licensed by the United States Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958;

“(v) any State sponsored employee benefit plan, or any other employee benefit plan, within the meaning of the Employee Retirement Income Security Act of 1974, other than an individual retirement account, if the investment decisions are made by a plan fiduciary, as defined in section 3(21) of that Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser;

“(vi) any trust whose purchases of securities are directed by a person described in clauses (i) through (v) of this subparagraph;

“(vii) any market intermediary exempt under section 3(c)(2) of the Investment Company Act of 1940;

“(viii) any associated person of a broker or dealer other than a natural person;

“(ix) any foreign bank (as defined in section 1(b)(7) of the International Banking Act of 1978); or

“(x) the government of any foreign country.

“(B) ADDITIONAL QUALIFICATIONS DEFINED.— For purposes of paragraphs (4)(B)(vii) and (5)(C)(iii) of this subsection, and section 206(a)(1)(E) of the Financial Services Act of 1998, the term ‘qualified investor’ also means—

“(i) any corporation, company, or partnership that owns and invests on a discretionary basis, not less than \$10,000,000 in investments;

“(ii) any natural person who owns and invests on a discretionary basis, not less than \$10,000,000 in investments;

“(iii) any government or political subdivision, agency, or instrumentality of a government who owns and invests on a discretionary basis not less than \$50,000,000 in investments; or

“(iv) any multinational or supranational entity or any agency or instrumentality thereof.

“(C) ADDITIONAL AUTHORITY.—The Commission may, by rule or order, define a ‘qualified investor’ as any other person, other than a natural person, taking into consideration

such factors as the person's financial sophistication, net worth, and knowledge and experience in financial matters."

SEC. 208. GOVERNMENT SECURITIES DEFINED.

Section 3(a)(42) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(42)) is amended—

(1) by striking "or" at the end of subparagraph (C);

(2) by striking the period at the end of subparagraph (D) and inserting "; or"; and

(3) by adding at the end the following new subparagraph:

"(E) for purposes of section 15C as applied to a bank, a qualified Canadian government obligation as defined in section 5136 of the Revised Statutes."

SEC. 209. EFFECTIVE DATE.

This subtitle shall take effect at the end of the 270-day period beginning on the date of the enactment of this Act.

SEC. 210. RULE OF CONSTRUCTION.

Nothing in this Act shall supersede, affect, or otherwise limit the scope and applicability of the Commodity Exchange Act (7 U.S.C. 1 et seq.).

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 the following:

"(f) **CUSTODY OF SECURITIES.**—

"(1) Every registered";

(3) by redesignating the second, third, fourth, and fifth 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) The Commission may adopt rules and regulations, and issue orders, consistent with the protection of investors, prescribing the conditions under which a bank, or an affiliated person of a bank, either of which is an affiliated person, promoter, organizer, or sponsor of, or principal underwriter for, a registered management company may serve as custodian of that registered management company."

(b) **UNIT INVESTMENT TRUSTS.**—Section 26 of the Investment Company Act of 1940 (15 U.S.C. 80a-26) is amended—

(1) by redesignating subsections (b) through (e) as subsections (c) through (f), respectively; and

(2) by inserting after subsection (a) the following new subsection:

"(b) The Commission may adopt rules and regulations, and issue orders, consistent with the protection of investors, prescribing the conditions under which a bank, or an affiliated person of a bank, either of which is an affiliated person of a principal underwriter for, or depositor of, a registered unit investment trust, may serve as trustee or custodian under subsection (a)(1)."

(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. LENDING TO AN AFFILIATED INVESTMENT COMPANY.

Section 17(a) of the Investment Company Act of 1940 (15 U.S.C. 80a-17(a)) is amended—

(1) by striking "or" at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting "; or"; and

(3) by adding at the end the following new paragraph:

"(4) to loan money or other property to such registered company, or to any company controlled by such registered company, in contravention of such rules, regulations, or orders as the Commission may prescribe or issue consistent with the protection of investors."

SEC. 213. 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 or any affiliated person of a person (other than a registered investment company) that, at any time during the 6-month period preceding the date of the determination of whether that person or affiliated person is an interested person, 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,";

(2) by redesignating clause (vi) as clause (vii); and

(3) by inserting after clause (v) the following new clause:

"(vi) any person or any affiliated person of a person (other than a registered investment company) that, at any time during the 6-month period preceding the date of the determination of whether that person or affiliated person is an interested person, has loaned money or other property 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,".

(b) **CONFORMING AMENDMENT.**—Section 2(a)(19)(B) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(19)(B)) is amended—

(1) by striking clause (v) and inserting the following new clause:

"(v) any person or any affiliated person of a person (other than a registered investment company) that, at any time during the 6-month period preceding the date of the determination of whether that person or affiliated person is an interested person, has executed any portfolio transactions for, engaged in any principal transactions with, or distributed shares for—

"(I) any investment company for which the investment adviser or principal underwriter serves as such;

"(II) any investment company holding itself out to investors, for purposes of investment or investor services, as a company related to any investment company for which the investment adviser or principal underwriter serves as such; or

"(III) any account over which the investment adviser has brokerage placement discretion,";

(2) by redesignating clause (vi) as clause (vii); and

(3) by inserting after clause (v) the following new clause:

"(vi) any person or any affiliated person of a person (other than a registered investment

company) that, at any time during the 6-month period preceding the date of the determination of whether that person or affiliated person is an interested person, has loaned money or other property to—

"(I) any investment company for which the investment adviser or principal underwriter serves as such;

"(II) any investment company holding itself out to investors, for purposes of investment or investor services, as a company related to any investment company for which the investment adviser or principal underwriter serves as such; or

"(III) any account for which the investment adviser has borrowing authority,".

(c) **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 (together with its affiliates and subsidiaries) or any one bank holding company (together with its affiliates and subsidiaries) (as such terms are defined in section 2 of the Bank Holding Company Act of 1956), except".

(d) **EFFECTIVE DATE.**—The amendments made by this section shall take effect at the end of the 1-year period beginning on the date of enactment of this subtitle.

SEC. 214. ADDITIONAL SEC DISCLOSURE AUTHORITY.

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 that is advised by, or sold through, a bank shall prominently disclose that an investment in the company is not insured by the Federal Deposit Insurance Corporation or any other government agency. The Commission may adopt rules and regulations, and issue orders, consistent with the protection of investors, prescribing the manner in which the disclosure under this paragraph shall be provided.

"(3) **DEFINITIONS.**—The terms 'insured depository institution' and 'appropriate Federal banking agency' have the meaning given to such terms in section 3 of the Federal Deposit Insurance Act."

SEC. 215. 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 one or more investment companies."

SEC. 216. 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. 217. 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 bank holding company to the extent that such bank or bank holding company serves or acts as an investment adviser to a registered investment company, but if, in the case of a bank, such services or actions 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:

“(26) 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 one 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 by the Commission 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. 218. 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. 219. 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. 220. 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 to which such agency may have access with respect to the investment advisory activities—

“(A) of any—

“(i) bank holding company;

“(ii) bank; or

“(iii) separately identifiable department or division of a bank, that is registered under section 203 of this title; and

“(B) in the case of a bank holding company or bank that has a subsidiary or a separately identifiable department or division registered under that section, of such bank or bank holding company.

“(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 bank holding company, bank, or separately identifiable department or division of a bank, any of which is registered under section 203 of this title.

“(b) EFFECT ON OTHER AUTHORITY.—Nothing in this section shall limit in any respect the authority of the appropriate Federal banking agency with respect to such bank 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. 221. 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)(12)(A)(iii) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(12)(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. 222. 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 an 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 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 or issue consistent with the protection of investors.

“(2) EXEMPTION.—Paragraph (1) shall not apply to any investment adviser to a registered investment company, or any affiliated person of that investment adviser, that holds shares of the investment company in a trustee or fiduciary capacity if that registered investment company consists solely of assets 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).”.

SEC. 223. 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 1(b) of the International Banking Act of 1978)”.

SEC. 224. CONFORMING AMENDMENT.

Section 202 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-2) is amended by adding at the end the following new subsection:

“(c) CONSIDERATION OF PROMOTION OF EFFICIENCY, COMPETITION, AND CAPITAL FORMATION.—Whenever pursuant to this title the Commission is engaged in rulemaking and is required to consider or determine whether an action is necessary or appropriate in the public interest, the Commission shall also consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation.”.

SEC. 225. EFFECTIVE DATE.

This subtitle shall take effect 90 days after the date of the enactment of this Act.

Subtitle C—Securities and Exchange Commission Supervision of Investment Bank Holding Companies

SEC. 231. SUPERVISION OF INVESTMENT BANK HOLDING COMPANIES BY THE SECURITIES AND EXCHANGE COMMISSION.

(a) AMENDMENT.—Section 17 of the Securities Exchange Act of 1934 (15 U.S.C. 78q) is amended—

(1) by redesignating subsection (i) as subsection (l); and

(2) by inserting after subsection (h) the following new subsections:

“(i) INVESTMENT BANK HOLDING COMPANIES.—

“(1) ELECTIVE SUPERVISION OF AN INVESTMENT BANK HOLDING COMPANY NOT HAVING A BANK OR SAVINGS ASSOCIATION AFFILIATE.—

“(A) IN GENERAL.—An investment bank holding company that is not—

“(i) an affiliate of a wholesale financial institution, an insured bank (other than an institution described in subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956), or a savings association;

“(ii) a foreign bank, foreign company, or company that is described in section 8(a) of the International Banking Act of 1978; or

“(iii) a foreign bank that controls, directly or indirectly, a corporation chartered under section 25A of the Federal Reserve Act, may elect to become supervised by filing with the Commission a notice of intention to become supervised, pursuant to subparagraph (B) of this paragraph. Any investment bank holding company filing such a notice shall be supervised in accordance with this section and comply with the rules promulgated by the Commission applicable to supervised investment bank holding companies.

“(B) NOTIFICATION OF STATUS AS A SUPERVISED INVESTMENT BANK HOLDING COMPANY.—An investment bank holding company that elects under subparagraph (A) to become supervised by the Commission shall file with the Commission a written notice of intention to become supervised by the Commission in such form and containing such information and documents concerning such investment bank holding company as the Commission, by rule, may prescribe as necessary or appropriate in furtherance of the purposes of this section. Unless the Commission finds that such supervision is not necessary or appropriate in furtherance of the purposes of this section, such supervision shall become effective 45 days after receipt of such written notice by the Commission or within such shorter time period as the Commission, by rule or order, may determine.

“(2) ELECTION NOT TO BE SUPERVISED BY THE COMMISSION AS AN INVESTMENT BANK HOLDING COMPANY.—

“(A) VOLUNTARY WITHDRAWAL.—A supervised investment bank holding company that is supervised pursuant to paragraph (1) may, upon such terms and conditions as the Commission deems necessary or appropriate, elect not to be supervised by the Commission by filing a written notice of withdrawal from Commission supervision. Such notice shall not become effective until one year after receipt by the Commission, or such shorter or longer period as the Commission deems necessary or appropriate to ensure effective supervision of the material risks to the supervised investment bank holding company and to the affiliated broker or dealer, or to prevent evasion of the purposes of this section.

“(B) DISCONTINUATION OF COMMISSION SUPERVISION.—If the Commission finds that any supervised investment bank holding company that is supervised pursuant to paragraph (1) is no longer in existence or has ceased to be an investment bank holding company, or if the Commission finds that continued supervision of such a supervised investment bank holding company is not consistent with the purposes of this section, the Commission may discontinue the supervision pursuant to a rule or order, if any, promulgated by the Commission under this section.

“(3) SUPERVISION OF INVESTMENT BANK HOLDING COMPANIES.—

“(A) RECORDKEEPING AND REPORTING.—

“(i) IN GENERAL.—Every supervised investment bank holding company and each affiliate thereof shall make and keep for prescribed periods such records, furnish copies thereof, and make such reports, as the Com-

mission may require by rule, in order to keep the Commission informed as to—

“(I) the company's or affiliate's activities, financial condition, policies, systems for monitoring and controlling financial and operational risks, and transactions and relationships between any broker or dealer affiliate of the supervised investment bank holding company; and

“(II) the extent to which the company or affiliate has complied with the provisions of this Act and regulations prescribed and orders issued under this Act.

“(ii) FORM AND CONTENTS.—Such records and reports shall be prepared in such form and according to such specifications (including certification by an independent public accountant), as the Commission may require and shall be provided promptly at any time upon request by the Commission. Such records and reports may include—

“(I) a balance sheet and income statement;

“(II) an assessment of the consolidated capital of the supervised investment bank holding company;

“(III) an independent auditor's report attesting to the supervised investment bank holding company's compliance with its internal risk management and internal control objectives; and

“(IV) reports concerning the extent to which the company or affiliate has complied with the provisions of this title and any regulations prescribed and orders issued under this title.

“(B) USE OF EXISTING REPORTS.—

“(i) IN GENERAL.—The Commission shall, to the fullest extent possible, accept reports in fulfillment of the requirements under this paragraph that the supervised investment bank holding company or its affiliates have been required to provide to another appropriate regulatory agency or self-regulatory organization.

“(ii) AVAILABILITY.—A supervised investment bank holding company or an affiliate of such company shall provide to the Commission, at the request of the Commission, any report referred to in clause (i).

“(C) EXAMINATION AUTHORITY.—

“(i) FOCUS OF EXAMINATION AUTHORITY.—The Commission may make examinations of any supervised investment bank holding company and any affiliate of such company in order to—

“(I) inform the Commission regarding—

“(aa) the nature of the operations and financial condition of the supervised investment bank holding company and its affiliates;

“(bb) the financial and operational risks within the supervised investment bank holding company that may affect any broker or dealer controlled by such supervised investment bank holding company; and

“(cc) the systems of the supervised investment bank holding company and its affiliates for monitoring and controlling those risks; and

“(II) monitor compliance with the provisions of this subsection, provisions governing transactions and relationships between any broker or dealer affiliated with the supervised investment bank holding company and any of the company's other affiliates, and applicable provisions of subchapter II of chapter 53, title 31, United States Code (commonly referred to as the ‘Bank Secrecy Act’) and regulations thereunder.

“(ii) RESTRICTED FOCUS OF EXAMINATIONS.—The Commission shall limit the focus and scope of any examination of a supervised investment bank holding company to—

“(I) the company; and

“(II) any affiliate of the company that, because of its size, condition, or activities, the nature or size of the transactions between such affiliate and any affiliated broker or dealer, or the centralization of functions

within the holding company system, could, in the discretion of the Commission, have a materially adverse effect on the operational or financial condition of the broker or dealer.

