A BILL

To reduce risks to the financial system by limiting banks' ability to engage in certain risky activities and limiting conflicts of interest, to reinstate certain Glass-Steagall Act protections that were repealed by the Gramm-Leach-Bliley Act, and for other purposes.

Be it enacted by t House of Representatives of the United States of America in Congress assembled,

Cosponsors:

- *Vice President Sandoval*
- *Democratic Party Chairman Hull*
- *Vice Speaker Itachi*
- *Congressman Waffles*
- *Congressman Libertad*
- *Congressman Graph*

SECTION 1. SHORT TITLE.

This Act may be cited as the "Glass-Eagle Act"

SEC. 2. FINDINGS AND PURPOSE.

(a) Findings.—Congress finds that—

(1) in response to a financial crisis and the ensuing Great Depression, Congress enacted the Banking Act of 1933, known as the "Glass-Steagall Act", to prohibit commercial banks from offering investment banking and insurance services;

(2) a series of deregulatory decisions by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, in addition to decisions by Federal courts, permitted commercial banks to engage in an increasing number of risky financial activities that had previously been restricted under the Glass-Steagall Act, and also vastly expanded the meaning of the "business of banking" and "closely related activities" in banking law;

(3) in 1999, Congress enacted the "Gramm-Leach-Bliley Act", which repealed the Glass-Steagall Act separation between commercial and investment banking and allowed for complex cross-subsidies and interconnections between commercial and investment banks;

(3.5) By reviving the sovereignty of retails banks, the law made investment banks search for another source of funds separate from depositors' accounts.

(4) with the elimination of Glass-Steagall, the largest institutions with the greatest ability to leverage their balance sheets increased their risk profile by getting into trading, market making, and hedge fund activities, adding ever greater complexity to their balance sheets."And the ensuing 2008-Reccesion. Which led to failure of the housing market, stock market crash, and a sharp increase in unemployment, that the country is just recently recovering from.

(5) increased complexity and diversity of financial activities at financial institutions may "shift institutions towards more risk-taking, increase the level of interconnectedness among financial firms, and therefore may increase systemic default risk. These potential costs may be exacerbated in cases where the market perceives diverse and complex financial institutions as 'too big to fail,' which leads to excessive risk taking and concerns about moral hazard.";

(6) the financial crisis, and the regulatory response to the crisis, has led to more mergers between financial institutions, creating greater financial sector consolidation and increasing the dominance of a few large, complex financial institutions that are generally considered to be "too big to fail", and therefore are perceived by the markets as having an implicit guarantee from the Federal Government to bail them out in the event of their failure.

(b) Purposes.—The purposes of this Act are—

(1) to reduce risks to the financial system by limiting the ability of banks to engage in activities other than socially valuable core banking activities;

(2) to protect taxpayers and reduce moral hazard by removing explicit and implicit government guarantees for high-risk activities outside of the core business of banking; and

(3) to eliminate any conflict of interest that arises from banks engaging in activities from which their profits are earned at the expense of their customers or clients.

SEC. 3. SAFE AND SOUND BANKING.

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“(A) PROHIBITION ON AFFILIATIONS WITH NONDEPOSITORY ENTITIES.—An insured depository institution may not—

“(i) be or become an affiliate of any insurance company, securities entity, or swaps entity;

“(ii) be in common ownership or control with any insurance company, securities entity, or swaps entity; or

“(iii) engage in any activity that would cause the insured depository institution to qualify as an insurance company, securities entity, or swaps entity.

“(B) INDIVIDUALS ELIGIBLE TO SERVE ON BOARDS OF DEPOSITORY INSTITUTIONS.—

“(i) IN GENERAL.—An individual who is an officer, director, partner, or employee of any securities entity, insurance company, or swaps entity may not serve at the same time as an officer, director, employee, or other institution-affiliated party of any insured depository institution.

“(ii) EXCEPTION.—Clause (i) shall not apply with respect to service by any individual which is otherwise prohibited under clause (i), if the appropriate Federal banking agency determines, by regulation with respect to a limited number of cases, that service by such an individual as an officer, director, employee, or other institution-affiliated party of an insured depository institution would not unduly influence—

“(I) the investment policies of the depository institution; or

“(II) the advice that the institution provides to customers.

“(iii) TERMINATION OF SERVICE.—Subject to a determination under clause (i), any individual described in clause (i) who, as of the date of enactment of the 21st Century Glass-Steagall Act of 2017, is serving as an officer, director, employee, or other institution-affiliated party of any insured depository institution shall terminate such service as soon as is practicable after such date of enactment, and in no event, later than the end of the 60-day period beginning on that date of enactment.

“(C) TERMINATION OF EXISTING AFFILIATIONS AND ACTIVITIES.—

“(i) ORDERLY TERMINATION OF EXISTING AFFILIATIONS AND ACTIVITIES.—Any affiliation, common ownership or control, or activity of an insured depository institution with any securities entity, insurance company, swaps entity, or any other person, as of the date of enactment of the 21st Century Glass-Steagall Act of 2017, which is prohibited under subparagraph (A) shall be terminated as soon as is practicable, and in no event later than the end of the 5-year period beginning on that date of enactment.

