

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
<p align="center">Subtitle D--Further Improvements to the Regulation of Bank Holding Companies and Depository Institutions</p>	<p align="center">TITLE VI--IMPROVEMENTS TO REGULATION OF BANK AND SAVINGS ASSOCIATION HOLDING COMPANIES AND DEPOSITORY INSTITUTIONS</p>	
	<p>SEC. 601. SHORT TITLE.</p> <p><i>This title may be cited as the `Bank and Savings Association Holding Company and Depository Institution Regulatory Improvements Act of 2010'.</i></p>	
	<p>SEC. 602. DEFINITION.</p> <p><i>In this title, the term `commercial firm' means any entity that derives not less than 15 percent of the consolidated annual gross revenues of the entity, including all affiliates of the entity, from engaging in activities that are not financial in nature or incidental to activities that are financial in nature, as provided in section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)).</i></p>	
<p>SEC. 1301. TREATMENT OF INDUSTRIAL LOAN COMPANIES, SAVINGS ASSOCIATIONS, AND CERTAIN OTHER COMPANIES UNDER THE BANK HOLDING COMPANY ACT.</p> <p>(a) Definitions- Section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841) is amended--</p> <p>(1) by striking subsection (a)(1) and inserting the following:</p> <p>(a) Bank Holding Company-</p> <p>(1) IN GENERAL- Except as provided in paragraph (5), the term `bank holding company' means--</p> <p>(A) any company, other than a company described in section 4(p), which has control over any bank or over any company that is or becomes a bank holding company by virtue of this Act; and</p> <p>(B) any section 6 holding company established by a company described in section 6(a)(1)(C).'</p> <p>(2) in subsection (a)(5), by adding at the end the following new subparagraph:</p>	<p>SEC. 603. MORATORIUM AND STUDY ON TREATMENT OF CREDIT CARD BANKS, INDUSTRIAL LOAN COMPANIES, AND CERTAIN OTHER COMPANIES UNDER THE BANK HOLDING COMPANY ACT OF 1956.</p> <p>(a) Moratorium-</p> <p>(1) DEFINITIONS- In this subsection--</p> <p>(A) the term `credit card bank' means an institution described in section 2(c)(2)(F) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)(2)(F));</p> <p>(B) the term `industrial bank' means an institution described in section 2(c)(2)(H) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)(2)(H)); and</p> <p>(C) the term `trust bank' means an institution described</p>	

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<p>(G) No company is a bank holding company by virtue of its ownership or control of a section 6 holding company or any subsidiary of a section 6 holding company, so long as the requirements of sections 4(p) and 6 of this Act are met, as applicable, by the section 6 holding company;';</p> <p>(3) in subsection (c)(1)(A), by striking 'insured bank' and inserting 'insured depository institution', and by striking 'section 3(h) of the Federal Deposit Insurance Act' and inserting 'section 3(c)(2) of the Federal Deposit Insurance Act';</p> <p>(4) in subsection (c)(2)--</p> <p>(A) in subparagraph (B), by inserting before the period the following: 'that is controlled by a company that is a fraternal beneficiary society, as defined in section 501(c)(8) of the Internal Revenue Code of 1986, or a company that is, together with all of its affiliates on a consolidated basis, predominantly engaged in the business of insurance'; and</p> <p>(B) in subparagraph (F)(i), by inserting before the semicolon the following: ', including issuing credit cards and other credit devices (including virtual or intangible devices) that function as credit cards';</p> <p>(C) in subparagraph (F)(v), by inserting before the semicolon the following: ', other than loans that otherwise meet the requirements of this subparagraph and are made to businesses that meet the criteria for a small business concern to be eligible for business loans under regulations established by the Small Business Administration under part 121 of title 13, Code of Federal Regulations'; and</p> <p>(D) by striking subparagraph (H) and inserting the following:</p> <p>(H) An industrial loan company, industrial bank, or other similar institution which--</p> <p>(i) is an institution organized under the laws of a State which, on March 5, 1987, had in effect or had under consideration in such State's legislature a statute which required or would require such institution to obtain insurance under the Federal Deposit Insurance Act;</p> <p>(ii) either--</p>	<p><i>in section 2(c)(2)(D) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)(2)(D)).</i></p> <p><i>(2) MORATORIUM ON PROVISION OF DEPOSIT INSURANCE- The Corporation may not approve an application for deposit insurance under section 5 of the Federal Deposit Insurance Act (12 U.S.C. 1815) that is received after November 10, 2009, for an industrial bank, a credit card bank, or a trust bank that is directly or indirectly owned or controlled by a commercial firm.</i></p> <p><i>(3) CHANGE IN CONTROL-</i></p> <p><i>(A) IN GENERAL- Except as provided in subparagraph (B), the appropriate Federal banking agency shall disapprove a change in control, as provided in section 7(j) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)), of an industrial bank, a credit card bank, or a trust bank if the change in control would result in direct or indirect control of the industrial bank, credit card bank, or trust bank by a commercial firm.</i></p> <p><i>(B) EXCEPTIONS- Subparagraph (A) shall not apply to a change in control of an industrial bank, credit card bank, or trust bank that--</i></p> <p><i>(i) is in danger of default, as determined by the appropriate Federal banking agency; or</i></p> <p><i>(ii) results from the merger or whole acquisition of a commercial firm that directly or indirectly controls the industrial bank, credit card bank, or trust bank in a bona fide merger with or acquisition by another commercial firm, as determined by the appropriate Federal banking agency.</i></p> <p><i>(4) SUNSET- This subsection shall cease to have effect 3 years after the date of enactment of this Act.</i></p>	

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<p> `(I) does not accept demand deposits that the depositor may withdraw by check or similar means for payment to third parties; `(II) has total assets of less than \$100,000,000; or `(III) the control of which is not acquired by any company after August 10, 1987; `(iii) predominantly provides financial products and services to current and former members of the military and their families; and `(iv) is controlled by a savings and loan holding company, as defined in section 10(a) of the Home Owners' Loan Act. This subparagraph shall cease to apply to any institution which permits any overdraft (including any intraday overdraft), or which incurs any such overdraft in such institution's account at a Federal Reserve bank, on behalf of an affiliate, if such overdraft is not the result of an inadvertent computer or accounting error that is beyond the control of both the institution and the affiliate, or that is otherwise permissible for a bank controlled by a company described in section 1843(f)(1) of this title.'; and (5) by adding at the end the following new subsection: `(r) Section 6 Holding Companies- The term `section 6 holding company' means a company that is required to be established as an intermediate holding company under section 6 of this Act.' (b) Nonbanking Activities Exceptions- Section 4 of the Bank Holding Company Act of 1956 (12 U.S.C. 1843) is amended-- (1) in subsection (f)(1)(B) by striking `for purposes of this Act' and inserting `for purposes of section 4(a)'; and (2) in subsection (f)(2)-- (A) in subparagraph (B)(ii), by striking `; or' and inserting a semicolon; (B) in subparagraph (C), by striking the period and inserting `; or'; and (C) by adding at the end the following new subparagraph: `(D) such company fails to-- </p>		

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<p>(i) establish and register a section 6 holding company pursuant to section 6 of this Act within 180 days after the adoption of rules required by this section; and</p> <p>(ii) conduct all such activities which are permissible for a financial holding company, as determined under section 4(k), through such section 6 holding company, other than--</p> <p>(I) internal financial activities conducted for such company or any affiliate, including, but not limited to internal treasury, investment, and employee benefit functions, provided that with respect to any internal financial activity engaged in for the company or an affiliate and a nonaffiliate during the year prior to date of enactment, the company (or an affiliate not a subsidiary of the section 6 company) may continue to engage in that activity so long as the at least two-thirds of the assets or two-thirds of the revenues generated from the activity are from or attributable to the company or an affiliate, subject to review by the Board to determine whether engaging in such activity presents undue risk to the section 6 company or undue systemic risk; and</p> <p>(II) financial activities involving the provision of credit for the purchase or lease of products or services from an affiliate or for the purchase or lease of products produced by an affiliate of such section 6 holding company that is not a subsidiary of such section six holding company, in accordance with regulations prescribed by or orders issued by the Board, pursuant to section 6 of this Act.'; and</p>		

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<p>(3) by inserting at the end the following new subsections:</p> <p>^(p) Certain Companies Not Subject to This Act-</p> <p>^(1) IN GENERAL- Except as provided in paragraphs (6) and (7), any company which--</p> <p>^(A) was--</p> <p>^(i) on the date of enactment of the Financial Stability Improvement Act of 2009, a unitary savings and loan holding company that continues to control not fewer than one savings association that it controlled on May 4, 1999, or that it acquired pursuant to an application pending before the Office of Thrift Supervision on or before that date, and that became a bank for purposes of the Bank Holding Company Act as a result of the enactment of section 1301(a)(3) of the Financial Stability Improvement Act of 2009; or</p> <p>^(ii) on November 23, 2009--</p> <p>^(I) controlled an institution which became a bank as a result of the enactment of section 1301(a)(4)(B) of the Financial Stability Improvement Act of 2009;</p> <p>^(II) had an application pending, or approved but not executed, before the Federal Deposit Insurance Corporation, that, if approved, would permit the applicant to control an industrial loan company, industrial bank, or other similar institution--</p> <p>^(aa) that is a federally insured, State-chartered depository institution;</p> <p>^(bb) that is organized under the laws of a State that on March 5, 1987, had in effect, or had under consideration in the legislature of such State, a statute that required such institution to obtain insurance under the Federal Deposit Insurance Act; and</p> <p>^(cc) that--</p>		

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<p>^(AA) does not accept demand deposits that the depositor may withdraw by check or similar means for payment to third parties; or</p> <p>^(BB) maintains total assets of less than \$100,000,000; or</p> <p style="padding-left: 40px;">^(III) controlled an institution it has continuously controlled since March 5, 1987, which became a bank as a result of the enactment of the Competitive Equality Banking Act of 1987, pursuant to subsection (f);</p> <p>^(B) was not on June 30, 2009--</p> <p style="padding-left: 20px;">^(i) a bank holding company; or</p> <p style="padding-left: 20px;">^(ii) subject to the Bank Holding Company Act of 1956 by reason of section 8(a) of the International Banking Act of 1978 (12 U.S.C. 3106(a)); and</p> <p>^(C) on June 30, 2009, directly or indirectly controlled shares or engaged in activities that did not, on the day before the date of enactment of the Financial Stability Act of 2009, comply with the activity or investment restrictions on financial holding companies in section 4 in accordance with regulations prescribed by the Board,</p> <p>shall not be treated as a bank holding company for purposes of this Act solely by virtue of such company's control of such institution and control of a section 6 holding company established pursuant to section 6.</p> <p>^(2) LOSS OF EXEMPTION- A company described in paragraph (1) shall no longer qualify for the exemption provided under that paragraph if--</p> <p style="padding-left: 20px;">^(A) such company fails to--</p> <p style="padding-left: 40px;">^(i) establish and register a section 6 holding company pursuant to section 6 of this Act within 180 days after adoption of rules required by this section, unless the Board grants an extension of such period for compliance which shall not exceed 180 additional days; and</p> <p style="padding-left: 40px;">^(ii) maintain a section 6 holding company in compliance with all the requirements for a</p>		

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<p>section 6 holding company under section 6 of this Act.</p> <p>\(B) such company directly or indirectly (including through the section 6 holding company it must form pursuant to this subsection and section 6 of this Act) acquires control of an additional bank or insured depository institution after June 30, 2009, provided that such company directly or indirectly (including through the section 6 holding company) may acquire--</p> <ul style="list-style-type: none"> \(i) shares held as a bona fide fiduciary (whether with or without the sole discretion to vote such shares); \(ii) shares held by any person as a bona fide fiduciary solely for the benefit of employees of either the company described in paragraph (1) or any subsidiary of that company and the beneficiaries of those employees; \(iii) shares held temporarily pursuant to an underwriting commitment in the normal course of an underwriting business; \(iv) shares held in an account solely for trading purposes; \(v) shares over which no control is held other than control of voting rights acquired in the normal course of a proxy solicitation; \(vi) loans or other accounts receivable acquired from an insured depository institution in the normal course of business; \(vii) shares or assets acquired in securing or collecting a debt previously contracted in good faith, during the 2-year period beginning on the date of such acquisition or for such additional time (not exceeding 3 years) as the Board may permit if the Board determines that such an extension will not be detrimental to the public interest; \(viii) shares or assets acquired directly or indirectly by a depository institution controlled by such company in a transaction involving an insured depository institution for which the Federal Deposit Insurance Corporation has been appointed as receiver or 		

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<p>which has been found to be in danger of default (as defined in section 3 of the Federal Deposit Insurance Act) by the appropriate Federal or State authority;</p> <p>`(ix) shares or assets of another industrial loan company meeting the requirements of this Act if such company continuously controlled an industrial loan company since the date of enactment of the Financial Stability Improvement Act of 2009; and</p> <p>`(x) shares or assets of a savings association acquired directly or indirectly by the savings association controlled by such company if such company continuously controlled a savings association since the date of enactment of the Financial Stability Improvement Act of 2009;</p> <p>`(C)(i) the section 6 holding company required to be established by such company, or any subsidiary bank of such company undergoes a change in control after the date of enactment of the Financial Stability Improvement Act of 2009, other than--</p> <p> `(I) the merger or whole acquisition of such parent company in a bona fide merger or acquisition (as shall be determined by the Board, which is authorized to find that a transaction is not a bona fide merger or acquisition and thus results in the loss of exemption), with a company that is predominantly engaged in activities not permissible for a financial holding company pursuant to section 4(k);</p> <p> `(II) a change of control of an industrial bank, its section 6 holding company, or any entity that directly or indirectly controls the industrial bank, in a transaction other than a merger described in subclause (I), by an acquiring company that is predominately engaged in activities not permissible for a financial holding company pursuant to subsection (k), if--</p> <p> `(aa) the transaction is approved by</p>		