“(iii) DEFERENCE TO OTHER EXAMINATIONS.—For purposes of this subparagraph, the Commission shall, to the fullest extent possible, use the reports of examination of an institution described in subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956 made by the appropriate regulatory agency, or of a licensed insurance company made by the appropriate State insurance regulator.

“(4) HOLDING COMPANY CAPITAL.—

“(A) AUTHORITY.—If the Commission finds that it is necessary to adequately supervise investment bank holding companies and their broker or dealer affiliates consistent with the purposes of this subsection, the Commission may adopt capital adequacy rules for supervised investment bank holding companies.

“(B) METHOD OF CALCULATION.—In developing rules under this paragraph:

“(i) DOUBLE LEVERAGE.—The Commission shall consider the use by the supervised investment bank holding company of debt and other liabilities to fund capital investments in affiliates.

“(ii) NO UNWEIGHTED CAPITAL RATIO.—The Commission shall not impose under this section a capital ratio that is not based on appropriate risk-weighting considerations.

“(iii) NO CAPITAL REQUIREMENT ON REGULATED ENTITIES.—The Commission shall not, by rule, regulation, guideline, order or otherwise, impose any capital adequacy provision on a nonbanking affiliate (other than a broker or dealer) that is in compliance with applicable capital requirements of another Federal regulatory authority or State insurance authority.

“(iv) APPROPRIATE EXCLUSIONS.—The Commission shall take full account of the applicable capital requirements of another Federal regulatory authority or State insurance regulator.

“(C) INTERNAL RISK MANAGEMENT MODELS.—The Commission may incorporate internal risk management models into its capital adequacy rules for supervised investment bank holding companies.

“(5) FUNCTIONAL REGULATION OF BANKING AND INSURANCE ACTIVITIES OF SUPERVISED INVESTMENT BANK HOLDING COMPANIES.—The Commission shall defer to—

“(A) the appropriate regulatory agency with regard to all interpretations of, and the enforcement of, applicable banking laws relating to the activities, conduct, ownership, and operations of banks, and institutions described in subparagraph (D), (F), and (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956; and

“(B) the appropriate State insurance regulators with regard to all interpretations of, and the enforcement of, applicable State insurance laws relating to the activities, conduct, and operations of insurance companies and insurance agents.

“(6) DEFINITIONS.—For purposes of this subsection and subsection (j)—

“(A) The term ‘investment bank holding company’ means—

“(i) any person other than a natural person that owns or controls one or more brokers or dealers; and

“(ii) the associated persons of the investment bank holding company.

“(B) The term ‘supervised investment bank holding company’ means any investment bank holding company that is supervised by the Commission pursuant to this subsection.

“(C) The terms ‘affiliate’, ‘bank’, ‘bank holding company’, ‘company’, ‘control’, and ‘savings association’ have the meanings

given to those terms in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841).

“(D) The term ‘insured bank’ has the meaning given to that term in section 3 of the Federal Deposit Insurance Act.

“(E) The term ‘foreign bank’ has the meaning given to that term in section 1(b)(7) of the International Banking Act of 1978.

“(F) The terms ‘person associated with an investment bank holding company’ and ‘associated person of an investment bank holding company’ means any person directly or indirectly controlling, controlled by, or under common control with, an investment bank holding company.

“(j) COMMISSION BACKUP AUTHORITY.—

“(1) AUTHORITY.—The Commission may make inspections of any wholesale financial holding company that—

“(A) controls a wholesale financial institution;

“(B) is not a foreign bank; and

“(C) does not control an insured bank (other than an institution permitted under subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956) or a savings association,

and any affiliate of such company, for the purpose of monitoring and enforcing compliance by the wholesale financial holding company with the Federal securities laws.

“(2) LIMITATION.—The Commission shall limit the focus and scope of any inspection under paragraph (1) to those transactions, policies, procedures, or records that are reasonably necessary to monitor and enforce compliance by the wholesale financial holding company or any affiliate with the Federal securities laws.

“(3) DEFERENCE TO EXAMINATIONS.—To the fullest extent possible, the Commission shall use, for the purposes of this subsection, the reports of examinations—

“(A) made by the Board of Governors of the Federal Reserve System of any wholesale financial holding company that is supervised by the Board;

“(B) made by or on behalf of any State regulatory agency responsible for the supervision of an insurance company of any licensed insurance company; and

“(C) made by any Federal or State banking agency of any bank or institution described in subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956.

“(4) NOTICE.—To the fullest extent possible, the Commission shall notify the appropriate regulatory agency prior to conducting an inspection of a wholesale financial institution or institution described in subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956.

“(k) AUTHORITY TO LIMIT DISCLOSURE OF INFORMATION.—Notwithstanding any other provision of law, the Commission shall not be compelled to disclose any information required to be reported under subsection (h) or (i) or any information supplied to the Commission by any domestic or foreign regulatory agency that relates to the financial or operational condition of any associated person of a broker or dealer, investment bank holding company, or any affiliate of an investment bank holding company. Nothing in this subsection shall authorize the Commission to withhold information from Congress, or prevent the Commission from complying with a request for information from any other Federal department or agency or any self-regulatory organization requesting the information for purposes within the scope of its jurisdiction, or complying with an order of a court of the United States in an action brought by the United States or the Commission. For purposes of section 552 of title 5, United States Code, this subsection shall be

considered a statute described in subsection (b)(3)(B) of such section 552. In prescribing regulations to carry out the requirements of this subsection, the Commission shall designate information described in or obtained pursuant to subparagraphs (A), (B), and (C) of subsection (i)(5) as confidential information for purposes of section 24(b)(2) of this title.”

(b) CONFORMING AMENDMENTS.—

(1) Section 3(a)(34) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(34)) is amended by adding at the end the following new subparagraphs:

“(H) When used with respect to an institution described in subparagraph (D), (F), or (G) of section 2(c)(2), or held under section 4(f), of the Bank Holding Company Act of 1956—

“(i) the Comptroller of the Currency, in the case of a national bank or a bank in the District of Columbia examined by the Comptroller of the Currency;

“(ii) the Board of Governors of the Federal Reserve System, in the case of a State member bank of the Federal Reserve System or any corporation chartered under section 25A of the Federal Reserve Act;

“(iii) the Federal Deposit Insurance Corporation, in the case of any other bank the deposits of which are insured in accordance with the Federal Deposit Insurance Act; or

“(iv) the Commission in the case of all other such institutions.”

(2) Section 1112(e) of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3412(e)) is amended—

(A) by striking “this title” and inserting “law”; and

(B) by inserting “, examination reports” after “financial records”.

Subtitle D—Study

SEC. 241. STUDY OF METHODS TO INFORM INVESTORS AND CONSUMERS OF UNINSURED PRODUCTS.

Within one year after the date of enactment of this Act, the Comptroller General of the United States shall submit a report to the Congress regarding the efficacy, costs, and benefits of requiring that any depository institution that accepts federally insured deposits and that, directly or through a contractual or other arrangement with a broker, dealer, or agent, buys from, sells to, or effects transactions for retail investors in securities or consumers of insurance to inform such investors and consumers through the use of a logo or seal that the security or insurance is not insured by the Federal Deposit Insurance Corporation.

SEC. 242. STUDY OF LIMITATION ON FEES ASSOCIATED WITH ACQUIRING FINANCIAL PRODUCTS.

Before the end of the 1-year period beginning on the date of the enactment of this Act, the Comptroller General of the United States shall submit a report to the Congress regarding the efficacy and benefits of uniformly limiting any commissions, fees, markups, or other costs incurred by customers in the acquisition of financial products.

Subtitle E—Disclosure of Customer Costs of Acquiring Financial Products

SEC. 251. IMPROVED AND CONSISTENT DISCLOSURE.

(a) REVISED REGULATIONS REQUIRED.—Within one year after the date of enactment of this Act, each Federal financial regulatory authority shall prescribe rules, or revisions to its rules, to improve the accuracy, simplicity, and completeness, and to make more consistent, the disclosure of information by persons subject to the jurisdiction of such regulatory authority concerning any commissions, fees, markups, or other costs incurred by customers in the acquisition of financial products.

(b) CONSULTATION.—In prescribing rules and revisions under subsection (a), the Federal financial regulatory authorities shall consult with each other and with appropriate State financial regulatory authorities.

(c) CONSIDERATION OF EXISTING DISCLOSURES.—In prescribing rules and revisions under subsection (a), the Federal financial regulatory authorities shall consider the sufficiency and appropriateness of then existing laws and rules applicable to persons subject to their jurisdiction, and may prescribe exemptions from the rules and revisions required by subsection (a) to the extent appropriate in light of the objective of this section to increase the consistency of disclosure practices.

(d) ENFORCEMENT.—Any rule prescribed by a Federal financial regulatory authority pursuant to this section shall, for purposes of enforcement, be treated as a rule prescribed by such regulatory authority pursuant to the statute establishing such regulatory authority’s jurisdiction over the persons to whom such rule applies.

(e) DEFINITION.—As used in this section, the term “Federal financial regulatory authority” means the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Commodity Futures Trading Commission, and any self-regulatory organization under the supervision of any of the foregoing.

TITLE III—INSURANCE

Subtitle A—State Regulation of Insurance

SEC. 301. STATE REGULATION OF THE BUSINESS OF INSURANCE.

The Act entitled “An Act to express the intent of the Congress with reference to the regulation of the business of insurance” and approved March 9, 1945 (15 U.S.C. 1011 et seq.), commonly referred to as the “McCarran-Ferguson Act”) remains the law of the United States.

SEC. 302. MANDATORY INSURANCE LICENSING REQUIREMENTS.

No person or entity shall provide insurance in a State as principal or agent unless such person or entity is licensed as required by the appropriate insurance regulator of such State in accordance with the relevant State insurance law, subject to section 104 of this Act.

SEC. 303. FUNCTIONAL REGULATION OF INSURANCE.

The insurance sales activity of any person or entity shall be functionally regulated by the States, subject to section 104 of this Act.

SEC. 304. INSURANCE UNDERWRITING IN NATIONAL BANKS.

(a) IN GENERAL.—Except as provided in section 306, a national bank and the subsidiaries of a national bank may not provide insurance in a State as principal except that this prohibition shall not apply to authorized products.

(b) AUTHORIZED PRODUCTS.—For the purposes of this section, a product is authorized if—

(1) as of January 1, 1997, the Comptroller of the Currency had determined in writing that national banks may provide such product as principal, or national banks were in fact lawfully providing such product as principal;

(2) no court of relevant jurisdiction had, by final judgment, overturned a determination of the Comptroller of the Currency that national banks may provide such product as principal; and

(3) the product is not title insurance, or an annuity contract the income of which is subject to tax treatment under section 72 of the Internal Revenue Code of 1986.

(c) DEFINITION.—For purposes of this section, the term “insurance” means—

(1) any product regulated as insurance as of January 1, 1997, in accordance with the relevant State insurance law, in the State in which the product is provided;

(2) any product first offered after January 1, 1997, which—

(A) a State insurance regulator determines shall be regulated as insurance in the State in which the product is provided because the product insures, guarantees, or indemnifies against liability, loss of life, loss of health, or loss through damage to or destruction of property, including, but not limited to, surety bonds, life insurance, health insurance, title insurance, and property and casualty insurance (such as private passenger or commercial automobile, homeowners, mortgage, commercial multiperil, general liability, professional liability, workers' compensation, fire and allied lines, farm owners multiperil, aircraft, fidelity, surety, medical malpractice, ocean marine, inland marine, and boiler and machinery insurance); and

(B) is not a product or service of a bank that is—

(i) a deposit product;

(ii) a loan, discount, letter of credit, or other extension of credit;

(iii) a trust or other fiduciary service;

(iv) a qualified financial contract (as defined in or determined pursuant to section 11(e)(8)(D)(i) of the Federal Deposit Insurance Act); or

(v) a financial guaranty, except that this subparagraph (B) shall not apply to a product that includes an insurance component such that if the product is offered or proposed to be offered by the bank as principal—

(I) it would be treated as a life insurance contract under section 7702 of the Internal Revenue Code of 1986, as amended; or

(II) in the event that the product is not a letter of credit or other similar extension of credit, a qualified financial contract, or a financial guaranty, it would qualify for treatment for losses incurred with respect to such product under section 832(b)(5) of the Internal Revenue Code of 1986, as amended, if the bank were subject to tax as an insurance company under section 831 of such Code; or

(3) any annuity contract the income on which is subject to tax treatment under section 72 of the Internal Revenue Code of 1986, as amended.

SEC. 305. NEW BANK AGENCY ACTIVITIES ONLY THROUGH ACQUISITION OF EXISTING LICENSED AGENTS.

If a national bank or a subsidiary of a national bank is not providing insurance as agent in a State as of the date of the enactment of this Act, the national bank and the subsidiary of the national bank may provide insurance (which such bank or subsidiary is otherwise authorized to provide) as agent in such State after such date only by acquiring a company which has been licensed by the appropriate State regulator to provide insurance as agent in such State for not less than 2 years before such acquisition. This section shall cease to have effect 5 years after the date of the enactment of this Act.

SEC. 306. TITLE INSURANCE ACTIVITIES OF NATIONAL BANKS AND THEIR AFFILIATES.

(a) AUTHORITY.—

(1) IN GENERAL.—Notwithstanding any other provision of this Act or any other law, no national bank, and no subsidiary of a national bank, may engage in any activity involving the underwriting or sale of title insurance other than title insurance activities in which such national bank or subsidiary was actively and lawfully engaged before the date of the enactment of this Act.

(2) INSURANCE AFFILIATE.—In the case of a national bank which has an affiliate which provides insurance as principal and is not a subsidiary of the bank, the national bank and any subsidiary of the national bank may

not engage in any activity involving the underwriting or sale of title insurance pursuant to paragraph (1).

(3) INSURANCE SUBSIDIARY.—In the case of a national bank which has a subsidiary which provides insurance as principal and has no affiliate which provides insurance as principal and is not a subsidiary, the national bank may not engage in any activity involving the underwriting or sale of title insurance pursuant to paragraph (1).

(4) AFFILIATE AND SUBSIDIARY DEFINED.—For purposes of this section, the terms “affiliate” and “subsidiary” have the meaning given such terms in section 2 of the Bank Holding Company Act of 1956.

(b) PARITY EXCEPTION.—Notwithstanding subsection (a), in the case of any State in which banks organized under the laws of such State were authorized to sell title insurance as agent as of January 1, 1997, a national bank and a subsidiary of a national bank may sell title insurance as agent in such State in the same manner and to the same extent such State banks are authorized to sell title insurance as agent in such State.