“(ii) EARLY TERMINATION.—The appropriate Federal banking agency, at any time after opportunity for hearing, may order termination of an affiliation, common ownership or control, or activity prohibited by clause (i) before the end of the 5-year period described in clause (i), if the agency determines that such action—

“(I) is necessary to prevent undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices; and

“(II) is in the public interest.

“(iii) EXTENSION.—Subject to a determination under clause (ii), an appropriate Federal banking agency may extend the 5-year period described in clause (i) as to any particular insured depository institution for not more than an additional 6 months at a time, if—

"(I) the agency certifies that such extension would promote the public interest and would not pose a significant threat to the stability of the banking system or financial markets in the United States; and

"(II) such extension, in the aggregate, does not exceed 1 year for any single insured depository institution.

"(iv) REQUIREMENTS FOR ENTITIES RECEIVING AN EXTENSION.—Upon receipt of an extension under clause (iii), the insured depository institution shall notify shareholders of the insured depository institution and the general public that it has failed to comply with the requirements of clause (i).

"(I) IN GENERAL.—A national banking association may invest in investment securities, defined as marketable obligations evidencing indebtedness of any person, copartnership, association, or corporation in the form of bonds, notes, or debentures (commonly known as 'investment securities'), obligations of the Federal Government, or any State or subdivision thereof, and includes the definition of 'investment securities', as may be jointly prescribed by regulation by—

"(aa) the Comptroller of the Currency;

"(bb) the Federal Deposit Insurance Corporation; and

"(cc) the Board of Governors of the Federal Reserve System.

"(II) LIMITATIONS.—The business of dealing in securities and stock by the association shall be limited to—

"(aa) purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers, and in no case for its own account, and the association shall not underwrite any issue of securities or stock; and

"(bb) purchasing for its own account investment securities under such limitations and restrictions as the Comptroller of the Currency, the Federal

Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System may jointly prescribe, by regulation.

"(III) PROHIBITION ON AMOUNT OF INVESTMENT.—In no event shall the total amount of the investment securities of any single obligor or maker, held by the association for its own account, exceed 10 percent of its capital stock actually paid in and unimpaired and 10 percent of its unimpaired surplus fund, except that such limitation shall not require any association to dispose of any securities lawfully held by it on August 23, 1935.

"(C) PROHIBITION AGAINST TRANSACTIONS INVOLVING STRUCTURED OR SYNTHETIC PRODUCTS.—A national banking association may not—

"(i) invest in a structured or synthetic product, a financial instrument in which a return is calculated based on the value of, or by reference to the performance of, a security, commodity, swap, other asset, or an entity, or any index or basket composed of securities, commodities, swaps, other assets, or entities, other than customarily determined interest rates; or

"(ii) otherwise engage in the business of receiving deposits or extending credit for transactions involving structured or synthetic products.".

(1) in paragraph (8), by striking "had been determined" and all that follows through the end and inserting the following: "are so closely related to banking so as to be a proper incident thereto, as provided under this paragraph or any rule or regulation issued by the Board under this paragraph, provided that for purposes of this paragraph, closely related shall not be considered to include—

"(A) serving as an investment adviser (as defined in section 2(a) of the Investment Company Act of 1940 to an investment company registered under that Act, including sponsoring, organizing, and managing a closed-end investment company;

"(B) agency transactional services for customer investments, except that this subparagraph may not be construed as prohibiting purchases and sales of investments for the account of customers conducted by a bank (or subsidiary thereof) pursuant to the bank's trust and fiduciary powers;

"(C) investment transactions as principal, except for activities specifically allowed by paragraph (14); and

"(D) management consulting and counseling activities;";

"(3) with the exception of the activities permitted under subsection (c), engage in the business of a 'securities entity' or a 'swaps entity', as those terms are defined in section 18(s)(6)(D) of the Federal Deposit Insurance Act including dealing or making markets in securities, repurchase agreements, exchange traded and over-the-counter swaps, as defined by the Commodity Futures Trading Commission and the Securities and Exchange Commission, or structured or synthetic products, as defined in the paragraph designated as 'Seventh' of section 24 of the Revised Statutes), or any other over-the-counter securities, swaps, contracts, or any other agreement that derives its value from, or takes on the form of, such securities, derivatives, or contracts;

"(4) engage in proprietary trading, as provided by section 13, or any rule or regulation under that section;

"(5) own, sponsor, or invest in a hedge fund, or private equity fund, or any other fund, as provided by section 13, or any rule or regulation under that section, or any other fund that exhibits the characteristics of a fund that takes on proprietary trading activities or positions;

"(6) hold ineligible securities or derivatives;

"(7) engage in market-making; or

"(8) engage in prime brokerage activities."

Conclusion

Purposes.—The purposes of this Act are—

(1) to reduce risks to the financial system by limiting the ability of banks to engage in activities other than socially valuable core banking activities;

(2) to protect taxpayers and reduce moral hazard by removing explicit and implicit government guarantees for high-risk activities outside of the core business of banking; and

(3) to eliminate any conflict of interest that arises from banks engaging in activities from which their profits are earned at the expense of their customers or clients.