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<p>the appropriate Federal banking agency and the Board; and</p> <p>`(bb) the industrial bank does not thereafter establish a domestic branch as defined in section 3(o) of the Federal Deposit Insurance Act (12 U.S.C. 1813(o));</p> <p>`(III) an inadvertent acquisition of control, as determined by the Board, if such inadvertent acquisition of control is reversed or rectified within 180 days of its discovery; or</p> <p>`(IV) the acquisition of additional shares by a company that owned or controlled 7.5 percent or more of any class of such parent company's outstanding voting stock on or before June 30, 2009, and continuously owned or controlled at least such 7.5 percent since June 30, 2009.</p> <p>`(ii) Nothing in this subparagraph shall be construed as preventing the Board from requiring compliance with this subsection, section 6 or the requirements of the Change in Bank Control Act, as applicable to a company that is permitted to acquire control without loss of the exemption in this subsection 4(p)(2); or</p> <p>`(D) any subsidiary bank of such company engages in any activity after the date of enactment of the Financial Stability Improvement Act of 2009 which would have caused such institution to be a bank (as defined in section 2(c) of this Act, as in effect before such date) if such activities had been engaged in before such date.</p> <p>`(3) DIVESTITURE IN CASE OF LOSS OF EXEMPTION- If any company described in paragraph (1) fails to qualify for the exemption provided under paragraph (1) 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 on which 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--</p> <p>`(A) either--</p> <p>`(i) corrected the condition or ceased the activity that caused the company to fail to</p>		

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<p>continue to qualify for the exemption; or (ii) submitted a plan to the Board for approval to cease the activity or correct the condition in a timely manner (which shall not exceed 1 year); and (B) implemented procedures that are reasonably adapted to avoid the reoccurrence of such condition or activity.</p> <p>(4) SUBSECTION CEASES TO APPLY UNDER CERTAIN CIRCUMSTANCES- This subsection shall cease to apply to any company described in paragraph (1) if such company-- (A) registers as a bank holding company under section 2(a) of this Act; (B) immediately upon such registration, complies with all of the requirements of this chapter, and regulations prescribed by the Board pursuant to this chapter, including the nonbanking restrictions of this section; and (C) does not, at the time of such registration, control banks in more than one State, the acquisition of which would be prohibited by section 3(d) of this Act if an application for such acquisition by such company were filed under section 3(a) of this Act.</p> <p>(5) INFORMATION REQUIREMENT- Each company described in paragraph (1) shall, within 60 days after the date of enactment of the Financial Stability Improvement Act of 2009, provide the Board with the name and address of such company, the name and address of each bank such company controls, and a description of each such bank's activities.</p> <p>(6) EXAMINATIONS AND REPORTS- The Board may, from time to time, examine a company described in paragraph (1) or a bank controlled by such a company, and may require reports under oath from a company described in paragraph (1), and appropriate officers or directors of such company, in each case solely for purposes of assuring compliance with the provisions of this subsection and enforcing such compliance.</p> <p>(7) LIMITED ENFORCEMENT- (A) IN GENERAL- In addition to any other power of the Board, the Board may enforce compliance with the provisions of this subsection which are applicable to any company described in paragraph (1), and any bank controlled by such company, under section 8 of the</p>		

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<p>Federal Deposit Insurance Act, and such company or bank shall be subject to such section (for such purposes) in the same manner and to the same extent as if such company were a bank holding company.</p> <p>`(B) APPLICATION OF OTHER ACT- Any violation of this subsection by any company described in paragraph (1) or any bank controlled by such a company, may also be treated as a violation of the Federal Deposit Insurance Act for purposes of subparagraph (A).</p> <p>`(C) NO EFFECT ON OTHER AUTHORITY- No provision of this paragraph shall be construed as limiting any authority of the Board or any other Federal agency under any other provision of law.</p> <p>`(8) UNITARY SAVINGS AND LOAN HOLDING COMPANY DEFINED- For purposes of this subsection, the term `unitary savings and loan holding company' means a company that was a savings and loan holding company on May 4, 1999 (as then defined), or that became a savings and loan holding company pursuant to an application pending before the Office of Thrift Supervision on or before that date, and--</p> <p> `(A) that controls--</p> <p> `(i) only 1 savings association; or</p> <p> `(ii) more than 1 savings association, if all, or all but 1, of the savings association subsidiaries of such company were initially acquired by the company pursuant to a supervisory transaction under section 1823(c), 1823(i), or 1823(k) of this title, or section 408(m) of the National Housing Act (12 U.S.C. 1730a(m));</p> <p> `(B) all of the savings association subsidiaries of such company are qualified thrift lenders (as determined under section 10 of the Home Owners' Loan Act); and</p> <p> `(C) that continues to control not fewer than 1 savings association that it controlled on May 4, 1999, or that it acquired pursuant to an application pending before the Office of Thrift Supervision on or before that date.</p> <p>`(q) Preservation of Certain Savings and Loan Holding Company Authorities- Notwithstanding subsection (a), a company that was a savings and loan holding company on June 30, 2009, that became a bank holding company by operation of section 1301 of the Financial Stability</p>		

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<p>Improvement Act of 2009 may continue to engage in the following activities in which such company was continuously engaged on June 30, 2009, through the day of enactment of the Financial Stability Improvement Act of 2009:</p> <ul style="list-style-type: none"> `(1) Furnishing or performing management services for a savings association subsidiary of such company. `(2) Conducting an insurance agency or escrow business. `(3) Holding, managing, or liquidating assets owned or acquired from a savings association subsidiary of such company. `(4) Holding or managing properties used or occupied by a savings association subsidiary of such company. `(5) Acting as trustee under deed of trust. `(6) Any other activity in which multiple savings and loan holding companies were authorized (by regulation) to directly engage on March 5, 1987.! 		
<p>(c) Section 6 Holding Companies- The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended by inserting after section 5 the following new section:</p> <p>`SEC. 6. SPECIAL-PURPOSE HOLDING COMPANIES.</p> <p>`(a) Establishment, Purpose and Requirements of Special Purpose Holding Companies-</p> <p>`(1) REQUIREMENT- A special purpose holding company (hereafter in this section referred to as a `section 6 holding company') shall be established and maintained by a company--</p> <ul style="list-style-type: none"> `(A) described in section 4(f)(1) as required by section 4(f)(2)(D) of this Act; `(B) described in section 4(p)(1) as required by section 4(p)(2)(A) of this Act; or `(C) that-- <ul style="list-style-type: none"> `(i) is subject to stricter prudential standards under section 1103 of the Financial Stability Improvement Act of 2009; `(ii) is not-- <ul style="list-style-type: none"> `(I) a bank holding company; or `(II) subject to the Bank Holding Company Act by reason of section 8(a) of the International Banking Act of 1978 (12 U.S.C. 3106(a)); and 		

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<p>(iii) directly or indirectly controlled shares or engaged in activities that did not, on the date the company is first subject to stricter prudential standards pursuant to subtitle B of the Financial Stability Improvement Act of 2009, comply with the activity or investment restrictions on financial holding companies in section 4 in accordance with regulations prescribed by the Board.</p> <p>(2) PURPOSE-</p> <p>(A) The purpose of this section is to provide for consolidated supervision of certain financial companies by the Board.</p> <p>(B) A company that is required to form a section 6 holding company shall conduct all such activities which are permissible for a financial holding company, as determined under section 4(k), through such section 6 holding company, other than--</p> <p>(i) internal financial activities conducted for such company or any affiliate, including, but not limited to internal treasury, investment, and employee benefit functions, provided that with respect to any internal financial activity engaged in for the company or an affiliate and a nonaffiliate during the year prior to date of enactment, the company (or an affiliate not a subsidiary of the section 6 company) may continue to engage in that activity so long as the at least 2/3 of the assets or 2/3 of the revenues generated from the activity are from or attributable to the company or an affiliate, subject to review by the Board to determine whether engaging in such activity presents undue risk to the section 6 company or undue systemic risk; and</p> <p>(ii) financial activities involving the provision of credit for the purchase or lease of products or services from an affiliate or for the purchase or lease of products produced by an affiliate of such section 6 holding company that is not a subsidiary of such section 6 holding company, in accordance with</p>		

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<p>regulations prescribed by or orders issued by the Board, pursuant to section 6 of this Act.</p> <p>“(C) A section 6 holding company shall be prohibited from conducting any nonbanking activities or investing in any nonbank companies other than those permissible for a financial holding company under sections 3 and 4, unless the Board specifically determines otherwise in accordance with paragraph (6), and provided that, for purposes of this paragraph, a company designated as a section 6 holding company and described under paragraph (4) (or any permitted successor) is not prohibited from continuing to engage in any impermissible activity in which it was engaged continuously during the 6 months prior to the date of enactment, from owning any shares or types of assets related to such activity, or continuing to own such other shares or assets that it owned on the date of enactment.</p> <p>“(3) REGISTRATION-</p> <p>“(A) A section 6 holding company required to be established by a company described in paragraph (1)(A) shall be established, and such company shall register with the Board as a bank holding company, pursuant to the requirements in section 4(f).</p> <p>“(B) A section 6 holding company required to be established by a company described in paragraph (1)(B) shall be established, and such company shall register with the Board as a bank holding company, pursuant to the requirements in section 4(p).</p> <p>“(C) A section 6 holding company required to be established by a company described in paragraph (1)(C) shall be--</p> <p>“(i) established, and such company shall register with the Board within 90 days after such company or such company's parent holding company has been notified by the Board that such company is subject to stricter prudential standards under section 1103 of the Financial Stability Improvement Act of 2009, unless the Board grants an extension of such period for compliance which shall not exceed 180 additional days;</p>		

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<p>financial activities conducted for such company or any affiliate, including any financial activity engaged in for both the company or an affiliate and a nonaffiliate as permitted under section 4(f)(2)(D) or section 6(a)(2)(B) and financial activities involving the provision of credit for the purchase or lease of products or services from an affiliate or for the purchase or lease of products produced by an affiliate of such section 6 holding company that is not a subsidiary of such section 6 holding company, through such section 6 holding company, if the Board makes a finding that such exemption--</p> <ul style="list-style-type: none"> `(I)(aa) would facilitate the extension of credit to individuals, households, and businesses; or `(bb) would allow for greater efficiency, improved customer service, or other public benefits in the conduct of financial activities by affected companies; `(II) would not threaten the safety and soundness of the section 6 holding company, or of any insured depository institution or other subsidiary of the section 6 holding company; `(III) would not increase systemic risk or threaten the stability of the overall financial system; `(IV) would not, as applied to the activities that are the subject of the rule, order or request, result in substantially lessening competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless the Board finds that the anticompetitive effects are outweighed in the public interest by the probable effect of the exemption in meeting the 		

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<p>convenience and needs of the community to be served; and ` (V) would meet the financial and managerial standards for financial holding companies described in subparagraphs (A) and (B) of section 4(j)(4); and ` (ii) from the affiliate transaction requirements of subsection (b), including but not limited to exemptions that would facilitate extensions of credit to unaffiliated persons for the personal, household, or business purposes of such unaffiliated persons, unless the Board makes a finding that such exemption-- ` (I) is not consistent with the purposes of section 23A and section 23B of the Federal Reserve Act; ` (II) would threaten the safety and soundness of the section 6 holding company, or any insured depository institution or other subsidiary of the section 6 holding company; ` (III) would increase systemic risk or threaten the stability of the overall financial system; ` (IV) would not, as applied to the activities that are the subject of the rule, order or request result in substantially lessening competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless the Board finds that the anticompetitive effects are outweighed in the public interest by the probable effect of the exemption in meeting the convenience and needs of the community to be served; or ` (V) would permit an unfair, deceptive, abusive, or unsafe-and-unsound act or practice.</p> <p>`(B) PARENT COMPANY REPORTS- The Board</p>		

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<p>may, from time to time, require reports under oath from a company that controls a section 6 holding company, and appropriate officers or directors of such company, solely for purposes of ensuring compliance with the provisions of this section (including assessing the company's ability to serve as a source of financial strength pursuant to subsection (g)) and enforcing such compliance.</p> <p>“(C) LIMITED PARENT COMPANY ENFORCEMENT-</p> <p>“(i) IN GENERAL- In addition to any other power of the Board, the Board may enforce compliance with the provisions of this subsection which are applicable to any company described in paragraph (1), and any bank controlled by such company, under section 8 of the Federal Deposit Insurance Act and such company or bank shall be subject to such section (for such purposes) in the same manner and to the same extent as if such company were a bank holding company.</p> <p>“(ii) APPLICATION OF OTHER ACT- Any violation of this subsection by any company that controls a section 6 holding company or any bank controlled by such a company, may also be treated as a violation of the Federal Deposit Insurance Act for purposes of clause (i).</p> <p>“(iii) NO EFFECT ON OTHER AUTHORITY- No provision of this subparagraph shall be construed as limiting any authority of the Board or any other Federal agency under any other provision of law.</p> <p>“(b) Restrictions on Affiliate Transactions-</p> <p>“(1) SECTION 23A AND 23B APPLICABILITY-</p> <p>“(A) IN GENERAL- Transactions between a section 6 holding company (or any nonbank subsidiary thereof) and any affiliate not controlled by the section 6 holding company shall be subject to the restrictions and limitations contained in section 23A and section 23B of the Federal Reserve Act as if the section 6 holding</p>		