SEC. 307. EXPEDITED AND EQUALIZED DISPUTE RESOLUTION FOR FINANCIAL REGULATORS.

(a) FILING IN COURT OF APPEAL.—In the case of a regulatory conflict between a State insurance regulator and a Federal regulator as to whether any product is or is not insurance as defined in section 304(c) of this Act, or whether a State statute, regulation, order, or interpretation regarding any insurance sales or solicitation activity is properly treated as preempted under Federal law, either regulator may seek expedited judicial review of such determination by the United States Court of Appeals for the circuit in which the State is located or in the United States Court of Appeals for the District of Columbia Circuit by filing a petition for review in such court.

(b) EXPEDITED REVIEW.—The United States court of appeals in which a petition for review is filed in accordance with paragraph (1) shall complete all action on such petition, including rendering a judgment, before the end of the 60-day period beginning on the date such petition is filed, unless all parties to such proceeding agree to any extension of such period.

(c) SUPREME COURT REVIEW.—Any request for certiorari to the Supreme Court of the United States of any judgment of a United States court of appeals with respect to a petition for review under this section shall be filed with the United States Supreme Court as soon as practicable after such judgment is issued.

(d) STATUTE OF LIMITATION.—No action may be filed under this section challenging an order, ruling, determination, or other action of a Federal financial regulator or State insurance regulator after the later of—

(1) the end of the 12-month period beginning on the date the first public notice is made of such order, ruling, or determination in its final form; or

(2) the end of the 6-month period beginning on the date such order, ruling, or determination takes effect.

(e) STANDARD OF REVIEW.—The court shall decide an action filed under this section based on its review on the merits of all questions presented under State and Federal law, including the nature of the product or activity and the history and purpose of its regulation under State and Federal law, without unequal deference.

SEC. 308. CONSUMER PROTECTION REGULATIONS.

(a) REGULATIONS REQUIRED.—

(1) IN GENERAL.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by adding at the end the following new section:

“SEC. 45. CONSUMER PROTECTION REGULATIONS.

“(a) REGULATIONS REQUIRED.—

“(1) IN GENERAL.—The Federal banking agencies shall prescribe and publish in final form, before the end of the 1-year period beginning on the date of the enactment of this Act, consumer protection regulations (which the agencies jointly determine to be appropriate) that—

“(A) apply to retail sales practices, solicitations, advertising, or offers of any insurance product by any insured depository institution or wholesale financial institution or any person who is engaged in such activities at an office of the institution or on behalf of the institution; and

“(B) are consistent with the requirements of this Act and provide such additional protections for consumers to whom such sales, solicitations, advertising, or offers are directed as the agency determines to be appropriate.

“(2) APPLICABILITY TO SUBSIDIARIES.—The regulations prescribed pursuant to paragraph (1) shall extend such protections to any subsidiaries of an insured depository institution, as deemed appropriate by the regulators referred to in paragraph (3), where such extension is determined to be necessary to ensure the consumer protections provided by this section.

“(3) CONSULTATION AND JOINT REGULATIONS.—The Federal banking agencies shall consult with each other and prescribe joint regulations pursuant to paragraph (1), after consultation with the State insurance regulators, as appropriate.

“(b) SALES PRACTICES.—The regulations prescribed pursuant to subsection (a) shall include anticoercion rules applicable to the sale of insurance products which prohibit an insured depository institution from engaging in any practice that would lead a consumer to believe an extension of credit, in violation of section 106(b) of the Bank Holding Company Act Amendments of 1970, is conditional upon—

“(1) the purchase of an insurance product from the institution or any of its affiliates or subsidiaries; or

“(2) an agreement by the consumer not to obtain, or a prohibition on the consumer from obtaining, an insurance product from an unaffiliated entity.

“(c) DISCLOSURES AND ADVERTISING.—The regulations prescribed pursuant to subsection (a) shall include the following provisions relating to disclosures and advertising in connection with the initial purchase of an insurance product:

“(1) DISCLOSURES.—

“(A) IN GENERAL.—Requirements that the following disclosures be made orally and in writing before the completion of the initial sale and, in the case of clause (iv), at the time of application for an extension of credit:

“(i) UNINSURED STATUS.—As appropriate, the product is not insured by the Federal Deposit Insurance Corporation, the United States Government, or the insured depository institution.

“(ii) INVESTMENT RISK.—In the case of a variable annuity or other insurance product which involves an investment risk, that there is an investment risk associated with the product, including possible loss of value.

“(iv) COERCION.—The approval of an extension of credit may not be conditioned on—

“(I) the purchase of an insurance product from the institution in which the application for credit is pending or any of its affiliates or subsidiaries; or

“(II) an agreement by the consumer not to obtain, or a prohibition on the consumer from obtaining, an insurance product from an unaffiliated entity.

“(B) MAKING DISCLOSURE READILY UNDERSTANDABLE.—Regulations prescribed under subparagraph (A) shall encourage the use of disclosure that is conspicuous, simple, direct, and readily understandable, such as the following:

“(i) ‘NOT FDIC-INSURED’.

“(ii) ‘NOT GUARANTEED BY THE BANK’.

“(iii) ‘MAY GO DOWN IN VALUE’.

“(C) ADJUSTMENTS FOR ALTERNATIVE METHODS OF PURCHASE.—In prescribing the requirements under subparagraphs (A) and (D), necessary adjustments shall be made for purchase in person, by telephone, or by electronic media to provide for the most appropriate and complete form of disclosure and acknowledgments.

“(D) CONSUMER ACKNOWLEDGMENT.—A requirement that an insured depository institution shall require any person selling an insurance product at any office of, or on behalf of, the institution to obtain, at the time a consumer receives the disclosures required under this paragraph or at the time of the initial purchase by the consumer of such product, an acknowledgment by such consumer of the receipt of the disclosure required under this subsection with respect to such product.

“(2) PROHIBITION ON MISREPRESENTATIONS.—A prohibition on any practice, or any advertising, at any office of, or on behalf of, the insured depository institution, or any subsidiary as appropriate, which could mislead any person or otherwise cause a reasonable person to reach an erroneous belief with respect to—

“(A) the uninsured nature of any insurance product sold, or offered for sale, by the institution or any subsidiary of the institution; or

“(B) in the case of a variable annuity or other insurance product that involves an investment risk, the investment risk associated with any such product.

“(d) SEPARATION OF BANKING AND NON-BANKING ACTIVITIES.—

“(1) REGULATIONS REQUIRED.—The regulations prescribed pursuant to subsection (a) shall include such provisions as the Federal banking agencies consider appropriate to ensure that the routine acceptance of deposits and the making of loans is kept, to the extent practicable, physically segregated from insurance product activity.

“(2) REQUIREMENTS.—Regulations prescribed pursuant to paragraph (1) shall include the following requirements:

“(A) SEPARATE SETTING.—A clear delineation of the setting in which, and the circumstances under which, transactions involving insurance products should be conducted in a location physically segregated from an area where retail deposits are routinely accepted.

“(B) REFERRALS.—Standards which permit any person accepting deposits from, or making loans to, the public in an area where such transactions are routinely conducted in an insured depository institution to refer a customer who seeks to purchase any insurance product to a qualified person who sells such product, only if the person making the referral receives no more than a one-time nominal fee of a fixed dollar amount for each referral that does not depend on whether the referral results in a transaction.

“(C) QUALIFICATION AND LICENSING REQUIREMENTS.—Standards prohibiting any insured depository institution from permitting any person to sell or offer for sale any insurance product in any part of any office of the institution, or on behalf of the institution, unless such person is appropriately qualified and licensed.

“(e) DOMESTIC VIOLENCE DISCRIMINATION PROHIBITION.—

“(1) IN GENERAL.—In the case of an applicant for, or an insured under, any insurance

product described in paragraph (2), the status of the applicant or insured as a victim of domestic violence, or as a provider of services to victims of domestic violence, shall not be considered as a criterion in any decision with regard to insurance underwriting, pricing, renewal, or scope of coverage of insurance policies, or payment of insurance claims, except as required or expressly permitted under State law.

“(2) SCOPE OF APPLICATION.—The prohibition contained in paragraph (1) shall apply to any insurance product which is sold or offered for sale, as principal, agent, or broker, by any insured depository institution or any person who is engaged in such activities at an office of the institution or on behalf of the institution.

“(3) SENSE OF THE CONGRESS.—It is the sense of the Congress that, by the end of the 30-month period beginning on the date of the enactment of this Act, the States should enact prohibitions against discrimination with respect to insurance products that are at least as strict as the prohibitions contained in paragraph (1).

“(4) DOMESTIC VIOLENCE DEFINED.—For purposes of this subsection, the term ‘domestic violence’ means the occurrence of 1 or more of the following acts by a current or former family member, household member, intimate partner, or caretaker:

“(A) Attempting to cause or causing or threatening another person physical harm, severe emotional distress, psychological trauma, rape, or sexual assault.

“(B) Engaging in a course of conduct or repeatedly committing acts toward another person, including following the person without proper authority, under circumstances that place the person in reasonable fear of bodily injury or physical harm.

“(C) Subjecting another person to false imprisonment.

“(D) Attempting to cause or cause damage to property so as to intimidate or attempt to control the behavior of another person.

“(f) CONSUMER GRIEVANCE PROCESS.—The Federal banking agencies shall jointly establish a consumer complaint mechanism, for receiving and expeditiously addressing consumer complaints alleging a violation of regulations issued under the section, which shall—

“(1) establish a group within each regulatory agency to receive such complaints;

“(2) develop procedures for investigating such complaints;

“(3) develop procedures for informing consumers of rights they may have in connection with such complaints; and

“(4) develop procedures for addressing concerns raised by such complaints, as appropriate, including procedures for the recovery of losses to the extent appropriate.

“(g) EFFECT ON OTHER AUTHORITY.—

“(1) IN GENERAL.—No provision of this section shall be construed as granting, limiting, or otherwise affecting—

“(A) any authority of the Securities and Exchange Commission, any self-regulatory organization, the Municipal Securities Rule-making Board, or the Secretary of the Treasury under any Federal securities law; or

“(B) except as provided in paragraph (2), any authority of any State insurance commissioner or other State authority under any State law.

“(2) COORDINATION WITH STATE LAW.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), regulations prescribed by a Federal banking agency under this section shall not apply to retail sales, solicitations, advertising, or offers of any insurance product by any insured depository institution or wholesale financial institution or to any person who is engaged in such activities at an office of such institution or on behalf of the institution, in a State where the State has in

effect statutes, regulations, orders, or interpretations, that are inconsistent with or contrary to the regulations prescribed by the Federal banking agencies.

“(B) PREEMPTION.—If, with respect to any provision of the regulations prescribed under this section, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Board of Directors of the Federal Deposit Insurance Corporation determine jointly that the protection afforded by such provision for consumers is greater than the protection provided by a comparable provision of the statutes, regulations, orders, or interpretations referred to in subparagraph (A) of any State, such provision of the regulations prescribed under this section shall supersede the comparable provision of such State statute, regulation, order, or interpretation.

“(h) INSURANCE PRODUCT DEFINED.—For purposes of this section, the term ‘insurance product’ includes an annuity contract the income of which is subject to tax treatment under section 72 of the Internal Revenue Code of 1986.”.

SEC. 309. CERTAIN STATE AFFILIATION LAWS PREEMPTED FOR INSURANCE COMPANIES AND AFFILIATES.

No State may, by law, regulation, order, interpretation, or otherwise—

(1) prevent or significantly interfere with the ability of any insurer, or any affiliate of an insurer (whether such affiliate is organized as a stock company, mutual holding company, or otherwise), to become a financial holding company or to acquire control of an insured depository institution;

(2) limit the amount of an insurer’s assets that may be invested in the voting securities of an insured depository institution (or any company which controls such institution), except that the laws of an insurer’s State of domicile may limit the amount of such investment to an amount that is not less than 5 percent of the insurer’s admitted assets; or

(3) prevent, significantly interfere with, or have the authority to review, approve, or disapprove a plan of reorganization by which an insurer proposes to reorganize from mutual form to become a stock insurer (whether as a direct or indirect subsidiary of a mutual holding company or otherwise) unless such State is the State of domicile of the insurer.

Subtitle B—Redomestication of Mutual Insurers

SEC. 311. GENERAL APPLICATION.

This subtitle shall only apply to a mutual insurance company in a State which has not enacted a law which expressly establishes reasonable terms and conditions for a mutual insurance company domiciled in such State to reorganize into a mutual holding company.

SEC. 312. REDOMESTICATION OF MUTUAL INSURERS.

(a) REDOMESTICATION.—A mutual insurer organized under the laws of any State may transfer its domicile to a transferee domicile as a step in a reorganization in which, pursuant to the laws of the transferee domicile and consistent with the standards in subsection (f), the mutual insurer becomes a stock insurer that is a direct or indirect subsidiary of a mutual holding company.

(b) RESULTING DOMICILE.—Upon complying with the applicable law of the transferee domicile governing transfers of domicile and completion of a transfer pursuant to this section, the mutual insurer shall cease to be a domestic insurer in the transferor domicile and, as a continuation of its corporate existence, shall be a domestic insurer of the transferee domicile.

(c) LICENSES PRESERVED.—The certificate of authority, agents’ appointments and licenses, rates, approvals and other items that

a licensed State allows and that are in existence immediately prior to the date that a redomesticating insurer transfers its domicile pursuant to this subtitle shall continue in full force and effect upon transfer, if the insurer remains duly qualified to transact the business of insurance in such licensed State.

(d) EFFECTIVENESS OF OUTSTANDING POLICIES AND CONTRACTS.—

(1) IN GENERAL.—All outstanding insurance policies and annuities contracts of a redomesticating insurer shall remain in full force and effect and need not be endorsed as to the new domicile of the insurer, unless so ordered by the State insurance regulator of a licensed State, and then only in the case of outstanding policies and contracts whose owners reside in such licensed State.

(2) FORMS.—

(A) Applicable State law may require a redomesticating insurer to file new policy forms with the State insurance regulator of a licensed State on or before the effective date of the transfer.

(B) Notwithstanding subparagraph (A), a redomesticating insurer may use existing policy forms with appropriate endorsements to reflect the new domicile of the redomesticating insurer until the new policy forms are approved for use by the State insurance regulator of such licensed State.

(e) NOTICE.—A redomesticating insurer shall give notice of the proposed transfer to the State insurance regulator of each licensed State and shall file promptly any resulting amendments to corporate documents required to be filed by a foreign licensed mutual insurer with the insurance regulator of each such licensed State.

(f) PROCEDURAL REQUIREMENTS.—No mutual insurer may redomesticate to another State and reorganize into a mutual holding company pursuant to this section unless the State insurance regulator of the transferee domicile determines that the plan of reorganization of the insurer includes the following requirements:

(1) APPROVAL BY BOARD OF DIRECTORS AND POLICYHOLDERS.—The reorganization is approved by at least a majority of the board of directors of the mutual insurer and at least a majority of the policyholders who vote after notice, disclosure of the reorganization and the effects of the transaction on policyholder contractual rights, and reasonable opportunity to vote, in accordance with such notice, disclosure, and voting procedures as are approved by the State insurance regulator of the transferee domicile.

(2) CONTINUED VOTING CONTROL BY POLICYHOLDERS; REVIEW OF PUBLIC STOCK OFFERING.—After the consummation of a reorganization, the policyholders of the reorganized insurer shall have the same voting rights with respect to the mutual holding company as they had before the reorganization with respect to the mutual insurer. With respect to an initial public offering of stock, the offering shall be conducted in compliance with applicable securities laws and in a manner approved by the State insurance regulator of the transferee domicile.

(3) AWARD OF STOCK OR GRANT OF OPTIONS TO OFFICERS AND DIRECTORS.—For a period of 6 months after completion of an initial public offering, neither a stock holding company nor the converted insurer shall award any stock options or stock grants to persons who are elected officers or directors of the mutual holding company, the stock holding company, or the converted insurer, except with respect to any such awards or options to which a person is entitled as a policyholder and as approved by the State insurance regulator of the transferee domicile.

(4) CONTRACTUAL RIGHTS.—Upon reorganization into a mutual holding company, the contractual rights of the policyholders are preserved.

(5) FAIR AND EQUITABLE TREATMENT OF POLICYHOLDERS.—The reorganization is approved as fair and equitable to the policyholders by the insurance regulator of the transferee domicile.

SEC. 313. EFFECT ON STATE LAWS RESTRICTING REDOMESTICATION.

(a) IN GENERAL.—Unless otherwise permitted by this subtitle, State laws of any transferor domicile that conflict with the purposes and intent of this subtitle are preempted, including but not limited to—

(1) any law that has the purpose or effect of impeding the activities of, taking any action against, or applying any provision of law or regulation to, any insurer or an affiliate of such insurer because that insurer or any affiliate plans to redomesticate, or has redomesticated, pursuant to this subtitle;

(2) any law that has the purpose or effect of impeding the activities of, taking action against, or applying any provision of law or regulation to, any insured or any insurance licensee or other intermediary because such person or entity has procured insurance from or placed insurance with any insurer or affiliate of such insurer that plans to redomesticate, or has redomesticated, pursuant to this subtitle, but only to the extent that such law would treat such insured licensee or other intermediary differently than if the person or entity procured insurance from, or placed insurance with, an insured licensee or other intermediary which had not redomesticated;

(3) any law that has the purpose or effect of terminating, because of the redomestication of a mutual insurer pursuant to this subtitle, any certificate of authority, agent appointment or license, rate approval, or other approval, of any State insurance regulator or other State authority in existence immediately prior to the redomestication in any State other than the transferee domicile.

(b) DIFFERENTIAL TREATMENT PROHIBITED.—No State law, regulation, interpretation, or functional equivalent thereof, of a State other than a transferee domicile may treat a redomesticating or redomesticated insurer or any affiliate thereof any differently than an insurer operating in that State that is not a redomesticating or redomesticated insurer.

(c) LAWS PROHIBITING OPERATIONS.—If any licensed State fails to issue, delays the issuance of, or seeks to revoke an original or renewal certificate of authority of a redomesticated insurer immediately following redomestication, except on grounds and in a manner consistent with its past practices regarding the issuance of certificates of authority to foreign insurers that are not redomesticating, then the redomesticating insurer shall be exempt from any State law of the licensed State to the extent that such State law or the operation of such State law would make unlawful, or regulate, directly or indirectly, the operation of the redomesticated insurer, except that such licensed State may require the redomesticated insurer to—

(1) comply with the unfair claim settlement practices law of the licensed State;

(2) pay, on a nondiscriminatory basis, applicable premium and other taxes which are levied on licensed insurers or policyholders under the laws of the licensed State;

(3) register with and designate the State insurance regulator as its agent solely for the purpose of receiving service of legal documents or process;

(4) submit to an examination by the State insurance regulator in any licensed state in which the redomesticated insurer is doing business to determine the insurer's financial condition, if—

(A) the State insurance regulator of the transferee domicile has not begun an exam-

ination of the redomesticated insurer and has not scheduled such an examination to begin before the end of the 1-year period beginning on the date of the redomestication; and

(B) any such examination is coordinated to avoid unjustified duplication and repetition;

(5) comply with a lawful order issued in—

(A) a delinquency proceeding commenced by the State insurance regulator of any licensed State if there has been a judicial finding of financial impairment under paragraph (7); or

(B) a voluntary dissolution proceeding;

(6) comply with any State law regarding deceptive, false, or fraudulent acts or practices, except that if the licensed State seeks an injunction regarding the conduct described in this paragraph, such injunction must be obtained from a court of competent jurisdiction as provided in section 314(a);

(7) comply with an injunction issued by a court of competent jurisdiction, upon a petition by the State insurance regulator alleging that the redomesticating insurer is in hazardous financial condition or is financially impaired;

(8) participate in any insurance insolvency guaranty association on the same basis as any other insurer licensed in the licensed State; and

(9) require a person acting, or offering to act, as an insurance licensee for a redomesticated insurer in the licensed State to obtain a license from that State, except that such State may not impose any qualification or requirement that discriminates against a nonresident insurance licensee.

SEC. 314. OTHER PROVISIONS.

(a) JUDICIAL REVIEW.—The appropriate United States district court shall have exclusive jurisdiction over litigation arising under this section involving any redomesticating or redomesticated insurer.

(b) SEVERABILITY.—If any provision of this section, or the application thereof to any person or circumstances, is held invalid, the remainder of the section, and the application of such provision to other persons or circumstances, shall not be affected thereby.

SEC. 315. DEFINITIONS.

For purposes of this subtitle, the following definitions shall apply:

(1) COURT OF COMPETENT JURISDICTION.—The term "court of competent jurisdiction" means a court authorized pursuant to section 314(a) to adjudicate litigation arising under this subtitle.

(2) DOMICILE.—The term "domicile" means the State in which an insurer is incorporated, chartered, or organized.

(3) INSURANCE LICENSEE.—The term "insurance licensee" means any person holding a license under State law to act as insurance agent, subagent, broker, or consultant.

(4) INSTITUTION.—The term "institution" means a corporation, joint stock company, limited liability company, limited liability partnership, association, trust, partnership, or any similar entity.

(5) LICENSED STATE.—The term "licensed State" means any State, the District of Columbia, American Samoa, Guam, Puerto Rico, or the United States Virgin Islands in which the redomesticating insurer has a certificate of authority in effect immediately prior to the redomestication.

(6) MUTUAL INSURER.—The term "mutual insurer" means a mutual insurer organized under the laws of any State.

(7) PERSON.—The term "person" means an individual, institution, government or governmental agency, State or political subdivision of a State, public corporation, board, association, estate, trustee, or fiduciary, or other similar entity.

(8) POLICYHOLDER.—The term "policyholder" means the owner of a policy issued

by a mutual insurer, except that, with respect to voting rights, the term means a member of a mutual insurer or mutual holding company granted the right to vote, as determined under applicable State law.

(9) **REDOMESTICATED INSURER.**—The term “redomesticated insurer” means a mutual insurer that has redomesticated pursuant to this subtitle.

(10) **REDOMESTICATING INSURER.**—The term “redomesticating insurer” means a mutual insurer that is redomesticating pursuant to this subtitle.

(11) **REDOMESTICATION OR TRANSFER.**—The terms “redomestication” and “transfer” mean the transfer of the domicile of a mutual insurer from one State to another State pursuant to this subtitle.

(12) **STATE INSURANCE REGULATOR.**—The term “State insurance regulator” means the principal insurance regulatory authority of a State, the District of Columbia, American Samoa, Guam, Puerto Rico, or the United States Virgin Islands.

(13) **STATE LAW.**—The term “State law” means the statutes of any State, the District of Columbia, American Samoa, Guam, Puerto Rico, or the United States Virgin Islands and any regulation, order, or requirement prescribed pursuant to any such statute.

(14) **TRANSFeree DOMICILE.**—The term “transferee domicile” means the State to which a mutual insurer is redomesticating pursuant to this subtitle.

(15) **TRANSFEROR DOMICILE.**—The term “transferor domicile” means the State from which a mutual insurer is redomesticating pursuant to this subtitle.

SEC. 316. EFFECTIVE DATE.

This subtitle shall take effect on the date of the enactment of this Act.

Subtitle C—National Association of Registered Agents and Brokers

SEC. 321. STATE FLEXIBILITY IN MULTISTATE LICENSING REFORMS.

(a) **IN GENERAL.**—The provisions of this subtitle shall take effect unless by the end of the 3-year period beginning on the date of the enactment of this Act at least a majority of the States—

(1) have enacted uniform laws and regulations governing the licensure of individuals and entities authorized to sell and solicit the purchase of insurance within the State; or

(2) have enacted reciprocity laws and regulations governing the licensure of nonresident individuals and entities authorized to sell and solicit insurance within those States.

(b) **UNIFORMITY REQUIRED.**—States shall be deemed to have established the uniformity necessary to satisfy subsection (a)(1) if the States—

(1) establish uniform criteria regarding the integrity, personal qualifications, education, training, and experience of licensed insurance producers, including the qualification and training of sales personnel in ascertaining the appropriateness of a particular insurance product for a prospective customer;

(2) establish uniform continuing education requirements for licensed insurance producers;

(3) establish uniform ethics course requirements for licensed insurance producers in conjunction with the continuing education requirements under paragraph (2);

(4) establish uniform criteria to ensure that an insurance product, including any annuity contract, sold to a consumer is suitable and appropriate for the consumer based on financial information disclosed by the consumer; and

(5) do not impose any requirement upon any insurance producer to be licensed or otherwise qualified to do business as a nonresident that has the effect of limiting or

conditioning that producer’s activities because of its residence or place of operations, except that counter-signature requirements imposed on nonresident producers shall not be deemed to have the effect of limiting or conditioning a producer’s activities because of its residence or place of operations under this section.

(c) **RECIPROCITY REQUIRED.**—States shall be deemed to have established the reciprocity required to satisfy subsection (a)(2) if the following conditions are met:

(1) **ADMINISTRATIVE LICENSING PROCEDURES.**—At least a majority of the States permit a producer that has a resident license for selling or soliciting the purchase of insurance in its home State to receive a license to sell or solicit the purchase of insurance in such majority of States as a nonresident to the same extent such producer is permitted to sell or solicit the purchase of insurance in its State, without satisfying any additional requirements other than submitting—

(A) a request for licensure;

(B) the application for licensure that the producer submitted to its home State;

(C) proof that the producer is licensed and in good standing in its home State; and

(D) the payment of any requisite fee to the appropriate authority,

if the producer’s home State also awards such licenses on such a reciprocal basis.

(2) **CONTINUING EDUCATION REQUIREMENTS.**—A majority of the States accept an insurance producer’s satisfaction of its home State’s continuing education requirements for licensed insurance producers to satisfy the States’ own continuing education requirements if the producer’s home State also recognizes the satisfaction of continuing education requirements on such a reciprocal basis.

(3) **NO LIMITING NONRESIDENT REQUIREMENTS.**—A majority of the States do not impose any requirement upon any insurance producer to be licensed or otherwise qualified to do business as a nonresident that has the effect of limiting or conditioning that producer’s activities because of its residence or place of operations, except that countersignature requirements imposed on nonresident producers shall not be deemed to have the effect of limiting or conditioning a producer’s activities because of its residence or place of operations under this section.

(4) **RECIPROCAL RECIPROCITY.**—Each of the States that satisfies paragraphs (1), (2), and (3) grants reciprocity to residents of all of the other States that satisfy such paragraphs.

(d) **DETERMINATION.**—

(1) **NAIC DETERMINATION.**—At the end of the 3-year period beginning on the date of the enactment of this Act, the National Association of Insurance Commissioners shall determine, in consultation with the insurance commissioners or chief insurance regulatory officials of the States, whether the uniformity or reciprocity required by subsections (b) and (c) has been achieved.

(2) **JUDICIAL REVIEW.**—The appropriate United States district court shall have exclusive jurisdiction over any challenge to the National Association of Insurance Commissioners’ determination under this section and such court shall apply the standards set forth in section 706 of title 5, United States Code, when reviewing any such challenge.

(e) **CONTINUED APPLICATION.**—If, at any time, the uniformity or reciprocity required by subsections (b) and (c) no longer exists, the provisions of this subtitle shall take effect within 2 years, unless the uniformity or reciprocity required by those provisions is satisfied before the expiration of that 2-year period.

(f) **SAVINGS PROVISION.**—No provision of this section shall be construed as requiring

that any law, regulation, provision, or action of any State which purports to regulate insurance producers, including any such law, regulation, provision, or action which purports to regulate unfair trade practices or establish consumer protections, including countersignature laws, be altered or amended in order to satisfy the uniformity or reciprocity required by subsections (b) and (c), unless any such law, regulation, provision, or action is inconsistent with a specific requirement of any such subsection and then only to the extent of such inconsistency.

SEC. 322. NATIONAL ASSOCIATION OF REGISTERED AGENTS AND BROKERS.

(a) **ESTABLISHMENT.**—There is established the National Association of Registered Agents and Brokers (hereafter in this subtitle referred to as the “Association”).

(b) **STATUS.**—The Association shall—

(1) be a nonprofit corporation;

(2) have succession until dissolved by an Act of Congress;

(3) not be an agency or establishment of the United States Government; and

(4) except as otherwise provided in this Act, be subject to, and have all the powers conferred upon a nonprofit corporation by the District of Columbia Nonprofit Corporation Act (D.C. Code, sec. 29y-1001 et seq.).

SEC. 323. PURPOSE.

The purpose of the Association shall be to provide a mechanism through which uniform licensing, appointment, continuing education, and other insurance producer sales qualification requirements and conditions can be adopted and applied on a multistate basis, while preserving the right of States to license, supervise, and discipline insurance producers and to prescribe and enforce laws and regulations with regard to insurance-related consumer protection and unfair trade practices.