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<p>company were a member bank, provided, that a transaction that otherwise would be a covered transaction shall not be a covered transaction if the transaction is in connection with the bona fide acquisition or lease by an unaffiliated person of assets, goods or services but shall be subject to review under section 23A(f)(1) of such Act.</p> <p>“(B) COVERED TRANSACTIONS- A depository institution controlled by a section 6 holding company may not engage in a covered transaction (as defined in section 23A(b)(7) of the Federal Reserve Act) with any affiliate that is not the section 6 holding company or a subsidiary of the section 6 holding company; provided that, for purposes of the prohibition, a transaction that otherwise would be a covered transaction shall not be a covered transaction if the transaction is in connection with the bona fide acquisition or lease by an unaffiliated person of assets, goods or services, but shall be subject to review under section 23A(f)(1) of the Federal Reserve Act.</p> <p>“(2) RULE OF CONSTRUCTION- No provision of this subsection shall be construed as exempting any subsidiary insured depository institution of a section 6 holding company from compliance with section 23A or 23B of the Federal Reserve Act with respect to each affiliate of such institution (as defined in section 23A or 23B of the Federal Reserve Act), including any affiliate that is the section 6 holding company or subsidiary of the section 6 holding company.</p> <p>“(c) Tying Provisions- A company that directly or indirectly controls a section 6 holding company shall be--</p> <p>“(1) treated as a bank holding company for purposes of section 106 of the Bank Holding Company Act Amendments of 1970 and section 22(h) of the Federal Reserve Act and any regulation prescribed under any such section; and</p> <p>“(2) subject to the restrictions of section 106 of the Bank Holding Company Act Amendments of 1970, in connection with any transaction involving the products or services of such company or affiliate and those of a bank affiliate, as if such company or affiliate were a bank and such bank were a subsidiary of a bank holding company.</p> <p>“(d) Financial Holding Company Requirements- A section 6 holding company shall be subject to--</p>		

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<p> `(1) the conditions for engaging in expanded financial activities in section 4(l); and `(2) the provisions applicable to financial holding companies that fail to meet certain requirements in section 4(m). `(e) Independence of Section 6 Holding Company- `(1) No less than 25 percent of the members of the board of directors of a section 6 holding company, and each subsidiary of a section 6 holding company, shall be independent of the parent company of the section 6 holding company and any subsidiary of such parent company. For purposes of this subsection, a director shall be independent of the parent company if such person is not currently serving, and has not within the previous 2-year period served, as a director, officer, or employee of any affiliate of the section 6 holding company that is not a subsidiary of the section 6 holding company. `(2) No executive officer of a section 6 holding company or any subsidiary of a section 6 holding company may serve as a director, officer, or employee of an affiliate of the section 6 holding company that is not a subsidiary of the section 6 holding company. `(3) The Board shall issue regulations that require effective legal and operational separation of the functions of a section 6 holding company from its affiliates that are not subsidiaries of such section 6 holding company, provided, however that such rules shall not require operational separation of internal functions including, but not limited to, human resources management, employee benefit plans, and information technology. `(f) Source of Strength- A company that directly or indirectly controls a section 6 holding company shall serve as a source of financial strength to its subsidiary section 6 holding company.' </p>		
	<p> <i>(b) Government Accountability Office Study of Exceptions Under the Bank Holding Company Act of 1956-</i> <i>(1) STUDY REQUIRED- The Comptroller General of the United States shall carry out a study to determine whether it is necessary, in order to strengthen the safety and soundness of institutions or the stability of the financial system, to eliminate</i> </p>	

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	<p><i>the exceptions under section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841) for institutions described in--</i></p> <p><i>(A) section 2(a)(5)(E) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(a)(5)(E));</i></p> <p><i>(B) section 2(a)(5)(F) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(a)(5)(F));</i></p> <p><i>(C) section 2(c)(2)(D) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)(2)(D));</i></p> <p><i>(D) section 2(c)(2)(F) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)(2)(F));</i></p> <p><i>(E) section 2(c)(2)(H) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)(2)(H)); and</i></p> <p><i>(F) section 2(c)(2)(B) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)(2)(B)).</i></p> <p><i>(2) CONTENT OF STUDY-</i></p> <p><i>(A) IN GENERAL- The study required under paragraph (1), with respect to the institutions referenced in each of subparagraphs (A) through (E) of paragraph (1), shall, to the extent feasible be based on information provided to the Comptroller General by the appropriate Federal or State regulator, and shall--</i></p> <p><i>(i) identify the types and number of institutions excepted from section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841) under each of the subparagraphs described in subparagraphs (A) through (E) of paragraph (1);</i></p> <p><i>(ii) generally describe the size and geographic locations of the institutions described in clause (i);</i></p>	

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	<p><i>(iii) determine the extent to which the institutions described in clause (i) are held by holding companies that are commercial firms;</i></p> <p><i>(iv) determine whether the institutions described in clause (i) have any affiliates that are commercial firms;</i></p> <p><i>(v) identify the Federal banking agency responsible for the supervision of the institutions described in clause (i) on and after the transfer date;</i></p> <p><i>(vi) determine the adequacy of the Federal bank regulatory framework applicable to each category of institution described in clause (i), including any restrictions (including limitations on affiliate transactions or cross-marketing) that apply to transactions between an institution, the holding company of the institution, and any other affiliate of the institution; and</i></p> <p><i>(vii) evaluate the potential consequences of subjecting the institutions described in clause (i) to the requirements of the Bank Holding Company Act of 1956, including with respect to the availability and allocation of credit, the stability of the financial system and the economy, the safe and sound operation of each category of institution, and the impact on the types of activities in which such institutions, and the holding companies of such institutions, may engage.</i></p> <p><i>(B) SAVINGS ASSOCIATIONS- With respect to institutions described in paragraph (1)(F), the study required under paragraph (1) shall--</i></p> <p><i>(i) determine the adequacy of the Federal bank regulatory framework applicable to such</i></p>	

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	<p><i>institutions, including any restrictions (including limitations on affiliate transactions or cross-marketing) that apply to transactions between an institution, the holding company of the institution, and any other affiliate of the institution; and</i></p> <p><i>(ii) evaluate the potential consequences of subjecting the institutions described in paragraph (1)(F) to the requirements of the Bank Holding Company Act of 1956, including with respect to the availability and allocation of credit, the stability of the financial system and the economy, the safe and sound operation of such institutions, and the impact on the types of activities in which such institutions, and the holding companies of such institutions, may engage.</i></p> <p><i>(3) REPORT- Not later than 18 months after the date of enactment of this Act, the Comptroller General shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report on the study required under paragraph (1).</i></p>	
<p>SEC. 1302. REGISTRATION OF CERTAIN COMPANIES AS BANK HOLDING COMPANIES.</p> <p>Section 5 of the Bank Holding Company Act of 1956 (12 U.S.C. 1844) is amended by inserting at the end the following new subsection:</p> <p>(h) Conversion to Bank Holding Company by Operation of Law-</p> <p>(1) CONVERSION BY OPERATION OF LAW- A company that, on the day before the date of enactment of the Financial Stability Improvement Act of 2009, was not a bank holding company but which, by reason of section 1301 of the Financial Stability Improvement Act of 2009 becomes a bank holding company, other than a section 6 holding company, by operation of law, shall register as a bank holding company with the Board in accordance with section 5(a) within 90 days of the date of</p>		

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
<p>enactment of that Act. `(2) COMPLIANCE WITH BANK HOLDING COMPANY ACT- With respect to any company described in paragraph (1), the Board may grant temporary exemptions or provide other appropriate temporary relief to permit such company to implement measures necessary to comply with the requirements under the Bank Holding Company Act.'</p>		
<p>SEC. 1303. REPORTS AND EXAMINATIONS OF BANK HOLDING COMPANIES; REGULATION OF FUNCTIONALLY REGULATED SUBSIDIARIES.</p> <p>(a) Reports of Bank Holding Companies- Sections 5(c)(1)(A) and (B) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)(1)(A) and (B)) are amended to read as follows:</p> <p> `(A) IN GENERAL- The Board, from time to time, may require a bank holding company and any subsidiary of such company to submit reports under oath that the Board determines are necessary or appropriate for the Board to carry out the purposes of this chapter, prevent evasions thereof, and monitor compliance by the company or subsidiary with the applicable provisions of law.</p> <p> `(B) USE OF EXISTING REPORTS-</p> <p> `(i) IN GENERAL- The Board shall, to the fullest extent possible, use--</p> <p> `(I) reports that a bank holding company or any subsidiary of such company has been required to provide to other Federal or State regulatory agencies;</p> <p> `(II) information that is otherwise required to be reported publicly; and</p> <p> `(III) externally audited financial statements.</p> <p> `(ii) AVAILABILITY- A bank holding company or a subsidiary of such company shall promptly provide to the Board, at the request of the Board, a report referred to in clause (i)(I).'</p>	<p>SEC. 604. REPORTS AND EXAMINATIONS OF HOLDING COMPANIES; REGULATION OF FUNCTIONALLY REGULATED SUBSIDIARIES.</p> <p><i>(a) Reports by Bank Holding Companies- Sections 5(c)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)(1)) is amended--</i></p> <p><i>(1) by striking subparagraph (B) and inserting the following:</i></p> <p><i> `(B) USE OF EXISTING REPORTS AND OTHER SUPERVISORY INFORMATION- The appropriate Federal banking agency for a bank holding company shall, to the fullest extent possible, use--</i></p> <p><i> `(i) reports and other supervisory information that the bank holding company or any subsidiary thereof has been required to provide to other Federal or State regulatory agencies;</i></p> <p><i> `(ii) externally audited financial statements of the bank holding company or subsidiary;</i></p> <p><i> `(iii) information otherwise available from Federal or State regulatory agencies; and</i></p> <p><i> `(iv) information that is otherwise required to be reported publicly.'; and</i></p> <p><i>(2) by adding at the end the following:</i></p> <p><i> `(C) AVAILABILITY- Upon the request of the appropriate Federal banking agency for a bank</i></p>	

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	<p><i>holding company, the bank holding company or a subsidiary of the bank holding company shall promptly provide to the appropriate Federal banking agency any information described in clauses (i) through (iii) of subparagraph (B).’.</i></p>	
<p>(b) Functionally Regulated Subsidiary- Section 5(c)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)(1)) is amended by inserting at the end the following new subparagraph: (C) DEFINITION- For purposes of this subsection and section 6, the term ‘functionally regulated subsidiary’ means any subsidiary (other than a depository institution) of a bank holding company that is-- (i) a broker or dealer registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, for which the Securities and Exchange Commission is the Federal regulatory agency; (ii) an investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940, for which the Securities and Exchange Commission is the Federal regulatory agency; (iii) an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, for which the Securities and Exchange Commission is the Federal regulatory agency, with respect to the investment advisory activities of such investment adviser and activities incidental to such investment advisory activities; and (iv) a futures commission merchant, commodity trading advisor, and commodity pool operator registered with the Commodity Futures Trading Commission under the Commodity Exchange Act, for which the Commodity Futures Trading Commission is the Federal regulatory agency, with respect to the commodities activities of such entity and activities incidental to such commodities</p>		

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activities.'.		
<p>(c) Examinations of Bank Holding Companies- Sections 5(c)(2)(A) and (B) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)(2)(A) and (B)) are amended to read as follows:</p> <p> (A) IN GENERAL- The Board may make examinations of a bank holding company and any subsidiary of such a company to carry out the purposes of this chapter, prevent evasions thereof, and monitor compliance by the company or subsidiary with applicable provisions of law.</p> <p> (B) FUNCTIONALLY REGULATED AND DEPOSITORY INSTITUTION SUBSIDIARIES- The Board shall, to the fullest extent possible, use reports of examination of functionally regulated subsidiaries and subsidiary depository institutions made by other Federal or State regulatory authorities.'</p>	<p><i>(b) Examinations of Bank Holding Companies- Section 5(c)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)(2)) is amended to read as follows:</i></p> <p> (2) EXAMINATIONS-</p> <p> (A) IN GENERAL- <i>The appropriate Federal banking agency for a bank holding company may make examinations of the bank holding company and each subsidiary of the bank holding company in order to--</i></p> <p> (i) <i>inform such appropriate Federal banking agency of--</i></p> <p> (I) <i>the nature of the operations and financial condition of the bank holding company and the subsidiary;</i></p> <p> (II) <i>the financial, operational, and other risks within the bank holding company system that may pose a threat to--</i></p> <p> (aa) <i>the safety and soundness of the bank holding company or of any depository institution subsidiary of the bank holding company; or</i></p> <p> (bb) <i>the stability of the financial system of the United States; and</i></p> <p> (III) <i>the systems of the bank holding company for monitoring and controlling the risks described in</i></p>	

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	<p style="text-align: center;"><i>subclause (II); and</i></p> <p style="text-align: center;"><i>“(ii) enforce the compliance of the bank holding company and the subsidiary with this Act and any other Federal law that such appropriate Federal banking agency has specific jurisdiction to enforce against the bank holding company or subsidiary.</i></p> <p style="text-align: center;">“(B) USE OF REPORTS TO REDUCE EXAMINATIONS- <i>For purposes of this paragraph, the appropriate Federal banking agency for a bank holding company shall, to the fullest extent possible, rely on--</i></p> <p style="text-align: center;"><i>“(i) examination reports made by other Federal or State regulatory agencies relating to the bank holding company and any subsidiary of the bank holding company; and</i></p> <p style="text-align: center;"><i>“(ii) the reports and other information required under paragraph (1).</i></p> <p style="text-align: center;">“(C) COORDINATION WITH OTHER REGULATORS- <i>The appropriate Federal banking agency for a bank holding company shall--</i></p> <p style="text-align: center;"><i>“(i) provide reasonable notice to, and consult with, the appropriate Federal banking agency or State regulatory agency of a subsidiary that is a depository institution or a functionally regulated subsidiary before commencing an examination of the subsidiary under this section; and</i></p> <p style="text-align: center;"><i>“(ii) to the fullest extent possible, avoid duplication of examination activities, reporting requirements, and requests for information.’.</i></p>	