SEC. 324. RELATIONSHIP TO THE FEDERAL GOVERNMENT.

The Association shall be subject to the supervision and oversight of the National Association of Insurance Commissioners (hereafter in this subtitle referred to as the “NAIC”) and shall not be an agency or instrumentality of the United States Government.

SEC. 325. MEMBERSHIP.

(a) **ELIGIBILITY.**—

(1) **IN GENERAL.**—Any State-licensed insurance producer shall be eligible to become a member in the Association.

(2) **INELIGIBILITY FOR SUSPENSION OR REVOCATION OF LICENSE.**—Notwithstanding paragraph (1), a State-licensed insurance producer shall not be eligible to become a member if a State insurance regulator has suspended or revoked such producer’s license in that State during the 3-year period preceding the date such producer applies for membership.

(3) **RESUMPTION OF ELIGIBILITY.**—Paragraph (2) shall cease to apply to any insurance producer if—

(A) the State insurance regulator renews the license of such producer in the State in which the license was suspended or revoked; or

(B) the suspension or revocation is subsequently overturned.

(b) **AUTHORITY TO ESTABLISH MEMBERSHIP CRITERIA.**—The Association shall have the authority to establish membership criteria that—

(1) bear a reasonable relationship to the purposes for which the Association was established; and

(2) do not unfairly limit the access of smaller agencies to the Association membership.

(c) **ESTABLISHMENT OF CLASSES AND CATEGORIES.**—

(1) **CLASSES OF MEMBERSHIP.**—The Association may establish separate classes of mem-

bership, with separate criteria, if the Association reasonably determines that performance of different duties requires different levels of education, training, or experience.

(2) CATEGORIES.—The Association may establish separate categories of membership for individuals and for other persons. The establishment of any such categories of membership shall be based either on the types of licensing categories that exist under State laws or on the aggregate amount of business handled by an insurance producer. No special categories of membership, and no distinct membership criteria, shall be established for members which are insured depository institutions or wholesale financial institutions or for their employees, agents, or affiliates.

(d) MEMBERSHIP CRITERIA.—

(1) IN GENERAL.—The Association may establish criteria for membership which shall include standards for integrity, personal qualifications, education, training, and experience.

(2) MINIMUM STANDARD.—In establishing criteria under paragraph (1), the Association shall consider the highest levels of insurance producer qualifications established under the licensing laws of the States.

(e) EFFECT OF MEMBERSHIP.—Membership in the Association shall entitle the member to licensure in each State for which the member pays the requisite fees, including licensing fees and, where applicable, bonding requirements, set by such State.

(f) ANNUAL RENEWAL.—Membership in the Association shall be renewed on an annual basis.

(g) CONTINUING EDUCATION.—The Association shall establish, as a condition of membership, continuing education requirements which shall be comparable to or greater than the continuing education requirements under the licensing laws of a majority of the States.

(h) SUSPENSION AND REVOCATION.—The Association may—

(1) inspect and examine the records and offices of the members of the Association to determine compliance with the criteria for membership established by the Association; and

(2) suspend or revoke the membership of an insurance producer if—

(A) the producer fails to meet the applicable membership criteria of the Association; or

(B) the producer has been subject to disciplinary action pursuant to a final adjudication proceeding under the jurisdiction of a State insurance regulator, and the Association concludes that retention of membership in the Association would not be in the public interest.

(i) OFFICE OF CONSUMER COMPLAINTS.—

(1) IN GENERAL.—The Association shall establish an office of consumer complaints that shall—

(A) receive and investigate complaints from both consumers and State insurance regulators related to members of the Association; and

(B) recommend to the Association any disciplinary actions that the office considers appropriate, to the extent that any such recommendation is not inconsistent with State law.

(2) RECORDS AND REFERRALS.—The office of consumer complaints of the Association shall—

(A) maintain records of all complaints received in accordance with paragraph (1) and make such records available to the NAIC and to each State insurance regulator for the State of residence of the consumer who filed the complaint; and

(B) refer, when appropriate, any such complaint to any appropriate State insurance regulator.

(3) TELEPHONE AND OTHER ACCESS.—The office of consumer complaints shall maintain a toll-free telephone number for the purpose of this subsection and, as practicable, other alternative means of communication with consumers, such as an Internet home page.

SEC. 326. BOARD OF DIRECTORS.

(a) ESTABLISHMENT.—There is established the board of directors of the Association (hereafter in this subtitle referred to as the "Board") for the purpose of governing and supervising the activities of the Association and the members of the Association.

(b) POWERS.—The Board shall have such powers and authority as may be specified in the bylaws of the Association.

(c) COMPOSITION.—

(1) MEMBERS.—The Board shall be composed of 7 members appointed by the NAIC.

(2) REQUIREMENT.—At least 4 of the members of the Board shall have significant experience with the regulation of commercial lines of insurance in at least 1 of the 20 States in which the greatest total dollar amount of commercial-lines insurance is placed in the United States.

(3) INITIAL BOARD MEMBERSHIP.—

(A) IN GENERAL.—If, by the end of the 2-year period beginning on the date of the enactment of this Act, the NAIC has not appointed the initial 7 members of the Board of the Association, the initial Board shall consist of the 7 State insurance regulators of the 7 States with the greatest total dollar amount of commercial-lines insurance in place as of the end of such period.

(B) ALTERNATE COMPOSITION.—If any of the State insurance regulators described in subparagraph (A) declines to serve on the Board, the State insurance regulator with the next greatest total dollar amount of commercial-lines insurance in place, as determined by the NAIC as of the end of such period, shall serve as a member of the Board.

(C) INOPERABILITY.—If fewer than 7 State insurance regulators accept appointment to the Board, the Association shall be established without NAIC oversight pursuant to section 322.

(d) TERMS.—The term of each director shall, after the initial appointment of the members of the Board, be for 3 years, with $\frac{1}{3}$ of the directors to be appointed each year.

(e) BOARD VACANCIES.—A vacancy on the Board shall be filled in the same manner as the original appointment of the initial Board for the remainder of the term of the vacating member.

(f) MEETINGS.—The Board shall meet at the call of the chairperson, or as otherwise provided by the bylaws of the Association.

SEC. 327. OFFICERS.

(a) IN GENERAL.—

(1) POSITIONS.—The officers of the Association shall consist of a chairperson and a vice chairperson of the Board, a president, secretary, and treasurer of the Association, and such other officers and assistant officers as may be deemed necessary.

(2) MANNER OF SELECTION.—Each officer of the Board and the Association shall be elected or appointed at such time and in such manner and for such terms not exceeding 3 years as may be prescribed in the bylaws of the Association.

(b) CRITERIA FOR CHAIRPERSON.—Only individuals who are members of the National Association of Insurance Commissioners shall be eligible to serve as the chairperson of the board of directors.

SEC. 328. BYLAWS, RULES, AND DISCIPLINARY ACTION.

(a) ADOPTION AND AMENDMENT OF BYLAWS.—

(1) COPY REQUIRED TO BE FILED WITH THE NAIC.—The board of directors of the Association shall file with the NAIC a copy of the proposed bylaws or any proposed amendment

to the bylaws, accompanied by a concise general statement of the basis and purpose of such proposal.

(2) EFFECTIVE DATE.—Except as provided in paragraph (3), any proposed bylaw or proposed amendment shall take effect—

(A) 30 days after the date of the filing of a copy with the NAIC;

(B) upon such later date as the Association may designate; or

(C) such earlier date as the NAIC may determine.

(3) DISAPPROVAL BY THE NAIC.—Notwithstanding paragraph (2), a proposed bylaw or amendment shall not take effect if, after public notice and opportunity to participate in a public hearing—

(A) the NAIC disapproves such proposal as being contrary to the public interest or contrary to the purposes of this subtitle and provides notice to the Association setting forth the reasons for such disapproval; or

(B) the NAIC finds that such proposal involves a matter of such significant public interest that public comment should be obtained, in which case it may, after notifying the Association in writing of such finding, require that the procedures set forth in subsection (b) be followed with respect to such proposal, in the same manner as if such proposed bylaw change were a proposed rule change within the meaning of such paragraph.

(b) ADOPTION AND AMENDMENT OF RULES.—

(1) FILING PROPOSED REGULATIONS WITH THE NAIC.—

(A) IN GENERAL.—The board of directors of the Association shall file with the NAIC a copy of any proposed rule or any proposed amendment to a rule of the Association which shall be accompanied by a concise general statement of the basis and purpose of such proposal.

(B) OTHER RULES AND AMENDMENTS INEFFECTIVE.—No proposed rule or amendment shall take effect unless approved by the NAIC or otherwise permitted in accordance with this paragraph.

(2) INITIAL CONSIDERATION BY THE NAIC.—Within 35 days after the date of publication of notice of filing of a proposal, or before the end of such longer period not to exceed 90 days as the NAIC may designate after such date if the NAIC finds such longer period to be appropriate and sets forth its reasons for so finding, or as to which the Association consents, the NAIC shall—

(A) by order approve such proposed rule or amendment; or

(B) institute proceedings to determine whether such proposed rule or amendment should be modified or disapproved.

(3) NAIC PROCEEDINGS.—

(A) IN GENERAL.—Proceedings instituted by the NAIC with respect to a proposed rule or amendment pursuant to paragraph (2) shall—

(i) include notice of the grounds for disapproval under consideration;

(ii) provide opportunity for hearing; and

(iii) be concluded within 180 days after the date of the Association's filing of such proposed rule or amendment.

(B) DISPOSITION OF PROPOSAL.—At the conclusion of any proceeding under subparagraph (A), the NAIC shall, by order, approve or disapprove the proposed rule or amendment.

(C) EXTENSION OF TIME FOR CONSIDERATION.—The NAIC may extend the time for concluding any proceeding under subparagraph (A) for—

(i) not more than 60 days if the NAIC finds good cause for such extension and sets forth its reasons for so finding; or

(ii) for such longer period as to which the Association consents.

(4) STANDARDS FOR REVIEW.—

(A) GROUNDS FOR APPROVAL.—The NAIC shall approve a proposed rule or amendment

if the NAIC finds that the rule or amendment is in the public interest and is consistent with the purposes of this Act.

(B) APPROVAL BEFORE END OF NOTICE PERIOD.—The NAIC shall not approve any proposed rule before the end of the 30-day period beginning on the date the Association files proposed rules or amendments in accordance with paragraph (1) unless the NAIC finds good cause for so doing and sets forth the reasons for so finding.

(5) ALTERNATE PROCEDURE.—

(A) IN GENERAL.—Notwithstanding any provision of this subsection other than subparagraph (B), a proposed rule or amendment relating to the administration or organization of the Association may take effect—

(i) upon the date of filing with the NAIC, if such proposed rule or amendment is designated by the Association as relating solely to matters which the NAIC, consistent with the public interest and the purposes of this subsection, determines by rule do not require the procedures set forth in this paragraph; or

(ii) upon such date as the NAIC shall for good cause determine.

(B) ABROGATION BY THE NAIC.—

(i) IN GENERAL.—At any time within 60 days after the date of filing of any proposed rule or amendment under subparagraph (A)(i) or (B)(ii), the NAIC may repeal such rule or amendment and require that the rule or amendment be refiled and reviewed in accordance with this paragraph, if the NAIC finds that such action is necessary or appropriate in the public interest, for the protection of insurance producers or policyholders, or otherwise in furtherance of the purposes of this subtitle.

(ii) EFFECT OF RECONSIDERATION BY THE NAIC.—Any action of the NAIC pursuant to clause (i) shall—

(I) not affect the validity or force of a rule change during the period such rule or amendment was in effect; and

(II) not be considered to be final action.

(C) ACTION REQUIRED BY THE NAIC.—The NAIC may, in accordance with such rules as the NAIC determines to be necessary or appropriate to the public interest or to carry out the purposes of this subtitle, require the Association to adopt, amend, or repeal any bylaw, rule or amendment of the Association, whenever adopted.

(D) DISCIPLINARY ACTION BY THE ASSOCIATION.—

(1) SPECIFICATION OF CHARGES.—In any proceeding to determine whether membership shall be denied, suspended, revoked, and not renewed (hereafter in this section referred to as a “disciplinary action”), the Association shall bring specific charges, notify such member of such charges and give the member an opportunity to defend against the charges, and keep a record.

(2) SUPPORTING STATEMENT.—A determination to take disciplinary action shall be supported by a statement setting forth—

(A) any act or practice in which such member has been found to have been engaged;

(B) the specific provision of this subtitle, the rules or regulations under this subtitle, or the rules of the Association which any such act or practice is deemed to violate; and

(C) the sanction imposed and the reason for such sanction.

(E) NAIC REVIEW OF DISCIPLINARY ACTION.—

(1) NOTICE TO THE NAIC.—If the Association orders any disciplinary action, the Association shall promptly notify the NAIC of such action.

(2) REVIEW BY THE NAIC.—Any disciplinary action taken by the Association shall be subject to review by the NAIC—

(A) on the NAIC’s own motion; or

(B) upon application by any person aggrieved by such action if such application is

filed with the NAIC not more than 30 days after the later of—

(i) the date the notice was filed with the NAIC pursuant to paragraph (1); or

(ii) the date the notice of the disciplinary action was received by such aggrieved person.

(F) EFFECT OF REVIEW.—The filing of an application to the NAIC for review of a disciplinary action, or the institution of review by the NAIC on the NAIC’s own motion, shall not operate as a stay of disciplinary action unless the NAIC otherwise orders.

(G) SCOPE OF REVIEW.—

(A) IN GENERAL.—In any proceeding to review such action, after notice and the opportunity for hearing, the NAIC shall—

(i) determine whether the action should be taken;

(ii) affirm, modify, or rescind the disciplinary sanction; or

(iii) remand to the Association for further proceedings.

(B) DISMISSAL OF REVIEW.—The NAIC may dismiss a proceeding to review disciplinary action if the NAIC finds that—

(i) the specific grounds on which the action is based exist in fact;

(ii) the action is in accordance with applicable rules and regulations; and

(iii) such rules and regulations are, and were, applied in a manner consistent with the purposes of this Act.

SEC. 329. ASSESSMENTS.

(A) INSURANCE PRODUCERS SUBJECT TO ASSESSMENT.—The Association may establish such application and membership fees as the Association finds necessary to cover the costs of its operations, including fees made reimbursable to the NAIC under subsection (b), except that, in setting such fees, the Association may not discriminate against smaller insurance producers.

(B) NAIC ASSESSMENTS.—The NAIC may assess the Association for any costs it incurs under this subtitle.

SEC. 330. FUNCTIONS OF THE NAIC.

(A) ADMINISTRATIVE PROCEDURE.—Determinations of the NAIC, for purposes of making rules pursuant to section 328, shall be made after appropriate notice and opportunity for a hearing and for submission of views of interested persons.

(B) EXAMINATIONS AND REPORTS.—

(1) The NAIC may make such examinations and inspections of the Association and require the Association to furnish it with such reports and records or copies thereof as the NAIC may consider necessary or appropriate in the public interest or to effectuate the purposes of this subtitle.

(2) As soon as practicable after the close of each fiscal year, the Association shall submit to the NAIC a written report regarding the conduct of its business, and the exercise of the other rights and powers granted by this subtitle, during such fiscal year. Such report shall include financial statements setting forth the financial position of the Association at the end of such fiscal year and the results of its operations (including the source and application of its funds) for such fiscal year. The NAIC shall transmit such report to the President and the Congress with such comment thereon as the NAIC determines to be appropriate.

SEC. 331. LIABILITY OF THE ASSOCIATION AND THE DIRECTORS, OFFICERS, AND EMPLOYEES OF THE ASSOCIATION.

(A) IN GENERAL.—The Association shall not be deemed to be an insurer or insurance producer within the meaning of any State law, rule, regulation, or order regulating or taxing insurers, insurance producers, or other entities engaged in the business of insurance, including provisions imposing premium taxes, regulating insurer solvency or financial condition, establishing guaranty funds

and levying assessments, or requiring claims settlement practices.

(B) LIABILITY OF THE ASSOCIATION, ITS DIRECTORS, OFFICERS, AND EMPLOYEES.—Neither the Association nor any of its directors, officers, or employees shall have any liability to any person for any action taken or omitted in good faith under or in connection with any matter subject to this subtitle.

SEC. 332. ELIMINATION OF NAIC OVERSIGHT.

(A) IN GENERAL.—The Association shall be established without NAIC oversight and the provisions set forth in section 324, subsections (a), (b), (c), and (e) of section 328, and sections 329(b) and 330 of this subtitle shall cease to be effective if, at the end of the 2-year period after the date on which the provisions of this subtitle take effect pursuant to section 321—

(1) at least a majority of the States representing at least 50 percent of the total United States commercial-lines insurance premiums have not satisfied the uniformity or reciprocity requirements of subsections (a) and (b) of section 321; and

(2) the NAIC has not approved the Association’s bylaws as required by section 328, the NAIC is unable to operate or supervise the Association, or the Association is not conducting its activities as required under this Act.

(B) BOARD APPOINTMENTS.—If the repeals required by subsection (a) are implemented—

(1) GENERAL APPOINTMENT POWER.—The President, with the advice and consent of the United States Senate, shall appoint the members of the Association’s Board established under section 326 from lists of candidates recommended to the President by the National Association of Insurance Commissioners.

(2) PROCEDURES FOR OBTAINING NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS APPOINTMENT RECOMMENDATIONS.—

(A) INITIAL DETERMINATION AND RECOMMENDATIONS.—After the date on which the provisions of part a of this section take effect, then the National Association of Insurance Commissioners shall have 60 days to provide a list of recommended candidates to the President. If the National Association of Insurance Commissioners fails to provide a list by that date, or if any list that is provided does not include at least 14 recommended candidates or comply with the requirements of section 326(c), the President shall, with the advice and consent of the United States Senate, make the requisite appointments without considering the views of the NAIC.

(B) SUBSEQUENT APPOINTMENTS.—After the initial appointments, the National Association of Insurance Commissioners shall provide a list of at least 6 recommended candidates for the Board to the President by January 15 of each subsequent year. If the National Association of Insurance Commissioners fails to provide a list by that date, or if any list that is provided does not include at least 6 recommended candidates or comply with the requirements of section 326(c), the President, with the advice and consent of the Senate, shall make the requisite appointments without considering the views of the NAIC.

(C) PRESIDENTIAL OVERSIGHT.—

(i) REMOVAL.—If the President determines that the Association is not acting in the interests of the public, the President may remove the entire existing Board for the remainder of the term to which the members of the Board were appointed and appoint, with the advice and consent of the Senate, new members to fill the vacancies on the Board for the remainder of such terms.

(ii) SUSPENSION OF RULES OR ACTIONS.—The President, or a person designated by the President for such purpose, may suspend the

effectiveness of any rule, or prohibit any action, of the Association which the President or the designee determines is contrary to the public interest.

(d) ANNUAL REPORT.—As soon as practicable after the close of each fiscal year, the Association shall submit to the President and to Congress a written report relative to the conduct of its business, and the exercise of the other rights and powers granted by this subtitle, during such fiscal year. Such report shall include financial statements setting forth the financial position of the Association at the end of such fiscal year and the results of its operations (including the source and application of its funds) for such fiscal year.

SEC. 333. RELATIONSHIP TO STATE LAW.

(a) PREEMPTION OF STATE LAWS.—State laws, regulations, provisions, or actions purporting to regulate insurance producers shall be preempted in the following instances:

(1) No State shall impede the activities of, take any action against, or apply any provision of law or regulation to, any insurance producer because that insurance producer or any affiliate plans to become, has applied to become, or is a member of the Association.

(2) No State shall impose any requirement upon a member of the Association that it pay different fees to be licensed or otherwise qualified to do business in that State, including bonding requirements, based on its residency.

(3) No State shall impose any licensing, appointment, integrity, personal or corporate qualifications, education, training, experience, residency, or continuing education requirement upon a member of the Association that is different than the criteria for membership in the Association or renewal of such membership, except that counter-signature requirements imposed on nonresident producers shall not be deemed to have the effect of limiting or conditioning a producer's activities because of its residence or place of operations under this section.

(4) No State shall implement the procedures of such State's system of licensing or renewing the licenses of insurance producers in a manner different from the authority of the Association under section 325.

(b) SAVINGS PROVISION.—Except as provided in subsection (a), no provision of this section shall be construed as altering or affecting the continuing effectiveness of any law, regulation, provision, or action of any State which purports to regulate insurance producers, including any such law, regulation, provision, or action which purports to regulate unfair trade practices or establish consumer protections, including, but not limited to, countersignature laws.

SEC. 334. COORDINATION WITH OTHER REGULATORS.

(a) COORDINATION WITH STATE INSURANCE REGULATORS.—The Association shall have the authority to—

(1) issue uniform insurance producer applications and renewal applications that may be used to apply for the issuance or removal of State licenses, while preserving the ability of each State to impose such conditions on the issuance or renewal of a license as are consistent with section 333;

(2) establish a central clearinghouse through which members of the Association may apply for the issuance or renewal of licenses in multiple States; and

(3) establish or utilize a national database for the collection of regulatory information concerning the activities of insurance producers.

(b) COORDINATION WITH THE NATIONAL ASSOCIATION OF SECURITIES DEALERS.—The Association shall coordinate with the National Association of Securities Dealers in order to ease any administrative burdens that fall on

persons that are members of both associations, consistent with the purposes of this subtitle and the Federal securities laws.

SEC. 335. JUDICIAL REVIEW.

(a) JURISDICTION.—The appropriate United States district court shall have exclusive jurisdiction over litigation involving the Association, including disputes between the Association and its members that arise under this subtitle. Suits brought in State court involving the Association shall be deemed to have arisen under Federal law and therefore be subject to jurisdiction in the appropriate United States district court.

(b) EXHAUSTION OF REMEDIES.—An aggrieved person must exhaust all available administrative remedies before the Association and the NAIC before it may seek judicial review of an Association decision.

(c) STANDARDS OF REVIEW.—The standards set forth in section 553 of title 5, United States Code, shall be applied whenever a rule or bylaw of the Association is under judicial review, and the standards set forth in section 554 of title 5, United States Code, shall be applied whenever a disciplinary action of the Association is judicially reviewed.

SEC. 336. DEFINITIONS.

For purposes of this subtitle, the following definitions shall apply:

(1) INSURANCE.—The term "insurance" means any product defined or regulated as insurance by the appropriate State insurance regulatory authority.

(2) INSURANCE PRODUCER.—The term "insurance producer" means any insurance agent or broker, surplus lines broker, insurance consultant, limited insurance representative, and any other person that solicits, negotiates, effects, procures, delivers, renews, continues or binds policies of insurance or offers advice, counsel, opinions or services related to insurance.

(3) STATE LAW.—The term "State law" includes all laws, decisions, rules, regulations, or other State action having the effect of law, of any State. A law of the United States applicable only to the District of Columbia shall be treated as a State law rather than a law of the United States.

(4) STATE.—The term "State" includes any State, the District of Columbia, American Samoa, Guam, Puerto Rico, and the United States Virgin Islands.

(5) HOME STATE.—The term "home State" means the State in which the insurance producer maintains its principal place of residence and is licensed to act as an insurance producer.

TITLE IV—UNITARY SAVINGS AND LOAN HOLDING COMPANIES

SEC. 401. TERMINATION OF EXPANDED POWERS FOR NEW UNITARY S&L HOLDING COMPANIES.

(a) IN GENERAL.—Section 10(c) of the Home Owners' Loan Act (12 U.S.C. 1467a(c)) is amended by adding at the end the following new paragraph:

"(9) TERMINATION OF EXPANDED POWERS FOR NEW UNITARY S&L HOLDING COMPANY.—

"(A) IN GENERAL.—Subject to subparagraph (B), paragraph (3) shall not apply with respect to any company that becomes a savings and loan holding company pursuant to an application filed after March 31, 1998.

"(B) EXISTING UNITARY S&L HOLDING COMPANIES AND THE SUCCESSORS TO SUCH COMPANIES.—Subparagraph (A) shall not apply, and paragraph (3) shall continue to apply, to a company (or any subsidiary of such company) that—

"(i) either—

"(I) acquired 1 or more savings associations described in paragraph (3) pursuant to applications at least 1 of which was filed before April 1, 1998; or

"(II) became a savings and loan holding company by acquiring ownership or control

of the company described in subclause (I); and

"(ii) continues to control the savings associations referred to in clause (i)(I) or the successor to any such savings association."

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 10(c)(3) of the Home Owners' Loan Act (12 U.S.C. 1467a(c)(3)) is amended by striking "Notwithstanding" and inserting "Except as provided in paragraph (9) and notwithstanding".

SEC. 402. RETENTION OF "FEDERAL" IN NAME OF CONVERTED FEDERAL SAVINGS ASSOCIATION.

Section 2 of the Act entitled "An Act to enable national banking associations to increase their capital stock and to change their names or locations." and approved May 1, 1886 (12 U.S.C. 30) is amended by adding at the end the following new subsection:

"(d) RETENTION OF 'FEDERAL' IN NAME OF CONVERTED FEDERAL SAVINGS ASSOCIATION.—

"(1) IN GENERAL.—Notwithstanding subsection (a) or any other provision of law, any depository institution the charter of which is converted from that of a Federal savings association to a national bank or a State bank after the date of the enactment of the Financial Services Act of 1998 may retain the term 'Federal' in the name of such institution so long as such depository institution remains an insured depository institution.

"(2) DEFINITIONS.—For purposes of this subsection, the terms 'depository institution', 'insured depository institution', 'national bank', and 'State bank' have the same meanings given to such terms in section 3 of the Federal Deposit Insurance Act."

The bill, as amended, was ordered to be engrossed and read a third time, was read a third time by title.

The question being put, *viva voce*,

Will the House pass said bill?

The SPEAKER pro tempore, Mr. BARRETT of Nebraska, announced that the yeas had it.

Mr. LAFALCE demanded a recorded vote on passage of said bill which demand was supported by one-fifth of a quorum, so a recorded vote was ordered.

The vote was taken by electronic device.

It was decided in the { Yeas 214
affirmative } Nays 213

¶44.30 [Roll No. 151]
AYES—214

Ackerman	Cooksey	Fossella
Andrews	Cox	Fox
Archer	Coyne	Franks (NJ)
Armey	Cramer	Frelinghuysen
Baker	Crane	Frost
Ballenger	Crapo	Gallegly
Barcia	Cubin	Ganske
Barr	Cunningham	Gejdenson
Bartlett	Deal	Gekas
Bass	DeGette	Gibbons
Bilbray	Delahunt	Gilchrest
Bilirakis	DeLauro	Gillmor
Bishop	DeLay	Gilman
Blagojevich	Deutsch	Gingrich
Bliley	Diaz-Balart	Goodlatte
Boehlert	Dicks	Goodling
Boehner	Dingell	Gordon
Bono	Dooley	Goss
Boyd	Doolittle	Greenwood
Brown (OH)	Doyle	Hall (OH)
Bryant	Dunn	Hansen
Bunning	Ehlers	Hastert
Burton	Ehrlich	Hastings (WA)
Buyer	Emerson	Hayworth
Calvert	Engel	Heger
Castle	English	Hill
Chabot	Ensign	Hobson
Coble	Fawell	Hoekstra
Collins	Fazio	Holden
Condit	Forbes	Horn
Cook	Ford	Hostettler

Houghton	Morella	Schumer
Hyde	Murtha	Sensenbrenner
Inglis	Myrick	Shadegg
John	Nadler	Shaw
Johnson (CT)	Neal	Shays
Johnson, E. B.	Nethercutt	Shimkus
Kasich	Neumann	Smith (MI)
Kelly	Ney	Smith (NJ)
Kennelly	Northup	Smith, Adam
Kim	Norwood	Smith, Linda
King (NY)	Nussle	Solomon
Kingston	Oxley	Souder
Klug	Packard	Spence
Knollenberg	Pallone	Spratt
Kolbe	Pappas	Stabenow
Latham	Parker	Stearns
LaTourette	Pascrell	Strickland
Lazio	Paxon	Stump
Leach	Pease	Stupak
Levin	Pitts	Sununu
Lewis (CA)	Pomeroy	Talent
Linder	Porter	Tanner
Livingston	Portman	Tauscher
LoBiondo	Price (NC)	Tauzin
Lowey	Pryce (OH)	Taylor (NC)
Maloney (NY)	Quinn	Thomas
Manton	Radanovich	Towns
Markey	Rahall	Upton
McCarthy (NY)	Rangel	Walsh
McCrery	Regula	Wamp
McDade	Riggs	Weldon (FL)
McGovern	Rogan	Weldon (PA)
McIntosh	Rohrabacher	Weller
McKeon	Ros-Lehtinen	Wexler
McNulty	Roukema	White
Meeks (NY)	Royce	Whitfield
Metcalf	Salmon	Wise
Mica	Sanford	Wolf
Miller (FL)	Sawyer	Young (FL)
Mollohan	Saxton	
Moran (VA)	Schaefer, Dan	