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
(d) Regulation of Financial Holding Companies- Section 5(c)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)) is amended by striking subparagraphs (C), (D), and (E).		
(e) Authority to Regulate Functionally Regulated Subsidiaries of Bank Holding Companies- The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended by striking section 10A (12 U.S.C. 1848a).	<p><i>(c) Authority To Regulate Functionally Regulated Subsidiaries of Bank Holding Companies- The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended--</i></p> <p><i>(1) in section 5(c) (12 U.S.C. 1844(c)), by striking paragraphs (3) and (4) and inserting the following:</i></p> <p><i>`(3) [Reserved]</i></p> <p><i>`(4) [Reserved]'; and</i></p> <p><i>(2) by striking section 10A (12 U.S.C. 1848a).</i></p>	
	<p>SEC. 604.</p> <p><i>(g) Reports by Savings and Loan Holding Companies- Section 10(b)(2) of the Home Owners' Loan Act (12 U.S.C. 1467a(b)(2) is amended--</i></p> <p><i>(1) by striking 'Each savings' and inserting the following:</i></p> <p><i>`(A) IN GENERAL- Each savings'; and</i></p> <p><i>(2) by adding at the end the following:</i></p> <p><i>`(B) USE OF EXISTING REPORTS AND OTHER SUPERVISORY INFORMATION- The appropriate Federal banking agency for a savings and loan holding company shall, to the fullest extent possible, use--</i></p> <p><i>`(i) reports and other supervisory information that the savings and loan holding company or any subsidiary thereof has been required to provide to other Federal or State regulatory agencies;</i></p> <p><i>`(ii) externally audited financial statements of</i></p>	

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
	<p><i>the savings and loan holding company or subsidiary;</i></p> <p><i>∅(iii) information that is otherwise available from Federal or State regulatory agencies; and</i></p> <p><i>∅(iv) information that is otherwise required to be reported publicly.</i></p> <p><i>∅(C) AVAILABILITY- Upon the request of the appropriate Federal banking agency for a savings and loan holding company, the savings and loan holding company or a subsidiary of the savings and loan holding company shall promptly provide to the appropriate Federal banking agency any information described in clauses (i) through (iii) of subparagraph (B).'</i></p>	
	<p>SEC. 604.</p> <p><i>(h) Examination of Savings and Loan Holding Companies-</i></p> <p><i>(1) DEFINITIONS- Section 2 of the Home Owners' Loan Act (12 U.S.C. 1462) is amended by adding at the end the following:</i></p> <p><i>∅(10) APPROPRIATE FEDERAL BANKING AGENCY- The term 'appropriate Federal banking agency' has the same meaning as in section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. 1813(q)).</i></p> <p><i>∅(11) FUNCTIONALLY REGULATED SUBSIDIARY- The term 'functionally regulated subsidiary' has the same meaning as in section 5(c)(5) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)(5)).'</i></p> <p><i>(2) EXAMINATION- Section 10(b) of the Home Owners' Loan Act (12 U.S.C. 1467a(b)) is amended by striking paragraph (4) and inserting the following:</i></p>	

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
	<p>(4) EXAMINATIONS-</p> <p>(A) IN GENERAL- The appropriate Federal banking agency for a savings and loan holding company may make examinations of the savings and loan holding company and each subsidiary of the savings and loan holding company system, in order to--</p> <p>(i) inform such appropriate Federal banking agency of--</p> <p>(I) the nature of the operations and financial condition of the savings and loan holding company and the subsidiary;</p> <p>(II) the financial, operational, and other risks within the savings and loan holding company that may pose a threat to--</p> <p>(aa) the safety and soundness of the savings and loan holding company or of any depository institution subsidiary of the savings and loan holding company; or</p> <p>(bb) the stability of the financial system of the United States; and</p> <p>(III) the systems of the savings and loan holding company for monitoring and controlling the risks described in subclause (II); and</p> <p>(ii) enforce the compliance of the savings and loan holding company and the subsidiary with this Act and any other Federal law that such appropriate Federal banking agency has specific jurisdiction to enforce against the savings and loan holding company or subsidiary.</p> <p>(B) USE OF REPORTS TO REDUCE EXAMINATIONS- For purposes of this subsection, the</p>	

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
	<p><i>appropriate Federal banking agency for a savings and loan holding company shall, to the fullest extent possible, rely on--</i></p> <p><i>ˆ(i) the examination reports made by other Federal or State regulatory agencies relating to the savings and loan holding company and any subsidiary; and</i></p> <p><i>ˆ(ii) the reports and other information required under paragraph (2).</i></p> <p><i>ˆ(C) COORDINATION WITH OTHER REGULATORS- The appropriate Federal banking agency for a savings and loan holding company shall--</i></p> <p><i>ˆ(i) provide reasonable notice to, and consult with, the appropriate Federal banking agency or State regulatory agency of a subsidiary that is a depository institution or a functionally regulated subsidiary before commencing an examination of the subsidiary under this section; and</i></p> <p><i>ˆ(ii) to the fullest extent possible, avoid duplication of examination activities, reporting requirements, and requests for information.'</i></p>	
	<p>SEC. 604.</p> <p><i>(i) Effective Date- The amendments made by this section shall take effect on the transfer date.</i></p>	
	<p>SEC. 605. ASSURING CONSISTENT OVERSIGHT OF PERMISSIBLE ACTIVITIES OF DEPOSITORY INSTITUTION SUBSIDIARIES OF HOLDING COMPANIES.</p> <p><i>Section 6 of the Bank Holding Company Act of 1956 (12 U.S.C. 1845) is</i></p>	

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
	<p><i>amended to read as follows:</i></p> <p><i>SEC. 6. ASSURING CONSISTENT OVERSIGHT OF PERMISSIBLE ACTIVITIES OF DEPOSITORY INSTITUTION SUBSIDIARIES OF HOLDING COMPANIES.</i></p> <p><i>(a) Definitions-</i></p> <p><i>(1) DEFINITIONS- In this section--</i></p> <p><i>(A) the term 'depository institution holding company' has the same meaning as in section 3(w) of the Federal Deposit Insurance Act (12 U.S.C. 1813(w));</i></p> <p><i>(B) the term 'functionally regulated subsidiary' has the same meaning as in section 5(c)(5); and</i></p> <p><i>(C) the term 'lead Federal banking agency' means--</i></p> <p><i>(i) the Office of the Comptroller of the Currency, in the case of any depository institution holding company having--</i></p> <p><i>(I) a subsidiary that is an insured depository institution, if all such insured depository institutions are Federal depository institutions; or</i></p> <p><i>(II) a subsidiary that is a Federal depository institution and a subsidiary that is a State depository institution, if the total consolidated assets of all subsidiaries that are Federal depository institutions exceed the total consolidated assets of all subsidiaries that are State depository institutions; and</i></p> <p><i>(ii) the Federal Deposit Insurance Corporation, in the case of any depository</i></p>	

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	<p><i>institution holding company having--</i></p> <p><i>“(I) a subsidiary that is an insured depository institution, if all such insured depository institutions are State depository institutions; or</i></p> <p><i>“(II) a subsidiary that is a Federal depository institution and a subsidiary that is a State depository institution, if the total consolidated assets of all subsidiaries that are State depository institutions exceed the total consolidated assets of all subsidiaries that are Federal depository institutions.</i></p> <p><i>“(2) DETERMINATION OF TOTAL CONSOLIDATED ASSETS- For purposes of paragraph (1)(A), the total consolidated assets of a depository institution shall be determined in the same manner that total consolidated assets of depository institutions are determined for purposes of section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. 1813(q)).</i></p> <p><i>“(b) Lead Agency Supervision-</i></p> <p><i>“(1) IN GENERAL- The lead Federal banking agency for each depository institution holding company shall make examinations of the activities of each nondepository institution subsidiary (other than a functionally regulated subsidiary) of the depository institution holding company that are permissible for depository institution subsidiaries of the depository institution holding company, to determine whether the activities--</i></p> <p><i>“(A) present safety and soundness risks to any depository institution subsidiary of the depository institution holding company;</i></p> <p><i>“(B) are conducted in accordance with applicable law; and</i></p>	

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	<p><i>“(C) are subject to appropriate systems for monitoring and controlling the financial, operating, and other risks of the activity and protecting the depository institution subsidiaries of the holding company.</i></p> <p><i>“(2) PROCESS FOR EXAMINATION- An examination under paragraph (1) shall be carried out under the authority of the lead Federal banking agency, as if the nondepository institution subsidiary were an insured depository institution for which the lead Federal banking agency is the appropriate Federal banking agency.</i></p> <p><i>“(c) Coordination- For each depository institution holding company for which the Board of Governors is the appropriate Federal banking agency, the lead Federal banking agency of the depository institution holding company shall coordinate the supervision of the activities of subsidiaries described in subsection (b) with the Board of Governors, in a manner that--</i></p> <p><i>“(1) avoids duplication;</i></p> <p><i>“(2) shares information relevant to the supervision of the depository institution holding company by each agency;</i></p> <p><i>“(3) achieves the objectives of subsection (b); and</i></p> <p><i>“(4) ensures that the depository institution holding company and the subsidiaries of the depository institution holding company are not subject to conflicting supervisory demands by the 2 agencies.</i></p> <p><i>“(d) Referrals for Enforcement-</i></p> <p><i>“(1) RECOMMENDATION OF ACTION BY BOARD OF GOVERNORS- The lead Federal banking agency for a depository institution holding company, based on information obtained pursuant to the responsibilities of the agency under subsection (b), may submit to the Board of Governors, in writing, a recommendation that the Board of Governors take enforcement action against a nondepository institution subsidiary (other than a functionally regulated subsidiary) of</i></p>	

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	<p><i>the depository institution holding company, together with an explanation of the concerns giving rise to the recommendation.</i></p> <p><i>“(2) BACK-UP AUTHORITY OF THE LEAD FEDERAL BANKING AGENCY- If, within the 60-day period beginning on the date on which the Board of Governors receives a recommendation under paragraph (1), the Board of Governors does not take enforcement action against a nondepository institution subsidiary or provide a plan for enforcement action that is acceptable to the lead Federal banking agency, the lead Federal banking agency (upon the authorization of the Comptroller, or the Federal Deposit Insurance Corporation, upon a vote of its members, as applicable) may take the recommended enforcement action, in the same manner as if the subsidiary were an insured depository institution for which the lead Federal banking agency is the appropriate Federal banking agency.’.</i></p>	
<p>SEC. 1304. REQUIREMENTS FOR FINANCIAL HOLDING COMPANIES TO REMAIN WELL CAPITALIZED AND WELL MANAGED.</p> <p>Section 4(l)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(l)(1)) is amended--</p> <p>(1) in subparagraph (B), by striking ‘and’;</p> <p>(2) by redesignating subparagraph (C) as subparagraph (D);</p> <p>(3) by inserting after subparagraph (B) the following new subparagraph:</p> <p style="padding-left: 40px;">“(C) the bank holding company is well capitalized and well managed; and’; and</p> <p>(4) in subparagraph (D) (as so redesignated) by amending clause (ii) to read as follows:</p> <p style="padding-left: 40px;">“(ii) a certification that the company meets the requirements of subparagraphs (A) through (C).’.</p>	<p>SEC. 606. REQUIREMENTS FOR FINANCIAL HOLDING COMPANIES TO REMAIN WELL CAPITALIZED AND WELL MANAGED.</p> <p><i>(a) Amendment- Section 4(l)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(l)(1)) is amended--</i></p> <p><i>(1) in subparagraph (B), by striking ‘and’ at the end;</i></p> <p><i>(2) by redesignating subparagraph (C) as subparagraph (D);</i></p> <p><i>(3) by inserting after subparagraph (B) the following:</i></p> <p style="padding-left: 40px;"><i>“(C) the bank holding company is well capitalized and well managed; and’; and</i></p> <p><i>(4) in subparagraph (D)(ii), as so redesignated, by striking ‘subparagraphs (A) and (B)’ and inserting ‘subparagraphs (A), (B), and (C).’.</i></p> <p><i>(b) Effective Date- The amendments made by this section shall take effect on the transfer date.</i></p>	

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<p>SEC. 1305. STANDARDS FOR INTERSTATE ACQUISITIONS.</p> <p>(a) Bank Holding Company Act of 1956 Amendment- Section 3(d)(1)(A) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(d)(1)(A)) is amended--</p> <p>(1) by striking 'adequately capitalized' and inserting 'well capitalized'; and</p> <p>(2) by striking 'adequately managed' and inserting 'well managed'.</p> <p>(b) Federal Deposit Insurance Act Amendment- Section 44(b)(4)(B) of the Federal Deposit Insurance Act (12 U.S.C. 1831u(b)(4)(B)) is amended to read as follows:</p> <p>(B) the responsible agency determines that the resulting bank will be well capitalized and well managed upon the consummation of the transaction.'</p>	<p>SEC. 607. STANDARDS FOR INTERSTATE ACQUISITIONS.</p> <p>(a) Acquisition of Banks- Section 3(d)(1)(A) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(d)(1)(A)) is amended by striking 'adequately capitalized and adequately managed' and inserting 'well capitalized and well managed'.</p> <p>(b) Interstate Bank Mergers- Section 44(b)(4)(B) of the Federal Deposit Insurance Act (12 U.S.C. 1831u(b)(4)(B)) is amended by striking 'will continue to be adequately capitalized and adequately managed' and inserting 'will be well capitalized and well managed'.</p> <p>(c) Effective Date- The amendments made by this section shall take effect on the transfer date.</p>	
<p>SEC. 1306. ENHANCING EXISTING RESTRICTIONS ON BANK TRANSACTIONS WITH AFFILIATES.</p> <p>(a) Section 23A of the Federal Reserve Act (12 U.S.C. 371c) is amended--</p> <p>(1) in subsection (b)(1), by striking subparagraph (D) and inserting the following new subparagraph:</p> <p>(D) any investment fund with respect to which a member bank or affiliate thereof is an investment adviser; and';</p>	<p>SEC. 608. ENHANCING EXISTING RESTRICTIONS ON BANK TRANSACTIONS WITH AFFILIATES.</p> <p>(a) Affiliate Transactions- Section 23A of the Federal Reserve Act (12 U.S.C. 371c) is amended--</p> <p>(1) in subsection (b)--</p> <p>(A) in paragraph (1), by striking subparagraph (D) and inserting the following:</p> <p>(D) any investment fund with respect to which a member bank or affiliate thereof is an investment adviser; and'; and</p>	
<p>(2) in subsection (b)(7)(A), by inserting '(including a purchase of assets subject to an agreement to repurchase)' after 'affiliate';</p> <p>(3) in subsection (b)(7)(C), by striking ', including assets subject to an agreement to repurchase,';</p> <p>(4) in subsection (b)(7)(D)--</p> <p>(A) by inserting 'or other debt obligations' after 'acceptance of securities'; and</p> <p>(B) by striking 'or' after the semicolon;</p>	<p>(B) in paragraph (7)--</p> <p>(i) in subparagraph (A), by inserting before the semicolon at the end the following: ', including a purchase of assets subject to an agreement to repurchase';</p>	

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<p>(5) in subsection (b)(7), by inserting at the end the following new subparagraphs: ` (F) any securities borrowing and lending transactions with an affiliate to the extent that the transactions create credit exposure of the member bank to the affiliate; or ` (G) current and potential future credit exposure to the affiliate on derivative transactions with the affiliate;'</p>	<p><i>(ii) in subparagraph (C), by striking ` , including assets subject to an agreement to repurchase, ;</i></p> <p><i>(iii) in subparagraph (D)--</i></p> <p><i>(I) by inserting `or other debt obligations' after `acceptance of securities'; and</i></p> <p><i>(II) by striking `or' at the end; and</i></p> <p><i>(iv) by adding at the end the following:</i></p> <p><i>`(F) a transaction with an affiliate that involves the borrowing or lending of securities, to the extent that the transaction causes a member bank or a subsidiary to have credit exposure to the affiliate; or</i></p> <p><i>`(G) a derivative transaction, as defined in paragraph (3) of section 5200(b) of the Revised Statutes of the United States (12 U.S.C. 84(b)), with an affiliate, to the extent that the transaction causes a member bank or a subsidiary to have credit exposure to the affiliate;'</i></p>	
<p>(6) in subsection (c)(1), by striking `at the time of the transaction,' and inserting `at all times';</p> <p>(7) in subsection (c)-- (A) by striking paragraph (2); (B) by redesignating paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4), respectively;</p> <p>(8) in subsection (c)(3) (as so redesignated by paragraph (7)), by inserting `or other debt obligations' after `securities';</p> <p>(9) in subsection (f)(2), by inserting at the end the following: `The Board may not, by regulation or order, grant an exemption under this section unless the Board obtains the concurrence of the Chairman of the Federal Deposit Insurance Corporation.'; and</p> <p>(10) in subsection (f)-- (A) by redesignating paragraph (3) as paragraph (4); and</p>	<p><i>(2) in subsection (c)--</i></p> <p><i>(A) in paragraph (1)--</i></p> <p><i>(i) in the matter preceding subparagraph (A), by striking `subsidiary' and all that follows through `time of the transaction' and inserting `subsidiary, and any credit exposure of a member bank or a subsidiary to an affiliate resulting from a securities borrowing or lending transaction, or a derivative transaction, shall be secured at all times'; and</i></p> <p><i>(ii) in each of subparagraphs (A) through (D), by striking `or letter of credit' and inserting</i></p>	

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<p>(B) and inserting after paragraph (2) the following new paragraph: `(3) CONCURRENCE OF THE COMPTROLLER OF THE CURRENCY- With respect to a transaction or relationship involving a national bank or Federal savings association, the Board may not grant an exemption under this section unless the Board obtains the concurrence of the Comptroller of the Currency (in addition to obtaining the concurrence of the Chairman of the Federal Deposit Insurance Corporation under paragraph (2)).'</p> <p>(b) Technical and Conforming Amendment- Section 23B(e) of the Federal Reserve Act (12 U.S.C. 371-1(e)), is amended by inserting at the end the following new paragraph: `(3) The Board may not grant an exemption or exclusion under this section unless the Board obtains the concurrence of the Chairman of the Federal Deposit Insurance Corporation.'</p>	<p><i>`letter of credit, or credit exposure';</i></p> <p><i>(B) by striking paragraph (2);</i></p> <p><i>(C) by redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively;</i></p> <p><i>(D) in paragraph (2), as so redesignated, by inserting before the period at the end ` , or credit exposure to an affiliate resulting from a securities borrowing or lending transaction, or derivative transaction'; and</i></p> <p><i>(E) in paragraph (3), as so redesignated--</i></p> <p><i>(i) by inserting `or other debt obligations' after `securities'; and</i></p> <p><i>(ii) by striking `or guarantee' and all that follows through `behalf of,' and inserting `guarantee, acceptance, or letter of credit issued on behalf of, or credit exposure from a securities borrowing or lending transaction, or derivative transaction to,';</i></p> <p><i>(3) in subsection (d)(4), in the matter preceding subparagraph (A), by striking `or issuing' and all that follows through `behalf of,' and inserting `issuing a guarantee, acceptance, or letter of credit on behalf of, or having credit exposure resulting from a securities borrowing or lending transaction, or derivative transaction to,'; and</i></p> <p><i>(4) in subsection (f)--</i></p> <p><i>(A) in paragraph (2)--</i></p> <p><i>(i) by striking `or order';</i></p> <p><i>(ii) by striking `if it finds' and all that follows through the end of the paragraph and inserting the following: `if--</i></p>	

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	<p><i>“(i) the Board finds the exemption to be in the public interest and consistent with the purposes of this section, and notifies the Federal Deposit Insurance Corporation of such finding; and</i></p> <p><i>“(ii) before the end of the 60-day period beginning on the date on which the Federal Deposit Insurance Corporation receives notice of the finding under clause (i), the Federal Deposit Insurance Corporation does not object, in writing, to the finding, based on a determination that the exemption presents an unacceptable risk to the Deposit Insurance Fund.’;</i></p> <p><i>(iii) by striking the Board and inserting the following:</i></p> <p><i>“(A) IN GENERAL- The Board’; and</i></p> <p><i>(iv) by adding at the end the following:</i></p> <p><i>“(B) ADDITIONAL EXEMPTIONS-</i></p> <p><i>“(i) NATIONAL BANKS- The Comptroller of the Currency may, by order, exempt a transaction of a national bank from the requirements of this section if--</i></p> <p><i>“(I) the Board and the Office of the Comptroller of the Currency jointly find the exemption to be in the public interest and consistent with the purposes of this section and notify the Federal Deposit Insurance Corporation of such finding; and</i></p> <p><i>“(II) before the end of the 60-day period beginning on the date on which the Federal Deposit Insurance</i></p>	

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	<p><i>Corporation receives notice of the finding under subclause (I), the Federal Deposit Insurance Corporation does not object, in writing, to the finding, based on a determination that the exemption presents an unacceptable risk to the Deposit Insurance Fund.</i></p> <p><i>“(ii) STATE BANKS- The Federal Deposit Insurance Corporation may, by order, exempt a transaction of a State nonmember bank, and the Board may, by order, exempt a transaction of a State member bank, from the requirements of this section if-</i></p> <p><i>“(I) the Board and the Federal Deposit Insurance Corporation jointly find that the exemption is in the public interest and consistent with the purposes of this section; and</i></p> <p><i>“(II) the Federal Deposit Insurance Corporation finds that the exemption does not present an unacceptable risk to the Deposit Insurance Fund.’; and</i></p> <p><i>(B) by adding at the end the following:</i></p> <p><i>“(4) AMOUNTS OF COVERED TRANSACTIONS- The Board may issue such regulations or interpretations as the Board determines are necessary or appropriate with respect to the manner in which a netting agreement may be taken into account in determining the amount of a covered transaction between a member bank or a subsidiary and an affiliate, including the extent to which netting agreements between a member bank or a subsidiary and an affiliate may be taken into account in determining whether a covered transaction is fully secured for purposes of subsection (d)(4). An interpretation under this paragraph with respect to a specific member bank, subsidiary,</i></p>	

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	<p><i>or affiliate shall be issued jointly with the appropriate Federal banking agency for such member bank, subsidiary, or affiliate.'</i></p> <p><i>(b) Transactions With Affiliates- Section 23B(e) of the Federal Reserve Act (12 U.S.C. 371c-1(e)) is amended--</i></p> <p><i>(1) by striking the undesignated matter following subparagraph (B);</i></p> <p><i>(2) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively, and adjusting the clause margins accordingly;</i></p> <p><i>(3) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively, and adjusting the subparagraph margins accordingly;</i></p> <p><i>(4) by striking 'The Board' and inserting the following:</i></p> <p><i>'(1) IN GENERAL- The Board';</i></p> <p><i>(5) in paragraph (1)(B), as so redesignated--</i></p> <p><i>(A) in the matter preceding clause (i), by inserting before 'regulations' the following: 'subject to paragraph (2), if the Board finds that an exemption or exclusion is in the public interest and is consistent with the purposes of this section, and notifies the Federal Deposit Insurance Corporation of such finding,'; and</i></p> <p><i>(B) in clause (ii), by striking the comma at the end and inserting a period; and</i></p> <p><i>(6) by adding at the end the following:</i></p> <p><i>'(2) EXCEPTION- The Board may grant an exemption or exclusion under this subsection only if, during the 60-day period beginning on the date of receipt of notice of the finding from the Board under paragraph (1)(B), the Federal Deposit Insurance Corporation does not object, in writing, to such exemption or exclusion, based on a determination that the exemption presents</i></p>	

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	<p><i>an unacceptable risk to the Deposit Insurance Fund.'</i></p> <p><i>(c) Home Owners' Loan Act- Section 11 of the Home Owners' Loan Act (12 U.S.C. 1468) is amended by adding at the end the following:</i></p> <p><i>“(d) Exemptions-</i></p> <p><i>“(1) FEDERAL SAVINGS ASSOCIATIONS- The Comptroller of the Currency may, by order, exempt a transaction of a Federal savings association from the requirements of this section if--</i></p> <p><i>“(A) the Board and the Office of the Comptroller of the Currency jointly find the exemption to be in the public interest and consistent with the purposes of this section and notify the Federal Deposit Insurance Corporation of such finding; and</i></p> <p><i>“(B) before the end of the 60-day period beginning on the date on which the Federal Deposit Insurance Corporation receives notice of the finding under subparagraph (A), the Federal Deposit Insurance Corporation does not object, in writing, to the finding, based on a determination that the exemption presents an unacceptable risk to the Deposit Insurance Fund.</i></p> <p><i>“(2) STATE SAVINGS ASSOCIATION- The Federal Deposit Insurance Corporation may, by order, exempt a transaction of a State savings association from the requirements of this section if the Board and the Federal Deposit Insurance Corporation jointly find that--</i></p> <p><i>“(A) the exemption is in the public interest and consistent with the purposes of this section; and</i></p> <p><i>“(B) the exemption does not present an unacceptable risk to the Deposit Insurance Fund.'</i></p> <p><i>(d) Effective Date- The amendments made by this section shall take effect 1 year after the transfer date.</i></p>	

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<p>SEC. 1307. ELIMINATING EXCEPTIONS FOR TRANSACTIONS WITH FINANCIAL SUBSIDIARIES.</p> <p>Section 23A(e) of the Federal Reserve Act (12 U.S.C. 371c(e)) is amended--</p> <p>(1) by striking paragraph (3); and</p> <p>(2) by redesignating paragraph (4) as paragraph (3).</p>	<p>SEC. 609. ELIMINATING EXCEPTIONS FOR TRANSACTIONS WITH FINANCIAL SUBSIDIARIES.</p> <p><i>(a) Amendment- Section 23A(e) of the Federal Reserve Act (12 U.S.C. 371c(e)) is amended--</i></p> <p><i>(1) by striking paragraph (3); and</i></p> <p><i>(2) by redesignating paragraph (4) as paragraph (3).</i></p> <p><i>(b) Prospective Application of Amendment- The amendments made by this section shall apply with respect to any covered transaction between a bank and a subsidiary of the bank, as those terms are defined in section 23A of the Federal Reserve Act (12 U.S.C. 371c), that is entered into on or after the date of enactment of this Act.</i></p> <p><i>(c) Effective Date- The amendments made by this section shall take effect 1 year after the transfer date.</i></p>	
<p>SEC. 1308. LENDING LIMITS APPLICABLE TO CREDIT EXPOSURE ON DERIVATIVE TRANSACTIONS, REPURCHASE AGREEMENTS, REVERSE REPURCHASE AGREEMENTS, AND SECURITIES LENDING AND BORROWING TRANSACTIONS.</p> <p>Section 5200 of the Revised Statutes of the United States (12 U.S.C. 84) is amended--</p> <p>(1) in subsection (b)(1), by striking 'shall include all direct or indirect' and all that follows through 'commitment;' and inserting: 'shall include--</p> <p> (A) all direct or indirect advances of funds to a person made on the basis of any obligation of that person to repay the funds or repayable from specific property pledged by or on behalf of the person;</p> <p> (B) to the extent specified by the Comptroller of the Currency, such term shall also include any liability of a national banking association to advance funds to or on behalf of a person pursuant to a contractual commitment; and</p> <p> (C) credit exposure to a person arising from a</p>	<p>SEC. 610. LENDING LIMITS APPLICABLE TO CREDIT EXPOSURE ON DERIVATIVE TRANSACTIONS, REPURCHASE AGREEMENTS, REVERSE REPURCHASE AGREEMENTS, AND SECURITIES LENDING AND BORROWING TRANSACTIONS.</p> <p><i>(a) National Banks- Section 5200(b) of the Revised Statutes of the United States (12 U.S.C. 84(b)) is amended--</i></p> <p><i>(1) in paragraph (1), by striking 'shall include' and all that follows through the end of the paragraph and inserting the following: 'shall include--</i></p> <p><i> (A) all direct or indirect advances of funds to a person made on the basis of any obligation of that person to repay the funds or repayable from specific property pledged by or on behalf of the person;</i></p> <p><i> (B) to the extent specified by the Comptroller of the Currency, any liability of a national banking</i></p>	

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<p>derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction between the national banking association and the person;';</p> <p>(2) in subsection (b)(2) by striking the period at the end and inserting `; and';</p> <p>(3) in subsection (b), by inserting after paragraph (2) the following new paragraph: `3) the term `derivative transaction' means any transaction that is a contract, agreement, swap, 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 relating to, one or more commodities, securities, currencies, interest or other rates, indices, or other assets.'; and</p> <p>(4) in subsection (d), by inserting after paragraph (2) the following new paragraph: `3) The Comptroller of the Currency shall prescribe rules to administer and carry out the purposes of this section with respect to credit exposures arising from any derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction. Rules required to be prescribed under this paragraph (3) shall take effect, in final form, not later than 180 days after the date of enactment of the Financial Stability Improvement Act of 2009.'</p>	<p><i>association to advance funds to or on behalf of a person pursuant to a contractual commitment; and</i></p> <p><i>`(C) any credit exposure to a person arising from a derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction between the national banking association and the person;';</i></p> <p><i>(2) in paragraph (2), by striking the period at the end and inserting `; and'; and</i></p> <p><i>(3) by adding at the end the following:</i></p> <p><i>`3) the term `derivative transaction' includes any transaction that is a contract, agreement, swap, 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 relating to, one or more commodities, securities, currencies, interest or other rates, indices, or other assets.'</i></p> <p><i>(b) Savings Associations- Section 5(u)(3) of the Home Owners' Loan Act (12 U.S.C. 1464(u)(3)) is amended by striking `Director' each place that term appears and inserting `Comptroller of the Currency'.</i></p> <p><i>(c) Effective Date- The amendments made by this section shall take effect 1 year after the transfer date.</i></p>	
<p>SEC. 1309. RESTRICTION ON CONVERSIONS OF TROUBLED BANKS AND THRIFTS.</p> <p>(a) Conversion of a National Banking Association to a State Bank- The National Bank Consolidation and Merger Act (12 U.S.C. 215 et seq.) is amended by redesignating section 7 as section 8 and by inserting after section 6 the following:</p> <p>`SEC. 7. PROHIBITION ON CERTAIN CONVERSIONS.</p> <p>`A national bank may not convert to a State bank during any period of time in which it is subject to a cease and desist order, memorandum of understanding, or other enforcement action entered into with or issued by</p>	<p>SEC. 612. RESTRICTION ON CONVERSIONS OF TROUBLED BANKS.</p> <p>(a) Conversion of a National Banking Association to a State Bank- The Act entitled `An Act to provide for the conversion of national banking associations into and their merger or consolidation with State banks, and for other purposes.' (12 U.S.C. 214 et seq.) is amended by adding at the end the following:</p> <p>SEC. 10. PROHIBITION ON CONVERSION.</p> <p>`A national banking association may not convert to a State bank or State savings association during any period in which the national banking</p>	

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<p>the Comptroller of the Currency.'.</p> <p>(b) Conversion of a State Bank to a National Bank- Section 5154 of the Revised Statutes (12 U.S.C. 35) is amended by adding at the end the following new sentence: `The Comptroller of the Currency shall not approve the conversion of a State bank to a national bank during any period of time in which the State bank is subject to a cease and desist order, memorandum of understanding, or other enforcement action entered into or issued by a State bank supervisor, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System or a Federal Reserve Bank.'.</p> <p>(c) Conversion Between a Federal Savings Association and a State Savings Association- Section 5(i) of the Home Owners' Loan Act (12 U.S.C. 1464(i)) is amended by adding at the end the following new paragraph:</p> <p> ` (6) PROHIBITION ON CERTAIN CONVERSIONS- A Federal savings association may not convert to a State savings association, and a State savings association may not convert to a Federal savings association, during any period of time in which such savings association is subject to a cease and desist order, memorandum of understanding, or other enforcement action entered into with or issued by the Director of the Office of Thrift Supervision or a State savings association supervisor.'.</p>	<p><i>association is subject to a cease and desist order (or other formal enforcement order) issued by, or a memorandum of understanding entered into with, the Comptroller of the Currency with respect to a significant supervisory matter.'.</i></p> <p><i>(b) Conversion of a State Bank to a National Bank- Section 5154 of the Revised Statutes of the United States (12 U.S.C. 35) is amended by adding at the end the following: `The Comptroller of the Currency may not approve the conversion of a State bank or State savings association to a national banking association during any period in which the State bank or State savings association is subject to a cease and desist order (or other formal enforcement order) issued by, or a memorandum of understanding entered into with, a State bank supervisor or the appropriate Federal banking agency with respect to a significant supervisory matter.'.</i></p> <p><i>(c) Conversion of a Federal Savings Association to a National or State Bank or State Savings Association- Section 5(i) of the Home Owners' Loan Act (12 U.S.C. 1464(i)) is amended by adding at the end the following:</i></p> <p><i> ` (6) LIMITATION ON CERTAIN CONVERSIONS BY FEDERAL SAVINGS ASSOCIATIONS- A Federal savings association may not convert to a national bank or State bank or State savings association during any period in which the Federal savings association is subject to a cease and desist order (or other formal enforcement order) issued by, or a memorandum of understanding entered into with, the Office of Thrift Supervision or the Comptroller of the Currency with respect to a significant supervisory matter.'.</i></p>	
<p>SEC. 1310. LENDING LIMITS TO INSIDERS.</p> <p>Section 22(h)(9)(D)(ii) of the Federal Reserve Act (12 U.S.C. 375b(h)(9)(D)(ii)) is amended by inserting ` , except that a member bank shall be deemed to have extended credit to a person if the member bank has credit exposure to the person arising from a derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction between the member bank and the person' before the period at the end.</p>	<p>SEC. 614. LENDING LIMITS TO INSIDERS.</p> <p><i>(a) Extensions of Credit- Section 22(h)(9)(D)(i) of the Federal Reserve Act (12 U.S.C. 375b(9)(D)(i)) is amended--</i></p> <p><i>(1) by striking the period at the end and inserting ` ; or';</i></p> <p><i>(2) by striking `a person' and inserting `the person';</i></p>	

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	<p>(3) by striking `extends credit by making' and inserting the following: `extends credit to a person by--</p> <p style="padding-left: 40px;">`I) making'; and</p> <p>(4) by adding at the end the following:</p> <p style="padding-left: 40px;">`II) having credit exposure to the person arising from a derivative transaction (as defined in section 5200(b) of the Revised Statutes of the United States (12 U.S.C. 84(b))), repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction between the member bank and the person.'.</p> <p>(b) Effective Date- The amendments made by this section shall take effect 1 year after the transfer date.</p>	
<p>SEC. 1311. LIMITATIONS ON PURCHASES OF ASSETS FROM INSIDERS.</p> <p>(a) Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by inserting at the end the following new subsection:</p> <p>`(y) General Prohibition- An insured depository institution shall not purchase an asset from, or sell an asset to, one of its executive officers, directors, or principal shareholders or any related interest of such person (as such terms are defined in section 22(h) of Federal Reserve Act) unless the transaction is on market terms and, if the transaction represents more than 10 percent of the institution's capital stock and surplus, the transaction has been approved in advance by a majority of the institution's board of directors (with interested directors of the insured depository institution not participating in the approval of the transaction).'</p> <p>(b) FDIC Rulemaking Authority- The Federal Deposit Insurance Corporation may prescribe rules to implement the requirements of subsection (a) and the amendments made by subsection (a).</p>	<p>SEC. 615. LIMITATIONS ON PURCHASES OF ASSETS FROM INSIDERS.</p> <p>(a) Amendment to the Federal Deposit Insurance Act- Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by adding at the end the following:</p> <p>`(z) General Prohibition on Sale of Assets-</p> <p style="padding-left: 40px;">`1) IN GENERAL- An insured depository institution may not purchase an asset from, or sell an asset to, an executive officer, director, or principal shareholder of the insured depository institution, or any related interest of such person (as such terms are defined in section 22(h) of Federal Reserve Act), unless--</p> <p style="padding-left: 80px;">`A) the transaction is on market terms; and</p> <p style="padding-left: 80px;">`B) if the transaction represents more than 10 percent</p>	

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<p>(c) Amendments to the Federal Reserve Act- Section 22 of the Federal Reserve Act (12 U.S.C. 375) is amended by striking subsection (d).</p>	<p><i>of the capital stock and surplus of the insured depository institution, the transaction has been approved in advance by a majority of the members of the board of directors of the insured depository institution who do not have an interest in the transaction.</i></p> <p><i>“(2) RULEMAKING- The Board of Governors of the Federal Reserve System may issue such rules as may be necessary to define terms and to carry out the purposes this subsection. Before proposing or adopting a rule under this paragraph, the Board of Governors of the Federal Reserve System shall consult with the Comptroller of the Currency and the Corporation as to the terms of the rule.”</i></p> <p><i>(b) Amendments to the Federal Reserve Act- Section 22(d) of the Federal Reserve Act (12 U.S.C. 375) is amended to read as follows:</i></p> <p><i>“(d) [Reserved]”.</i></p> <p><i>(c) Effective Date- The amendments made by this section shall take effect on the transfer date.</i></p>	
<p>SEC. 1312. RULES REGARDING CAPITAL LEVELS OF BANK HOLDING COMPANIES.</p> <p>Section 5(b) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(b)) is amended by inserting “, including regulations relating to the capital levels of bank holding companies” before the period at the end.</p>	<p>SEC. 616. REGULATIONS REGARDING CAPITAL LEVELS OF HOLDING COMPANIES.</p> <p><i>(a) Capital Levels of Bank Holding Companies- Section 5(b) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(b)) is amended by inserting after “regulations” the following: “(including regulations relating to the capital requirements of bank holding companies)”.</i></p> <p><i>(b) Capital Levels of Savings and Loan Holding Companies- Section 10(g)(1) of the Home Owners’ Loan Act (12 U.S.C. 1467a(g)(1)) is amended by inserting after “orders” the following: “(including regulations relating to capital requirements for savings and loan holding companies)”.</i></p> <p><i>(c) Source of Strength- The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by inserting after section 38 (12 U.S.C. 1831o)</i></p>	

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	<p><i>the following:</i></p> <p>SEC. 38A. SOURCE OF STRENGTH.</p> <p><i>(a) Holding Companies- The appropriate Federal banking agency for a bank holding company or savings and loan holding company shall require the bank holding company or savings and loan holding company to serve as a source of financial strength for any subsidiary of the bank holding company or savings and loan holding company that is a depository institution.</i></p> <p><i>(b) Other Companies- If an insured depository institution is not the subsidiary of a bank holding company or savings and loan holding company, the appropriate Federal banking agency for the insured depository institution shall require any company that directly or indirectly controls the insured depository institution to serve as a source of financial strength for such institution.</i></p> <p><i>(c) Reports- The appropriate Federal banking agency for an insured depository institution described in subsection (b) may, from time to time, require the company, or a company that directly or indirectly controls the insured depository institution to submit a report, under oath, for the purposes of--</i></p> <p style="padding-left: 40px;"><i>(1) assessing the ability of such company to comply with the requirement under subsection (b); and</i></p> <p style="padding-left: 40px;"><i>(2) enforcing the compliance of such company with the requirement under subsection (b).</i></p> <p><i>(d) Rules- Not later than 1 year after the transfer date, as defined in section 311 of the Enhancing Financial Institution Safety and Soundness Act of 2010, the appropriate Federal banking agencies shall jointly issue final rules to carry out this section.</i></p> <p><i>(e) Definition- In this section, the term 'source of financial strength' means the ability of a company that directly or indirectly owns or controls an insured depository institution to provide financial assistance to such insured depository institution in the event of the financial distress of the insured depository institution.'</i></p>	

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	<i>(d) Effective Date- The amendments made by this section shall take effect on the transfer date.</i>	
<p>SEC. 1313. ENHANCEMENTS TO FACTORS TO BE CONSIDERED IN CERTAIN ACQUISITIONS.</p> <p>(a) Bank Acquisitions- Section 3(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(c)) is amended by inserting at the end the following new paragraph: ` (7) FINANCIAL STABILITY- ` (A) IN GENERAL- In every case, the Board shall take into consideration the extent to which the proposed acquisition, merger, or consolidation may pose risk to the stability of the United States financial system or the economy of the United States, including the resulting scope, nature, size, scale, concentration, or interconnectedness of activities that are financial in nature. ` (B) STANDARDS FOR APPROVAL- The Board may in its sole discretion disapprove any acquisition, merger, or consolidation of, or by, a financial holding company subject to stricter standards if the Board determines that the resulting concentration of liabilities on a consolidated basis is likely to pose a great threat to financial stability during times of severe economic distress.'.</p>	<p>SEC. 604.</p> <p><i>(d) Acquisitions of Banks- Section 3(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(c)) is amended by adding at the end the following:</i></p> <p><i>` (7) FINANCIAL STABILITY- In every case, the appropriate Federal banking agency of a bank holding company shall take into consideration the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system.'</i></p>	
<p>(b) Nonbank Acquisitions-</p> <p>(1) Section 4(j)(2)(A) of the Bank Holding Company is amended by-- (A) striking `or' before `unsound banking practices'; and (B) inserting before the period at the end the following: ` , or risk to the stability of the United States financial system or the economy of the United States'.</p> <p>(2) Section 4(k)(6) of the Bank Holding Company Act of 1956 is amended by striking subparagraph (B) and inserting the following new subparagraph: ` (B) A financial holding company may commence any activity or acquire any company, pursuant to paragraph (4) or any regulation prescribed or order issued under paragraph (5), without prior approval of the Board,</p>	<p>SEC. 604.</p> <p><i>(e) Acquisitions of Nonbanks-</i></p> <p><i>(1) NOTICE PROCEDURES- Section 4(j)(2)(A) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(j)(2)(A)) is amended by striking `or unsound banking practices' and inserting `unsound banking practices, or risk to the stability of the United States banking or financial system'.</i></p> <p><i>(2) ACTIVITIES THAT ARE FINANCIAL IN NATURE- Section 4(k)(6)(B) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)(6)(B)) is amended to read as follows:</i></p>	

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<p>except--</p> <ul style="list-style-type: none"> ^(i) for a transaction in which the total assets to be acquired by the financial holding company exceed \$25 billion; and ^(ii) as provided in subsection (j) with regard to the acquisition of a savings association.' <p>(3) Section 4(j) of the Bank Holding Company Act of 1956 is amended by inserting after paragraph (4) the following new paragraph (and redesignating succeeding paragraphs accordingly):</p> <p>^(5) FINANCIAL STABILITY-</p> <ul style="list-style-type: none"> ^(A) IN GENERAL- In every case, the Board shall take into consideration the extent to which the proposed acquisition, merger, or consolidation may pose risk to the stability of the United States financial system or the economy of the United States, including the resulting scope, nature, size, scale, concentration, or interconnectedness of activities that are financial in nature. ^(B) STANDARDS FOR APPROVAL- The Board may, in the sole discretion of the Board, disapprove any acquisition, merger, or consolidation of, or by, a financial holding company subject to stricter standards if the Board determines that the resulting concentration of liabilities on a consolidated basis is likely to pose a great threat to financial stability during times of severe economic distress.' 	<p><i>^(B) APPROVAL NOT REQUIRED FOR CERTAIN FINANCIAL ACTIVITIES-</i></p> <ul style="list-style-type: none"> <i>^(i) IN GENERAL- Except as provided in clause (ii), a financial holding company may commence any activity or acquire any company, pursuant to paragraph (4) or any regulation prescribed or order issued under paragraph (5), without prior approval of the appropriate Federal banking agency for the financial holding company.</i> <i>^(ii) EXCEPTION- A financial holding company may not acquire a company, without the prior approval of the appropriate Federal banking agency for the financial holding company, in a transaction in which the total consolidated assets to be acquired by the financial holding company exceed \$25,000,000,000.'</i> 	
<p>(c) Bank Merger Act Transactions- Section 18(c)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)) is amended by--</p> <ul style="list-style-type: none"> (1) in paragraph (5), by striking 'and' before 'the convenience and needs of the community to be served'; (2) in paragraph (5), by inserting before the period at the end the following: ', and the risk to the stability of the United States financial system and the economy of the United States based on, among other things, the scope, nature, size, scale, concentration, or interconnectedness of activities that are financial in nature'; and (3) in paragraph (7)(B), by inserting 'subparagraphs (A) and (B) of' before 'paragraph'. 	<p>SEC. 604.</p> <p><i>(f) Bank Merger Act Transactions- Section 18(c)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)(5)) is amended, in the matter immediately following subparagraph (B), by striking 'and the convenience and needs of the community to be served' and inserting 'the convenience and needs of the community to be served, and the risk to the stability of the United States banking or financial system'.</i></p>	

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<p>SEC. 1314. ELIMINATION OF ELECTIVE INVESTMENT BANK HOLDING COMPANY FRAMEWORK.</p> <p>Section 17 of the Securities Exchange Act of 1934 (15 U.S.C. 78q) is amended--</p> <p>(1) by striking subsection (i); and</p> <p>(2) by redesignating subsections (j) and (k) as subsections (i) and (j), respectively.</p>	<p>SEC. 617. ELIMINATION OF ELECTIVE INVESTMENT BANK HOLDING COMPANY FRAMEWORK.</p> <p><i>(a) Amendment- Section 17 of the Securities Exchange Act of 1934 (15 U.S.C. 78q) is amended--</i></p> <p><i>(1) by striking subsection (i); and</i></p> <p><i>(2) by redesignating subsections (j) and (k) as subsections (i) and (j), respectively.</i></p> <p><i>(b) Effective Date- The amendments made by this section shall take effect on the transfer date.</i></p>	
<p>SEC. 1315. EXAMINATION FEES FOR LARGE BANK HOLDING COMPANIES.</p> <p>The Bank Holding Company Act of 1956 is amended by inserting after section 5 the following new section:</p> <p>SEC. 5A. EXAMINATION FEES.</p> <p>'The Board of Governors of the Federal Reserve System or the Federal Reserve Banks shall assess fees on bank holding companies with total consolidated assets of \$10 billion or more. Such fees shall be sufficient to defray the cost of the examination of such bank holding companies.'</p>		
<p>SEC. 1316. MUTUAL NATIONAL BANKS AND FEDERAL MUTUAL BANK HOLDING COMPANIES AUTHORIZED.</p> <p>(a) 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 5133 the following new sections:</p> <p>SEC. 5133A. MUTUAL NATIONAL BANKS.</p> <p>'(a) In General- Notwithstanding the section designated the 'Third' of section 5134, in order to provide mutual institutions for the deposit of funds, the extension of credit, and provision of other services, the</p>		

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<p>Comptroller of the Currency may charter mutual national banks either de novo or through a conversion of any insured depository institution or any State mutual bank or credit union, subject to regulations prescribed by the Comptroller of the Currency in accordance with this section. The powers conferred by this section are intended to provide for the creation and maintenance of mutual national banks as bodies corporate existing in perpetuity for the benefit of their depositors and the communities in which they operate.</p>		
<p>^(b) Regulations-</p> <p>^(1) REGULATIONS OF THE COMPTROLLER- The Comptroller of the Currency is authorized to prescribe appropriate regulations for the organization, incorporation, examination, operation, and regulation of mutual national banks. Except to the extent that such existing regulations conflict with sections 5133A and 5133B, mutual national banks shall be subject to the regulations of the Director of the Office of Thrift Supervision governing corporate organization, governance, and conversion of mutual institutions, as in effect on the date of the enactment of the Wall Street Reform and Consumer Protection Act of 2009, including parts 543, 544, 546, 563b, and 563c of chapter V of title 12, Code of Federal Regulations (as in effect on that date), for up to 3 years beginning on the date of the enactment of the Wall Street Reform and Consumer Protection Act of 2009.</p> <p>^(2) APPLICABILITY OF CAPITAL STOCK REQUIREMENTS- The Comptroller of the Currency shall prescribe regulations regarding the manner in which requirements of this title with respect to capital stock, and limitations imposed on national banks under this title based on capital stock, shall apply to mutual national banks.</p>		
<p>^(c) Conversions-</p> <p>^(1) CONVERSION OF A MUTUAL DEPOSITORY TO A MUTUAL NATIONAL BANK- Subject to such regulations as the Comptroller of the Currency may prescribe for the protection of depositors' rights and for any other purpose the Comptroller of the Currency may consider appropriate, any mutual depository may convert to a mutual national bank by filing with the Comptroller of the Currency a notice of its election to convert on a specified date that is not earlier than 30</p>		

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<p>days after the date on which the notice is filed, and the mutual depository shall be converted to a mutual national bank charter on the date specified in the notice.</p> <p>\(2) CONVERSION TO STOCK NATIONAL BANK- Subject to such regulations as the Comptroller of the Currency may prescribe for the protection of depositors' rights and for any other purpose the Comptroller of the Currency may consider appropriate, any national bank that is organized in the mutual form under subsection (a) may reorganize as a stock national bank.</p> <p>\(3) CONVERSION TO STATE BANKS- Any national mutual bank may convert to a State bank charter in accordance with regulations prescribed by the Comptroller of the Currency and applicable State law.</p> <p>\(d) Terminating Mutuality- If a mutual national bank elects to terminate mutuality, it must do so by--</p> <p>\(1) liquidating; or</p> <p>\(2) converting to a national banking association operating in stock form.</p>		
<p>\(e) Status and Rights of Members-</p> <p>\(1) In general, the status of a member is primarily that of a depositor and secondarily that of a holder of a contingent right to participate in the equity of a mutual national bank upon a liquidation or conversion.</p> <p>\(2) Each member of a mutual national bank shall have the following rights:</p> <p>\(A) Such rights as may be agreed upon, by contract, between the member and the mutual national bank.</p> <p>\(B) The right to vote for members of the board of directors of the mutual national bank.</p> <p>\(C) The right to attend any meeting of members properly called by the board of directors of a mutual national bank.</p> <p>\(D) In the event the board of directors, in its sole discretion, determines a conversion of a mutual national bank to a national banking association operating in stock form is in the best interests of the community in which the bank operates and the members approve the conversion through a special proxy, then the members as of a record date set by the</p>		

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<p>board of directors shall have the first right to subscribe for and purchase stock in the converted bank.</p> <p>`(E) In the event the board of directors, in its sole discretion, determines a liquidation of the mutual national bank is in the best interests of the community in which the bank operates and the members approve the liquidation, or if for any other reason the bank is liquidated by operation of law, then the members as of the date of liquidation shall have the right to have credited to their accounts, on a pro rata basis, any residual assets left after the liquidation of the mutual national bank.</p> <p>`(3) In the consideration of all questions requiring action by the members of a national mutual bank, the bank may provide in its charter that each member shall be permitted (i) one vote per member, or (ii) to cast one vote for each \$100, or fraction thereof, of the withdrawal value of the member's account, but not more than 1,000 votes per member.</p> <p>`(f) Proxies-</p> <p>`(1) A member may give, in writing or electronically, a perpetual proxy to a committee of the board of directors of a mutual depository, provided that the member may revoke such a proxy in writing or electronically, with such revocation to take effect after 6 business days.</p> <p>`(2) Such proxies may be used to vote on any issue requiring approval of the members, including the conversion of a mutual depository into a mutual national bank and the reorganization of a mutual national bank into a Federal mutual bank holding company, except that, without a prior finding by the regulator of the mutual national bank that such action is needed to avoid loss to the Federal Deposit Insurance Corporation's deposit insurance fund or to protect the stability of the United States financial system, such proxies may not be used to vote in favor of--</p> <p style="padding-left: 20px;">`(A) terminating mutuality for a mutual national bank or a Federal mutual bank holding company;</p> <p style="padding-left: 20px;">`(B) permitting the modification of a Federal mutual bank holding company; or</p> <p style="padding-left: 20px;">`(C) issuing mutual capital certificates (except when used to found a mutual national bank or a Federal mutual bank holding company de novo).</p> <p>`(3) Proxies given by a member, in writing or electronically, to management of, or to a committee of the board of directors of, a</p>		

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<p>mutual depository shall not be deemed to have been revoked solely because of, and shall continue to exist following, a conversion to a mutual national bank and any concurrent or subsequent reorganization to a Federal mutual bank holding company.</p>		
<p>^(g) Definitions- For purposes of this section, the following definitions shall apply:</p> <p>^(1) INSURED DEPOSITORY INSTITUTION- The term 'insured depository institution' has the same meaning as in section 3 of the Federal Deposit Insurance Act.</p> <p>^(2) MUTUAL NATIONAL BANK- The term 'mutual national bank' means a national banking association that operates in mutual form and is chartered by the Comptroller of the Currency under this section.</p> <p>^(3) MUTUAL DEPOSITORY- The term 'mutual depository' means a depository institution that is organized in non-stock form, including a Federal non-stock depository and any form of non-stock depository provided for under State law, the deposits of which are insured by an instrumentality of the Federal Government.</p> <p>^(4) MUTUALITY- The term 'mutuality' means the quality of being an insured depository institution organized under a Federal or State law providing for the organization of non-stock depository institutions, or a holding company organized under a Federal or State law providing for the organization of non-stock entities that control one or more depository institutions.</p> <p>^(5) MEMBER- The term 'member' means each tax-liable depositor in a mutual depository's savings, demand, or other authorized depository accounts and each tax-liable depositor in such an account in a depository subsidiary of a Federal mutual bank holding company.</p> <p>^(6) TAX LIABLE DEPOSITOR- The term 'tax liable depositor' means the single person responsible for paying any Federal taxes due on any interest paid on any deposits held within any savings, demand, or other authorized depository account or accounts with any mutual depository.</p> <p>^(7) MEMBERSHIP RIGHTS- The term 'membership rights' means the rights of each member under this section.</p>		
<p>^(h) Conforming References- Unless otherwise provided by the</p>		

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
<p>Comptroller of the Currency--</p> <p>`(1) any reference in any Federal law to a national bank operating in stock form, including a reference to the term `national banking association', `member bank', `national bank', `national association', `bank', `insured bank', `insured depository institution', or `depository institution', shall be deemed to refer also to a mutual national bank;</p> <p>`(2) any reference in any Federal law to the term `board of directors', `director', or `directors' of a national bank operating in stock form shall be deemed to refer also to the board of a mutual national bank; and</p> <p>`(3) any terms in Federal law that may apply only to a national bank operating in stock form, including the terms `stock', `shares', `shares of stock', `capital stock', `common stock', `stock certificate', `stock certificates', `certificates representing shares of stock', `stock dividend', `transferable stock', `each class of stock', `cumulate such shares', `par value', `preferred stock' shall not apply to a mutual national bank, unless the Comptroller of the Currency determines that the context requires otherwise.</p>		
<p>`SEC. 5133B. FEDERAL MUTUAL BANK HOLDING COMPANIES.</p> <p>`(a) Reorganization of Mutual National Bank as a Holding Company-</p> <p>`(1) IN GENERAL- Subject to approval under the Bank Holding Company Act of 1956, a mutual national bank may reorganize so as to become a Federal mutual bank holding company by submitting a reorganization plan to the appropriate bank holding company regulator.</p> <p>`(2) PLAN APPROVAL- Upon the approval of the reorganization plan by the appropriate bank holding company regulator and the issuance of the appropriate charters--</p> <p>`(A) the substantial part of the mutual national bank's assets and liabilities, including all of the bank's insured liabilities, shall be transferred to a national banking association, a majority of the shares of voting stock of which is owned, directly or indirectly, by the mutual national bank that is to become a Federal mutual bank holding company; and</p> <p>`(B) the mutual national bank shall become a Federal mutual bank holding company.</p> <p>`(b) Directors and Certain Account Holders' Approval of Plan Required-</p>		

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
<p>This subsection does not authorize a reorganization unless--</p> <ul style="list-style-type: none"> `(1) a majority of the mutual national bank's board of directors has approved the plan providing for such reorganization; and `(2) a majority of members has approved the plan at a meeting held at the call of the directors under the procedures prescribed by the bank's charter and bylaws. 		
<ul style="list-style-type: none"> `(c) Ownership of Depository Subsidiaries- To avoid terminating mutuality, a Federal mutual bank holding company must own, directly or indirectly, a majority of the shares of voting stock of each of its depository subsidiaries. `(d) No Termination of Mutuality- Neither a reorganization of a mutual depository nor a modification of a Federal mutual bank holding company shall cause a termination of mutuality. `(e) Retention of Capital- In connection with a transaction described in subsection (a), a mutual national bank may, subject to the approval of the appropriate bank holding company regulator, retain capital at the holding company level to the extent that the capital retained at the holding company level exceeds the amount of capital required for the national banking association chartered as a part of a transaction described in subsection (a) to meet all relevant capital standards established by the Comptroller of the Currency for national banking associations. `(f) Terminating Mutuality- If a Federal mutual bank holding company elects to terminate mutuality, it must do so by either liquidating or converting to a bank holding company operating in stock form. `(g) Membership Rights- Holders of savings, demand, or other authorized depository accounts in a depository subsidiary of a Federal mutual bank holding company shall have the same membership rights with respect to the Federal mutual bank holding company as those holders would have had if the depository subsidiary of the Federal mutual bank holding company had been a mutual national bank. 		
<ul style="list-style-type: none"> `(h) Regulation- A Federal mutual bank holding company shall be-- <ul style="list-style-type: none"> `(1) chartered by the appropriate bank holding company regulator and shall be subject to such regulations as the appropriate bank holding company regulator shall prescribe; and `(2) regulated under the Bank Holding Company Act of 1956 on the same terms and subject to the same limitations as any other company that controls a bank. 		
<ul style="list-style-type: none"> `(i) Capital Improvement- 		

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
<p>^(1) PLEDGE OF STOCK OF NATIONAL BANK SUBSIDIARY- This section shall not prohibit a Federal mutual bank holding company from pledging all or a portion of the stock of the national banking association chartered as part of a transaction described in subsection (a) to raise capital for such national banking association.</p> <p>^(2) ISSUANCE OF NONVOTING SHARES- This section shall not prohibit a national banking association chartered as part of a transaction described in subsection (a) from issuing any nonvoting shares or less than 50 percent of the voting shares of such bank to any person other than the Federal mutual bank holding company.</p>		
<p>^(j) Insolvency and Liquidation-</p> <p>^(1) IN GENERAL- Notwithstanding any other provision of law, the appropriate bank holding company regulator may file a petition under chapter 7 of title 11, United States Code, with respect to a Federal mutual bank holding company upon--</p> <p>^(A) the default of any national bank--</p> <p>^(i) the stock of which is owned by the Federal mutual bank holding company; and</p> <p>^(ii) that was chartered in a transaction described in subsection (a); or</p> <p>^(B) a foreclosure on a pledge by the Federal mutual bank holding company described in subsection (i)(1).</p> <p>^(2) DISTRIBUTION OF NET PROCEEDS- Except as provided in paragraph (3), the net proceeds of any liquidation of any Federal mutual bank holding company under paragraph (1) shall be transferred to persons who hold membership interests in such Federal mutual bank holding company.</p> <p>^(3) RECOVERY BY FDIC- If the Federal Deposit Insurance Corporation incurs a loss as a result of the default of any insured bank subsidiary of a Federal mutual bank holding company that is liquidated under paragraph (1), the Federal Deposit Insurance Corporation shall succeed to the interests of the depositors of the bank as members in the Federal mutual bank holding company, to the extent of the Federal Deposit Insurance Corporation's loss.</p>		
<p>^(k) Definitions-</p> <p>^(1) FEDERAL MUTUAL BANK HOLDING COMPANY-</p>		

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
<p>The term `Federal mutual bank holding company' means a holding company that is organized in mutual form and owns, directly or indirectly, a majority of the shares of voting stock of one or more depository subsidiaries of a Federal mutual bank holding company.</p> <p>`(2) DEPOSITORY SUBSIDIARY OF A FEDERAL MUTUAL BANK HOLDING COMPANY- The term `depository subsidiary of a Federal mutual bank holding company' means a depository institution organized in stock form that is insured by the Federal Deposit Insurance Corporation, the majority of the shares of voting stock of which are owned by the Federal mutual bank holding company or its wholly owned subsidiaries and none of the shares of stock of which are pledged or otherwise subjected to lien except as permitted in subsection (i).</p> <p>`(3) REORGANIZATION OF A MUTUAL DEPOSITORY- The term `reorganization of a mutual depository' means the conversion of a mutual depository into a depository subsidiary of a Federal mutual bank holding company.</p> <p>`(4) MODIFICATION OF A FEDERAL MUTUAL BANK HOLDING COMPANY- The term `modification of a Federal mutual bank holding company' means either: (A) the sale of shares of common or preferred stock in a depository subsidiary of a Federal mutual bank holding company to any party other than the subsidiary's parent Federal mutual bank holding company or a wholly owned subsidiary of that parent; or (B) the voluntary grant of a lien on shares of common or preferred stock in a depository subsidiary of a Federal mutual bank holding company.</p> <p>`(5) DEFAULT- With respect to a national bank, the term `default' means an adjudication or other official determination by any court of competent jurisdiction, the Comptroller of the Currency, or other public authority pursuant to which a conservator, receiver, or other legal custodian is appointed for the national bank.</p>		
<p>`(l) Conforming References- Unless otherwise provided by the appropriate bank holding company regulator--</p> <p>`(1) any reference in any Federal law to a bank holding company operating in stock form shall be deemed to refer also to a Federal mutual bank holding company;</p>		

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<p>\(2) any reference in any Federal law to the term `board of directors', `director', or `directors' of a national bank operating in stock form shall be deemed to refer also to the board of a Federal mutual bank holding company; and</p> <p>\(3) any terms in Federal law that may apply only to a national bank operating in stock form, including the terms `stock', `shares', `shares of stock', `capital stock', `common stock', `stock certificate', `stock certificates', `certificates representing shares of stock', `stock dividend', `transferable stock', `each class of stock', `cumulate such shares', `par value', `preferred stock' shall not apply to a Federal mutual bank holding company, unless the appropriate bank holding company regulator determines that the context requires otherwise.'.</p>		
<p>(b) Limitation on Federal Regulation of State Banks- Except as otherwise provided in Federal law, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation may not adopt or enforce any regulation that contravenes the corporate governance rules prescribed by State law or regulation for State banks unless the Director, Board, or Corporation finds that the Federal regulation is necessary to assure the safety and soundness of the State banks.</p> <p>(c) Technical Amendment- The table of sections for 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 the item relating to section 5133 the following new items:</p> <p style="padding-left: 20px;">\5133A. Mutual national banks.</p> <p style="padding-left: 20px;">\5133B. Federal mutual bank holding companies.'.</p> <p>(d) Appropriate Federal Banking Agency for Federal Mutual Bank Holding Companies- Section 3(q)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1813(q)(2)) is amended by inserting after subparagraph (F) the following new subparagraph:</p> <p style="padding-left: 20px;">\ (G) supervisory or regulatory proceedings arising from the authority given to the appropriate bank holding company regulator under section 5133B of the Revised Statutes of the United States.'.</p>		
<p>(e) Mutual Holding Company Conversion-</p> <p>(1) IN GENERAL- Any mutual holding company, including any form of mutual depository holding company provided for under State law, may convert to a Federal mutual bank holding</p>		

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
<p>company by filing with the appropriate bank holding company regulator a notice of its election to convert on a specified date that is not earlier than 30 days after the date on which the notice is filed, and the mutual holding company shall be converted to a Federal mutual holding company charter on the date specified in the notice.</p> <p>(2) DEFINITIONS- For purposes of this subsection, the following definitions shall apply:</p> <p>(A) FEDERAL MUTUAL BANK HOLDING COMPANY- The term 'Federal mutual bank holding company' has the same meaning as in section 5133B of the Revised Statutes of the United States (as added by this section); and</p> <p>(B) MUTUAL HOLDING COMPANY- The term 'mutual holding company' has the same meaning as in section 10(o)(10)(A) of the Home Owners Loan Act as in effect on the day before the date of enactment of this Act.</p> <p>(f) Effective Date- This section shall take effect on the date of enactment of this Act.</p>		
<p>SEC. 1317. NATIONWIDE DEPOSIT CAP FOR INTERSTATE ACQUISITIONS.</p> <p>(a) Amendments to the Bank Holding Company Act of 1956-</p> <p>(1) CONCENTRATION LIMIT FOR BANK HOLDING COMPANIES- Section 3(d)(2)(A) of the Bank Holding Company Act (12 U.S.C. 1842(d)(2)(A)) is amended by striking 'paragraph (1)(A)' and inserting 'subsection (a) of this section'.</p> <p>(2) REMOVAL OF NONBANK SAVINGS ASSOCIATION PROVISION IN LIGHT OF BEING DEFINED AS A BANK- Section 4 of the Bank Holding Company Act is amended by striking subsection (i) and insert the following new subsection:</p> <p>'(i) [Repealed.]'.</p>		
<p>(b) Amendments to the Federal Deposit Insurance Act-</p> <p>(1) IN GENERAL- Section 18(e) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)) is amended--</p> <p>(A) by redesignating paragraph (12) as paragraph (13); and</p> <p>(B) by inserting after paragraph (11), the following new paragraph:</p>		

House-passed H.R. 4173	Senate-passed H.R. 4173 (S. 3217 as amended)	Notes
<p>“(12) NATIONWIDE DEPOSIT CAP- The responsible agency may not approve an application for an interstate merger transaction if the resulting insured depository institution (including all insured depository institutions which are affiliates of the resulting insured depository institution), upon consummation of the transaction, would control more than 10 percent of, the total amount of deposits of insured depository institutions in the United States.’.</p> <p>(2) PARALLEL REQUIREMENT- Section 44(b)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1831u(b)(2)(A) is amended to read as follows:</p> <p>“(A) NATIONWIDE CONCENTRATION LIMITS- The responsible agency may not approve an application for an interstate merger transaction involving two or more insured depository institutions if the resulting insured depository institution (including all insured depository institutions which are affiliates of such institution), upon consummation of the transaction would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States.’.</p>		
<p>(c) Amendments to the Home Owners' Loan Act- Section 10(e)(2) of the Home Owners' Loan Act (12 U.S.C. 467a(e)(2)) is amended--</p> <p>(1) by striking `or' at the end of subparagraph (C); and</p> <p>(2) by striking the period at the end of subparagraph (D), the following new subparagraph:</p> <p>“(E) in the case of an application involving an interstate acquisition, if the applicant (including all insured depository institutions which are affiliates of the applicant) controls, or upon consummation of the acquisition for which such application is filed would control, more than 10 percent of the total amount of deposits of insured depository institutions in the United States.’.</p>		
<p>SEC. 1318. DE NOVO BRANCHING INTO STATES.</p> <p>(a) National Banks- Section 5155(g)(1)(A) of the Revised Statutes (12 U.S.C. 36(g)(1)(A)) is amended to read as follows:</p> <p>“(A) the law of the State where the branch is located, or</p>	<p>SEC. 613. DE NOVO BRANCHING INTO STATES.</p> <p>(a) National Banks- Section 5155(g)(1)(A) of the Revised Statutes of the</p>	