NOES—213

Abercrombie	Etheridge	Lewis (KY)
Aderholt	Evans	Lipinski
Allen	Everett	Lofgren
Bachus	Ewing	Lucas
Baessler	Farr	Luther
Baldacci	Fattah	Maloney (CT)
Barrett (NE)	Filner	Manzullo
Barrett (WI)	Foley	Martinez
Barton	Fowler	Mascara
Becerra	Frank (MA)	Matsui
Bentsen	Furse	McCarthy (MO)
Bereuter	Gephardt	McCollum
Berman	Goode	McDermott
Berry	Graham	McHale
Blumenauer	Granger	McHugh
Blunt	Green	McInnis
Bonilla	Gutierrez	McIntyre
Bonior	Gutknecht	McKinney
Borski	Hall (TX)	Meehan
Boswell	Hamilton	Meek (FL)
Boucher	Hastings (FL)	Menendez
Brady	Hefley	Millender-
Brown (CA)	Hilleary	McDonald
Brown (FL)	Hilliard	Miller (CA)
Burr	Hinche	Minge
Callahan	Hinojosa	Mink
Camp	Hooley	Moakley
Campbell	Hoyer	Moran (KS)
Canady	Hulshof	Oberstar
Cannon	Hunter	Obey
Capps	Hutchinson	Olver
Cardin	Istook	Ortiz
Carson	Jackson (IL)	Owens
Chambliss	Jackson-Lee	Pastor
Chenoweth	(TX)	Paul
Christensen	Jefferson	Payne
Clay	Jenkins	Pelosi
Clayton	Johnson (WI)	Peterson (MN)
Clement	Johnson, Sam	Peterson (PA)
Clyburn	Jones	Petri
Coburn	Kanjorski	Pickering
Combest	Kaptur	Pickett
Conyers	Kennedy (MA)	Pombo
Costello	Kennedy (RI)	Poshard
Cummings	Kildee	Ramstad
Danner	Kilpatrick	Redmond
Davis (FL)	Kind (WI)	Reyes
Davis (IL)	Kleczka	Riley
Davis (VA)	Klink	Rivers
DeFazio	Kucinich	Rodriguez
Dickey	LaFalce	Roemer
Dixon	LaHood	Rogers
Doggett	Lampson	Rothman
Dreier	Lantos	Roybal-Allard
Duncan	Largent	Rush
Edwards	Lee	Ryun
Eshoo	Lewis (GA)	Sabo

Sanchez	Smith (TX)	Turner
Sanders	Snowbarger	Velazquez
Sandlin	Snyder	Vento
Scarborough	Stark	Visclosky
Schaffer, Bob	Stenholm	Waters
Scott	Stokes	Watkins
Serrano	Taylor (MS)	Watt (NC)
Sessions	Thompson	Watts (OK)
Sherman	Thornberry	Waxman
Shuster	Thune	Weygand
Sisisky	Thurman	Wicker
Skeen	Tiahrt	Woolsey
Skelton	Tierney	Wynn
Slaughter	Torres	Young (AK)
Smith (OR)	Traficant	

NOT VOTING—6

Bateman	Harman	Skaggs
Gonzalez	Hefner	Yates

So the bill was passed.

A motion to reconsider the vote whereby said bill was passed was, by unanimous consent, laid on the table.

Ordered, That the Clerk request the concurrence of the Senate in said bill.

44.31 MESSAGE FROM THE PRESIDENT—
NATIONAL EMERGENCY WITH RESPECT
TO IRAN

THE SPEAKER pro tempore, Mr. BARRETT of Nebraska, laid before the House a message from the President, which was read as follows:

To the Congress of the United States:

I hereby report to the Congress on developments since the last Presidential report of November 25, 1997, concerning the national emergency with respect to Iran that was declared in Executive Order 12170 of November 14, 1979. This report is submitted pursuant to section 204(c) of the International Emergency Economic Powers Act (IEEPA), 50 U.S.C. 1703(c). This report covers events through March 31, 1998. My last report, dated November 25, 1997, covers events through September 30, 1997.

1. There have been no amendments to the Iranian Assets Control Regulations, 31 CFR Part 535 (the "IACR"), since my last report.

2. The Iran-United States Claims Tribunal (the "Tribunal"), established at The Hague pursuant to the Algiers Accords, continues to make progress in arbitrating the claims before it. Since the period covered in my last report, the Tribunal has rendered one award. This brings the total number of awards rendered by the Tribunal to 585, the majority of which have been in favor of U.S. claimants. As of March 31, 1998, the value of awards to successful U.S. claimants paid from the Security Account held by the NV Settlement Bank was \$2,480,897,381.53.

Since my last report, Iran has failed to replenish the Security Account established by the Algiers Accords to ensure payment of awards to successful U.S. claimants. Thus, since November 5, 1992, the Security Account has continuously remained below the \$500 million balance required by the Algiers Accords. As of March 31, 1998, the total amount in the Security Account was \$125,888,588.35, and the total amount in the Interest Account was \$21,716,836.85. Therefore, the United States continues to pursue Case No. A/28, filed in September 1993, to require Iran to meet its

obligation under the Algiers Accords to replenish the Security Account.

The United States also continues to pursue Case No. A/29 to require Iran to meet its obligation of timely payment of its equal share of advances for Tribunal expenses when directed to do so by the Tribunal. Iran filed its Rejoinder in this case on February 9, 1998.

3. The Department of State continues to respond to claims brought against the United States by Iran, in coordination with concerned government agencies.

On January 16, 1998, the United States filed a major submission in Case No. B/1, a case in which Iran seeks repayment for alleged wrongful charges to Iran over the life of its Foreign Military Sales (FMS) program, including the costs of terminating the program. The January filing primarily addressed Iran's allegation that its FMS Trust Fund should have earned interest.

Under the February 22, 1996, settlement agreement related to the Iran Air case before the International Court of Justice and Iran's bank-related claims against the United States before the Tribunal (see report of May 16, 1996), the Department of State has been processing payments. As of March 31, 1998, the Department of State has authorized payment to U.S. nationals totaling \$13,901,776.86 for 49 claims against Iranian banks. The Department of State has also authorized payments to surviving family members of 220 Iranian victims of the aerial incident, totaling \$54,300,000.

During this reporting period, the full Tribunal held a hearing in Case No. A/11 from February 16, through 18. Case No. A/11 concerns Iran's allegations that the United States violated its obligations under Point IV of the Algiers Accords by failing to freeze and gather information about property and assets purportedly located in the United States and belonging to the estate of the late Shah of Iran or his close relatives.

4. U.S. nationals continue to pursue claims against Iran at the Tribunal. Since my last report, the Tribunal has issued an award in one private claim. On March 5, 1998, Chamber One issued an award in *George E. Davidson v. Iran*, AWD No. 585-457-1, ordering Iran to pay the claimant \$227,556 plus interest for Iran's interference with the claimant's property rights in three buildings in Tehran. The Tribunal dismissed the claimant's claims with regard to other property for lack of proof. The claimant received \$20,000 in arbitration costs.

5. The situation reviewed above continues to implicate important diplomatic, financial, and legal interests of the United States and its nationals and presents an unusual challenge to the national security and foreign policy of the United States. The Iranian Assets Control Regulations issued pursuant to Executive Order 12170 continue to play an important role in structuring our relationship with Iran and in enabling the United States to implement prop-

erly the Algiers Accords. I shall continue to exercise the powers at my disposal to deal with these problems and will continue to report periodically to the Congress on significant developments.

WILLIAM J. CLINTON.

THE WHITE HOUSE, May 13, 1998.

By unanimous consent, the message, together with the accompanying papers, was referred to the Committee on International Relations and ordered to be printed (H. Doc. 105-252).

¶44.32 MANDATES INFORMATION

The SPEAKER pro tempore, Mr. BARRETT of Nebraska, pursuant to House Resolution 426 and rule XXIII, declared the House resolved into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R. 3534) to improve congressional deliberation on proposed Federal private sector mandates, and for other purposes.

The SPEAKER pro tempore, Mr. BARRETT of Nebraska, by unanimous consent, designated Mr. SESSIONS as Chairman of the Committee of the Whole; and after some time spent therein,

The SPEAKER pro tempore, Mr. PORTMAN, assumed the Chair.

When Mr. SESSIONS, Chairman, reported that the Committee, having had under consideration said bill, had come to no resolution thereon.

¶44.33 PROVIDING FOR THE CONSIDERATION OF H.R. 2431

Mr. DREIER, by direction of the Committee on Rules, reported (Rept. No. 105-534) the resolution (H. Res. 430) providing for consideration of the bill (H.R. 2431) to establish an Office of Religious Persecution Monitoring, to provide for the imposition of sanctions against countries engaged in a pattern of religious persecution, and for other purposes.

When said resolution and report were referred to the House Calendar and ordered printed.

¶44.34 SENATE CONCURRENT RESOLUTION REFERRED

A concurrent resolution of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. Con. Res. 75. Concurrent resolution honoring the sesquicentennial of Wisconsin statehood; to the Committee on Government Reform and Oversight.

¶44.35 LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. YATES, for today after 6:30 p.m.

And then,

¶44.36 ADJOURNMENT

On motion of Mr. WELDON of Pennsylvania, at 11 o'clock and 59 minutes p.m., the House adjourned.

¶44.37 REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk

for printing and reference to the proper calendar, as follows:

Mr. SHUSTER: Committee on Transportation and Infrastructure. H.R. 3504. A bill to amend the John F. Kennedy Center Act to authorize appropriations for the John F. Kennedy Center for the Performing Arts and to further define the criteria for capital repair and operation and maintenance; with an amendment (Rept. No. 105-533). Referred to the Committee of the Whole House on the State of the Union.

Mr. DIAZ-BALART: Committee on Rules. House Resolution 430. Resolution providing for consideration of the bill (H.R. 2431) to establish an Office of Religious Persecution Monitoring, to provide for the imposition of sanctions against countries engaged in a pattern of religious persecution, and for other purposes (Rept. No. 105-534). Referred to the House Calendar.

¶44.38 TIME LIMITATION OF REFERRED

Pursuant to clause 5 of rule X the following action was taken by the Speaker:

H.R. 1704. Referral to the Committees on Government Reform and Oversight and House Oversight extended for a period ending not later than May 22, 1998.

¶44.39 DISCHARGE OF COMMITTEE

Pursuant to clause 5 of rule X the Committee on Commerce discharged from further consideration. H.R. 1023 referred to the Committee of the Whole House on the State of the Union.

¶44.40 PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of Rule X and clause 4 of Rule XXII, public bills and resolutions were introduced and severally referred, as follows:

By Mr. DELAY:

H.R. 3850. A bill to provide reporting requirements for the assertion of executive privilege, and for other purposes; to the Committee on the Judiciary.

By Mr. OBEY:

H.R. 3851. A bill to amend the Federal Election Campaign Act of 1971 to provide for expenditure limitations and public financing for House of Representatives general elections, and for other purposes; to the Committee on House Oversight, and in addition to the Committees on Ways and Means, and Rules, 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.

By Mr. OBEY:

H.R. 3852. A bill to amend the Federal Election Campaign Act of 1971 to provide for public financing for House of Representatives general elections for candidates who voluntarily limit expenditures, and for other purposes; to the Committee on House Oversight, and in addition to the Committees on Ways and Means, and Rules, 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.

By Mr. PORTMAN (for himself, Mr. BISHOP, and Mr. SOUDER):

H.R. 3853. A bill to promote drug-free workplace programs; to the Committee on Small Business.

By Mr. BARR of Georgia (for himself, Mr. SOLOMON, Mr. MICA, Mr. GRAHAM, Mr. BURTON of Indiana, Mr. LATOURETTE, Mr. MCINTOSH, and Mr. SESSIONS):

H.R. 3854. A bill to amend title 18, United States Code, to modify immunity provisions

in certain cases involving Congressional investigations; to the Committee on the Judiciary.

By Mr. BROWN of Ohio (for himself, Mrs. JOHNSON of Connecticut, and Mr. GREENWOOD):

H.R. 3855. A bill to provide for payments to children's hospitals that operate graduate medical education programs; to the Committee on Commerce, and in addition to the Committee on Ways and Means, 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.

By Mr. EWING (for himself and Mr. WELLER):

H.R. 3856. A bill to provide for the conveyance of the vacant Army Reserve Center in Kankakee, Illinois; to the Committee on National Security.

By Mr. HOUGHTON (for himself, Mr. LEVIN, Mr. WELLER, Mr. ENGLISH of Pennsylvania, Mr. RAMSTAD, Mr. CAMP, Mr. METCALF, Mr. TRAFICANT, Mr. FROST, Ms. STABENOW, Ms. LOFGREN, Mr. MCDERMOTT, and Mr. KLECZKA):

H.R. 3857. A bill to amend the Internal Revenue Code of 1986 to allow the research credit for expenses attributable to certain collaborative research consortia; to the Committee on Ways and Means.

By Mr. HUNTER (for himself, Mr. BILBRAY, Mr. PACKARD, Mr. REYES, and Mr. CUNNINGHAM):

H.R. 3858. A bill to assure drug-free borders by increasing penalties for certain drug-related offenses, to enhance law enforcement efforts for counterdrug activities, and for other purposes; to the Committee on the Judiciary.

By Mr. SCARBOROUGH:

H.R. 3859. A bill to amend the Internal Revenue Code of 1986 to repeal the estate and gift tax; to the Committee on Ways and Means.

By Mr. SCARBOROUGH:

H.R. 3860. A bill to amend the Internal Revenue Code of 1986 to eliminate taxes on capital gains after December 31, 2001; to the Committee on Ways and Means.

By Mrs. LINDA SMITH of Washington (for herself and Mr. HUNTER):

H.R. 3861. A bill to amend the Internal Revenue Code of 1986 to provide, for purposes of computing the exclusion of gain on sale of a principal residence, that a member of the Armed Forces of the United States shall be treated as using property as a principal residence while away from home on extended active duty; to the Committee on Ways and Means.

By Mr. UPTON (for himself and Mr. TOWNS):

H.R. 3862. A bill to provide assistance for poison prevention and to stabilize the funding of regional poison control centers; to the Committee on Commerce.

By Mr. WATTS of Oklahoma (for himself, Mr. TAYLOR of Mississippi, Mr. HEFLEY, Mr. RYUN, Mr. BILBRAY, Mr. BOYD, Ms. EDDIE BERNICE JOHNSON of Texas, and Mr. FILNER):

H.R. 3863. A bill to provide for a special Medicare part B enrollment period, a reduction or elimination in the part B late enrollment penalty, and a special medigap open enrollment period for certain military retirees and dependents; to the Committee on Commerce, and in addition to the Committee on Ways and Means, 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.

By Mr. WHITFIELD (for himself and Mr. ROGERS):

H.R. 3864. A bill to designate the post office located at 203 West Paige Street, in

Tompkinsville, Kentucky, as the "Tim Lee Carter Post Office Building"; to the Committee on Government Reform and Oversight.

By Mr. SAXTON:

H. Con. Res. 276. Concurrent resolution expressing the sense of the Congress that United States foreign policy with respect to the Middle East peace process should not include an attempt to require Israel to make concessions which Israel does not believe to be in its self-interest, including concessions which would jeopardize the security of Israel; to the Committee on International Relations.

By Mr. DREIER:

H. Res. 429. A resolution designating majority membership on certain standing committees of the House; considered and agreed to.

44.41 ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 22: Mr. WALSH.
 H.R. 371: Mr. HUTCHINSON.
 H.R. 678: Mr. RAMSTAD, Mr. SMITH of Oregon, Mr. BARRETT of Wisconsin, Mr. DOOLEY of California, Ms. JACKSON-LEE of Texas, Mr. HINCHEY, Mr. KANJORSKI, Mr. TORRES, Mr. MOAKLEY, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of Rhode Island, Mr. HEFLEY, Mrs. NORTHUP, Mr. BROWN of California, Mr. BONILLA, Mr. GALLEGLY, Mr. JONES, Mr. KIM, Mr. PACKARD, and Mr. PORTER.
 H.R. 716: Mr. WAMP.
 H.R. 746: Mrs. MYRICK and Mr. FARR of California.
 H.R. 754: Mr. NEAL of Massachusetts and Ms. FURSE.
 H.R. 815: Ms. NORTON.
 H.R. 864: Mr. BISHOP, Mr. TORRES, Mr. ROEMER, Mr. DINGELL, and Mr. GILLMOR.
 H.R. 872: Mr. FARR of California, Mr. SAXTON, and Mr. STEARNS.
 H.R. 922: Mr. KIM.
 H.R. 953: Ms. DANNER and Mr. DEUTSCH.
 H.R. 979: Mr. SAWYER, Mr. ORTIZ, Mr. COOKSEY, Mr. TOWNS, and Mr. HASTINGS of Washington.
 H.R. 1038: Mr. ROHRBACHER.
 H.R. 1126: Mr. UPTON, Mr. CLEMENT, Mr. KIND of Wisconsin, and Mr. SOLOMON.
 H.R. 1320: Mr. MCGOVERN and Mr. ANDREWS.
 H.R. 1401: Mr. NEAL of Massachusetts and Mrs. KENNELLY of Connecticut.
 H.R. 1450: Mr. SABO.
 H.R. 1560: Mr. GREENWOOD, Mr. EVERETT, Mr. CALVERT, Mr. MCINNIS, Mr. CALLAHAN, Mr. LEACH, Ms. PRYCE of Ohio, Mr. HANSEN, Mr. CHAMBLISS, Mrs. MYRICK, Mr. HASTINGS of Washington, Mr. SHADEGG, Mr. JONES, Mr. GILLMOR, Mr. CAMP, Mrs. NORTHUP, Mr. GUTKNECHT, Mr. SUNUNU, Mr. LEWIS of Kentucky, Mr. EHLERS, Mr. COX of California, Mr. FOSSELLA, Mrs. FOWLER, Mr. BARR of Georgia, Mr. DEAL of Georgia, Mr. MANZULLO, Mr. EHRlich, Mr. REDMOND, Mr. COOKSEY, Mr. FORBES, Mr. RILEY, Mr. SMITH of Texas, Mrs. KELLY, Mr. DELAY, Mr. WELDON of Florida, Mr. MCCOLLUM, Mr. SESSIONS, Mr. WICKER, Mr. SNOWBARGER, Mr. UPTON, Mr. GRAHAM, Mr. MCKEON, Mr. PETERSON of Pennsylvania, Mr. HAYWORTH, Mr. PACKARD, Mr. ROGERS, Mr. PICKERING, Mr. WATTS of Oklahoma, Mr. HOSTETTLER, Mr. CHABOT, Mr. NEUMANN, Mr. ARMEY, Mr. BOEHLERT, Mr. LAHOOD, Mr. MCINTOSH, Mr. HASTERT, and Mr. LEWIS of California.
 H.R. 1571: Mr. JEFFERSON, Mr. MATSUI, and Mr. SCHUMER.
 H.R. 1619: Mr. PAUL.
 H.R. 2202: Ms. CARSON, Mr. BROWN of Ohio, Mr. LANTOS, Ms. LEE, and Mr. MCGOVERN.
 H.R. 2222: Ms. NORTON.
 H.R. 2250: Mr. HOSTETTLER.

H.R. 2523: Mr. KUCINICH.
 H.R. 2568: Mr. HUTCHINSON.
 H.R. 2612: Mr. HOBSON.
 H.R. 2635: Mr. BOUCHER, Mr. PETERSON of Minnesota, Mr. MANTON, Mr. FAWELL, Ms. LEE, and Mr. WATT of North Carolina.
 H.R. 2699: Mr. DIXON.
 H.R. 2844: Mr. HERGER.
 H.R. 2888: Mr. HOLDEN and Mr. DOOLITTLE.
 H.R. 2908: Mr. MASCARA, Mrs. JOHNSON of Connecticut, and Mr. HULSHOF.
 H.R. 2938: Mr. GRAHAM.
 H.R. 2939: Mr. BENTSEN.
 H.R. 3014: Mr. COX of California.
 H.R. 3053: Mr. HINOJOSA, Mr. STOKES, Mr. BLUMENAUER, Ms. PELOSI, and Ms. EDDIE BERNICE JOHNSON of Texas.
 H.R. 3126: Ms. PELOSI.
 H.R. 3134: Mr. ABERCROMBIE, Mr. GUTIERREZ, Mr. GEJDENSON, Ms. STABENOW, Ms. DELAULO, and Mr. EDWARDS.
 H.R. 3140: Mr. STENHOLM, Mr. PETERSON of Pennsylvania, and Mr. SPENCE.
 H.R. 3156: Mr. DINGELL, Mr. REGULA, Mr. DOYLE, Mr. WISE, and Mr. BOYD.
 H.R. 3185: Mr. PITTS, Mrs. MYRICK, Mr. PETERSON of Minnesota, Ms. DUNN of Washington, Mr. CRAMER, and Mr. BARR of Georgia.
 H.R. 3270: Mr. WYNN and Ms. SANCHEZ.
 H.R. 3274: Mr. WYNN and Ms. SANCHEZ.
 H.R. 3304: Mr. FRANKS of New Jersey.
 H.R. 3331: Mrs. BONO.
 H.R. 3351: Mr. POMEROY.
 H.R. 3379: Ms. PELOSI, Ms. LOFGREN, and Mr. SABO.
 H.R. 3396: Mr. GRAHAM, Mr. CAMPBELL, Mr. MASCARA, Ms. PELOSI, Ms. KAPTUR, Ms. DELAULO, Mr. PETERSON of Pennsylvania, Mr. WATKINS, Mr. EHLERS, Mr. BUYER, Mr. LIVINGSTON, Mr. JEFFERSON, Mr. SCARBOROUGH, and Mr. GOSS.
 H.R. 3435: Mr. HASTINGS of Washington.
 H.R. 3494: Mr. TALENT.
 H.R. 3506: Mr. BUYER, Ms. KAPTUR, Mr. BONIOR, Mr. TAYLOR of North Carolina, Mr. PARKER, Mr. HULSHOF, and Mr. BOYD.
 H.R. 3514: Mr. FARR of California.
 H.R. 3526: Mr. HOUGHTON.
 H.R. 3539: Mr. CANNON and Mr. MCINNIS.
 H.R. 3553: Ms. NORTON, Mr. FILNER, and Mrs. MORELLA.
 H.R. 3566: Mr. GEKAS.
 H.R. 3567: Mr. HOEKSTRA.
 H.R. 3596: Ms. JACKSON-LEE of Texas, Ms. KILPATRICK, Ms. CARSON, Mr. DAVIS of Illinois, Mr. WYNN, Mr. HASTINGS of Florida, Ms. NORTON, Mr. MEEKS of New York, Mr. OWENS, Ms. LEE, Ms. BROWN of Florida, Ms. ROSLEHTINEN, Mr. HILLIARD, and Mr. FRANK of Massachusetts.
 H.R. 3613: Mr. LUCAS of Oklahoma.
 H.R. 3624: Ms. PELOSI, Mr. ROMERO-BARCELO, Mr. COSTELLO, Mr. EVANS, Mr. HINCHEY, Mr. MCGOVERN, Mr. UNDERWOOD, and Mr. COYNE.
 H.R. 3634: Mr. FOX of Pennsylvania, Mr. BONILLA, Mr. MCHUGH, Mr. METCALF, Mr. WICKER, Mr. MCINNIS, Mr. PETERSON of Pennsylvania, Mr. HUTCHINSON, Mr. BAKER, Mr. LEWIS of California, Mr. LUCAS of Oklahoma, Mr. WATKINS, Mr. BROWN of California, and Mr. STEARNS.
 H.R. 3644: Mr. RANGEL.
 H.R. 3648: Mr. BOEHNER, Mr. COLLINS, and Mr. SAM JOHNSON of Texas.
 H.R. 3659: Mr. ADERHOLT, Mr. DOOLITTLE, Mr. PITTS, Mr. STUMP, Mr. LAFALCE, and Mr. PAUL.
 H.R. 3681: Mr. NETHERCUTT.
 H.R. 3682: Mr. FOSSELLA and Mr. COX of California.
 H.R. 3690: Mr. CHABOT.
 H.R. 3700: Mr. THOMPSON, Ms. EDDIE BERNICE JOHNSON of Texas, and Ms. MILLENDER-MCDONALD.
 H.R. 3701: Mr. THOMPSON, Ms. EDDIE BERNICE JOHNSON of Texas, and Ms. MILLENDER-MCDONALD.

H.R. 3710: Mr. CALVERT, Mr. REDMOND, Mr. METCALF, Mr. KENNEDY of Rhode Island, Mr. WAMP, Mr. UNDERWOOD, Mr. PEASE, Mr. BONIOR, Mr. PORTER, Ms. RIVERS, Mr. GEJDENSON, Mr. TOWNS, Ms. ESHOO, Mr. BURTON of Indiana, and Mr. MILLER of Florida.
 H.R. 3726: Mr. MARTINEZ, Mr. MENENDEZ, Mr. ORTIZ, Mr. ROMERO-BARCELO, Mr. UNDERWOOD, Mr. PASTOR, Mr. REYES, Mr. HINOJOSA, Ms. SANCHEZ, Ms. VELAZQUEZ, Mr. TORRES, Mr. BECERRA, Mr. RODRIGUEZ, and Ms. ROYBAL-ALLARD.
 H.R. 3733: Mr. MORAN of Kansas, Mr. SNOWBARGER, Mr. TIAHRT, Mr. ENGLISH of Pennsylvania, and Mr. KUCINICH.
 H.R. 3744: Mr. MCHUGH, Mr. MORAN of Virginia, and Mr. JOHN.
 H.R. 3749: Mr. BALDACCI.
 H.R. 3774: Mr. ENGLISH of Pennsylvania, Mr. FROST, Mr. MATSUI, Mr. MARTINEZ, and Mr. OBERSTAR.
 H.R. 3775: Mr. ETHERIDGE.
 H.R. 3807: Mr. BARRETT of Nebraska, Mr. CANADY of Florida, Ms. DANNER, Mr. DOYLE, Mr. HOEKSTRA, Mr. NEY, Mr. SMITH of Michigan, and Mr. UPTON.
 H.R. 3820: Mr. SKAGGS and Mr. BONIOR.
 H.R. 3829: Mr. CASTLE, Mr. BEREUTER, and Mr. SHUSTER.
 H.R. 3841: Mr. TIERNEY.
 H. Con. Res. 112: Mr. LEWIS of Georgia.
 H. Con. Res. 125: Mr. ETHERIDGE.
 H. Con. Res. 188: Mr. PASCARELL.
 H. Con. Res. 210: Mr. BALDACCI.
 H. Con. Res. 241: Mr. YATES, Mr. FROST, Mr. GUTIERREZ, and Mr. CLEMENT.
 H. Con. Res. 264: Mr. PETERSON of Pennsylvania, Mr. MORAN of Kansas, Ms. WOOLSEY, Mr. SAM JOHNSON of Texas, and Mr. MALONEY of Connecticut.
 H. Con. Res. 270: Mr. BROWN of Ohio.
 H. Con. Res. 271: Mr. ROGAN and Mr. FILLNER.
 H. Res. 144: Mr. BARR of Georgia, Mr. DEAL of Georgia, Mr. PETERSON of Pennsylvania, Mr. SESSIONS, Mr. LEACH, Mr. CHAMBLISS, Mr. SMITH of Michigan, Mr. CAMP, Mr. SUNUNU, Mrs. NORTHUP, Mr. GUTKNECHT, Mr. WICKER, Mr. PICKERING, and Mr. WELDON of Florida.
 H. Res. 399: Mr. MCKEON and Mr. SPRATT.
 H. Res. 418: Mr. WALSH, Ms. KAPTUR, Mr. RAMSTAD, Mrs. THURMAN, Mr. GILLMOR, Mr. KIND of Wisconsin, Mr. LUTHER, Mr. VENTO, Mr. SABO, and Mr. BARCIA of Michigan.
 H. Res. 421: Mr. ARCHER and Mr. KENNEDY of Massachusetts.

THURSDAY, MAY 14, 1998 (45)

45.1 DESIGNATION OF SPEAKER PRO TEMPORE

The House was called to order by the SPEAKER pro tempore, Mr. NEY, who laid before the House the following communication:

WASHINGTON, DC,

May 14, 1998.

I hereby designate the Honorable ROBERT W. NEY to act as Speaker pro tempore on this day.

NEWT GINGRICH,

Speaker of the House of Representatives.

45.2 APPROVAL OF THE JOURNAL

The SPEAKER pro tempore, Mr. NEY, announced he had examined and approved the Journal of the proceedings of Wednesday, May 13, 1998.

Pursuant to clause 1, rule I, the Journal was approved.

45.3 COMMUNICATIONS

Executive and other communications, pursuant to clause 2, rule XXIV, were referred as follows: