

116TH CONGRESS
1ST SESSION

H. R. 2176

To repeal certain provisions of the Gramm-Leach-Bliley Act and revive the separation between commercial banking and the securities business, in the manner provided in the Banking Act of 1933, the so-called “Glass-Steagall Act”, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 9, 2019

Ms. KAPTUR (for herself, Mr. LYNCH, Mr. KHANNA, Ms. SPEIER, Mrs. WATSON COLEMAN, Ms. SCHAKOWSKY, Mr. DEFazio, Ms. NORTON, Mr. MCGOVERN, Ms. GABBARD, Mr. COHEN, Ms. JAYAPAL, Ms. PINGREE, Mr. CICILLINE, Ms. ESHOO, Mr. TONKO, Ms. DELAURO, Mr. WELCH, Ms. LEE of California, Mrs. NAPOLITANO, Mr. POCAN, Mr. GRIJALVA, Mr. YARMUTH, Ms. ROYBAL-ALLARD, Ms. OMAR, and Ms. WILD) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To repeal certain provisions of the Gramm-Leach-Bliley Act and revive the separation between commercial banking and the securities business, in the manner provided in the Banking Act of 1933, the so-called “Glass-Steagall Act”, and for other purposes.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Return to Prudent
3 Banking Act of 2019”.

4 **SEC. 2. GLASS-STEAGALL REVIVED.**

5 (a) WALL BETWEEN COMMERCIAL BANKS AND SE-
6 CURITIES ACTIVITIES REESTABLISHED.—Section 18 of
7 the Federal Deposit Insurance Act (12 U.S.C. 1828) is
8 amended by adding at the end the following new sub-
9 section:

10 “(bb) LIMITATIONS ON SECURITY AFFILIATIONS.—

11 “(1) PROHIBITION ON AFFILIATION BETWEEN
12 INSURED DEPOSITORY INSTITUTIONS AND INVEST-
13 MENT BANKS OR SECURITIES FIRMS.—An insured
14 depository institution may not be or become an affil-
15 iate of any broker or dealer, any investment adviser,
16 any investment company, or any other person en-
17 gaged principally in the issue, flotation, under-
18 writing, public sale, or distribution at wholesale or
19 retail or through syndicate participation of stocks,
20 bonds, debentures, notes, or other securities.

21 “(2) PROHIBITION ON OFFICERS, DIRECTORS,
22 AND EMPLOYEES OF SECURITIES FIRMS SERVICE ON
23 BOARDS OF DEPOSITORY INSTITUTIONS.—

24 “(A) IN GENERAL.—An individual who is
25 an officer, director, partner, or employee of any
26 broker or dealer, any investment adviser, any

1 investment company, or any other person en-
2 gaged principally in the issue, flotation, under-
3 writing, public sale, or distribution at wholesale
4 or retail or through syndicate participation of
5 stocks, bonds, debentures, notes, or other secu-
6 rities may not serve at the same time as an of-
7 ficer, director, employee, or other institution-af-
8 filiated party of any insured depository institu-
9 tion.

10 “(B) EXCEPTION.—Subparagraph (A)
11 shall not apply with respect to service by any
12 individual which is otherwise prohibited under
13 such subparagraph if the appropriate Federal
14 banking agency determines, by regulation with
15 respect to a limited number of cases, that serv-
16 ice by such individual as an officer, director,
17 employee, or other institution-affiliated party of
18 any insured depository institution would not un-
19 duly influence the investment policies of the de-
20 pository institution or the advice the institution
21 provides to customers.

22 “(C) TERMINATION OF SERVICE.—Subject
23 to a determination under subparagraph (B),
24 any individual described in subparagraph (A)
25 who, as of the date of the enactment of the Re-

1 turn to Prudent Banking Act of 2019, is serv-
2 ing as an officer, director, employee, or other
3 institution-affiliated party of any insured depos-
4 itory institution shall terminate such service as
5 soon as practicable after such date of enact-
6 ment and no later than the end of the 60-day
7 period beginning on such date.

8 “(3) TERMINATION OF EXISTING AFFILI-
9 ATION.—

10 “(A) ORDERLY WIND-DOWN OF EXISTING
11 AFFILIATION.—Any affiliation of an insured de-
12 pository institution with any broker or dealer,
13 any investment adviser, any investment com-
14 pany, or any other person, as of the date of the
15 enactment of the Return to Prudent Banking
16 Act of 2019, which is prohibited under para-
17 graph (1) shall be terminated as soon as prac-
18 ticable and in any event no later than the end
19 of the 2-year period beginning on such date of
20 enactment.

21 “(B) EARLY TERMINATION.—The appro-
22 priate Federal banking agency, after oppor-
23 tunity for hearing, may terminate, at any time,
24 the authority conferred by the preceding sub-
25 paragraph to continue any affiliation subject to

1 such subparagraph until the end of the period
2 referred to in such subparagraph if the agency
3 determines, having due regard for the purposes
4 of this subsection and the Return to Prudent
5 Banking Act of 2019, that such action is nec-
6 essary to prevent undue concentration of re-
7 sources, decreased or unfair competition, con-
8 flicts of interest, or unsound banking practices
9 and is in the public interest.

10 “(C) EXTENSION.—Subject to a deter-
11 mination under subparagraph (B), an appro-
12 priate Federal banking agency may extend the
13 2-year period referred to in subparagraph (A)
14 from time to time as to any particular insured
15 depository institution for not more than 6
16 months at a time, if, in the judgment of the
17 agency, such an extension would not be detri-
18 mental to the public interest, but no such exten-
19 sions shall in the aggregate exceed 1 year.

20 “(4) DEFINITIONS.—For purposes of this sub-
21 section, the terms ‘broker’ and ‘dealer’ have the
22 same meanings as in section 3(a) of the Securities
23 Exchange Act of 1934 and the terms ‘investment
24 adviser’ and ‘investment company’ have the meaning
25 given such terms under the Investment Advisers Act

1 of 1940 and the Investment Company Act of 1940,
2 respectively.”.

3 (b) PROHIBITION ON BANKING ACTIVITIES BY SECU-
4 RITIES FIRMS CLARIFIED.—Section 21 of the Banking
5 Act of 1933 (12 U.S.C. 378) is amended by adding at
6 the end the following new subsection:

7 “(c) BUSINESS OF RECEIVING DEPOSITS.—For pur-
8 poses of this section, the term ‘business of receiving depos-
9 its’ includes the establishment and maintenance of any
10 transaction account (as defined in section 19(b)(1)(C) of
11 the Federal Reserve Act).”.

12 (c) CONTINUED APPLICABILITY OF ICI v. CAMP.—

13 (1) IN GENERAL.—The Congress ratifies the in-
14 terpretation of the paragraph designated the “Sev-
15 enth” of section 5136 of the Revised Statutes of the
16 United States (12 U.S.C. 24, as amended by section
17 16 of the Banking Act of 1933 and subsequent
18 amendments) and section 21 of the Banking Act of
19 1933 (12 U.S.C. 378) by the Supreme Court of the
20 United States in the case of Investment Company
21 Institute v. Camp (401 U.S. 617 et seq. (1971))
22 with regard to the permissible activities of banks
23 and securities firms, except to the extent expressly
24 prescribed otherwise by this section.

1 (2) APPLICABILITY OF REASONING.—The rea-
2 soning of the Supreme Court of the United States
3 in the case referred to in paragraph (1) with respect
4 to sections 20 and 32 of the Banking Act of 1933
5 (as in effect prior to the date of the enactment of
6 the Gramm-Leach-Bliley Act) shall continue to apply
7 to subsection (bb) of section 18 of the Federal De-
8 posit Insurance Act (as added by subsection (a) of
9 this section) except to the extent the scope and ap-
10 plication of such subsection as enacted exceed the
11 scope and application of such sections 20 and 32.

12 (3) LIMITATION ON AGENCY INTERPRETATION
13 OR JUDICIAL CONSTRUCTION.—No appropriate Fed-
14 eral banking agency, by regulation, order, interpre-
15 tation, or other action, and no court within the
16 United States may construe the paragraph des-
17 ignated the “Seventh” of section 5136 of the Re-
18 vised Statutes of the United States (12 U.S.C. 24,
19 as amended by section 16 of the Banking Act of
20 1933 and subsequent amendments), section 21 of
21 the Banking Act of 1933, or section 18(bb) of the
22 Federal Deposit Insurance Act more narrowly than
23 the reasoning of the Supreme Court of the United
24 States in the case of Investment Company Institute

1 v. Camp (401 U.S. 617 et seq. (1971)) as to the
2 construction and the purposes of such provisions.

3 **SEC. 3. REPEAL OF GRAMM-LEACH-BLILEY ACT PROVI-**
4 **SIONS.**

5 (a) FINANCIAL HOLDING COMPANY.—

6 (1) IN GENERAL.—Section 4 of the Bank Hold-
7 ing Company Act of 1956 (12 U.S.C. 1843) is
8 amended by striking subsections (k), (l), (m), (n),
9 and (o).

10 (2) TRANSITION.—

11 (A) ORDERLY WIND-DOWN OF EXISTING
12 AFFILIATION.—In the case of a bank holding
13 company which, pursuant to the amendments
14 made by paragraph (1), is no longer authorized
15 to control or be affiliated with any entity that
16 was permissible for a financial holding com-
17 pany, any affiliation by the bank holding com-
18 pany which is not permitted for a bank holding
19 company shall be terminated as soon as prac-
20 ticable and in any event no later than the end
21 of the 2-year period beginning on such date of
22 enactment.

23 (B) EARLY TERMINATION.—The Board of
24 Governors of the Federal Reserve System, after
25 opportunity for hearing, may terminate, at any

1 time, the authority conferred by the preceding
2 subparagraph to continue any affiliation subject
3 to such subparagraph until the end of the pe-
4 riod referred to in such subparagraph if the
5 Board determines, having due regard to the
6 purposes of this Act, that such action is nec-
7 essary to prevent undue concentration of re-
8 sources, decreased or unfair competition, con-
9 flicts of interest, or unsound banking practices,
10 and is in the public interest.

11 (C) EXTENSION.—Subject to a determina-
12 tion under subparagraph (B), the Board of
13 Governors of the Federal Reserve System may
14 extend the 2-year period referred to in subpara-
15 graph (A) above from time to time as to any
16 particular bank holding company for not more
17 than 6 months at a time, if, in the judgment of
18 the Board, such an extension would not be det-
19 rimental to the public interest, but no such ex-
20 tensions shall in the aggregate exceed 1 year.

21 (3) TECHNICAL AND CONFORMING AMEND-
22 MENTS.—

23 (A) Section 2 of the Bank Holding Com-
24 pany Act of 1956 (12 U.S.C. 1841) is amended
25 by striking subsection (p).

1 (B) Section 5(c) of the Bank Holding
 2 Company Act of 1956 (12 U.S.C. 1844(c)) is
 3 amended—

4 (i) by striking paragraphs (3) and (4);
 5 and

6 (ii) by redesignating paragraph (5) as
 7 paragraph (3).

8 (C) Section 5 of the Bank Holding Com-
 9 pany Act of 1956 (12 U.S.C. 1844) is amended
 10 by striking subsection (g).

11 (D) The Federal Deposit Insurance Act
 12 (12 U.S.C. 1811 et seq.) is amended by striking
 13 section 45.

14 (E) Subtitle B of title I of the Gramm-
 15 Leach-Bliley Act is amended by striking section
 16 114 (12 U.S.C. 1828a) and section 115 (12
 17 U.S.C. 1820a).

18 (b) FINANCIAL SUBSIDIARIES REPEALED.—

19 (1) IN GENERAL.—Section 5136A of the Re-
 20 vised Statutes of the United States (12 U.S.C. 24a)
 21 is amended to read as follows:

22 **“SEC. 5136A. [REPEALED].”.**

23 (2) TRANSITION.—

24 (A) ORDERLY WIND-DOWN OF EXISTING
 25 AFFILIATION.—In the case of a national bank

1 which, pursuant to the amendments made by
2 paragraph (1), is no longer authorized to con-
3 trol or be affiliated with a financial subsidiary
4 as of the date of the enactment of this Act,
5 such affiliation shall be terminated as soon as
6 practicable and in any event no later than the
7 end of the 2-year period beginning on such date
8 of enactment.

9 (B) EARLY TERMINATION.—The Comp-
10 troller of the Currency, after opportunity for
11 hearing, may terminate, at any time, the au-
12 thority conferred by the preceding subpara-
13 graph to continue any affiliation subject to such
14 subparagraph until the end of the period re-
15 ferred to in such subparagraph if the Comp-
16 troller determines, having due regard for the
17 purposes of this Act, that such action is nec-
18 essary to prevent undue concentration of re-
19 sources, decreased or unfair competition, con-
20 flicts of interest, or unsound banking practices
21 and is in the public interest.

22 (C) EXTENSION.—Subject to a determina-
23 tion under subparagraph (B), the Comptroller
24 of the Currency may extend the 2-year period
25 referred to in subparagraph (A) above from

1 time to time as to any particular national bank
2 for not more than 6 months at a time, if, in the
3 judgment of the Comptroller, such an extension
4 would not be detrimental to the public interest,
5 but no such extensions shall in the aggregate
6 exceed 1 year.

7 (3) TECHNICAL AND CONFORMING AMEND-
8 MENT.—

9 (A) The 20th undesignated paragraph of
10 section 9 of the Federal Reserve Act (12 U.S.C.
11 335) is amended by striking the last sentence.

12 (B) The Federal Deposit Insurance Act is
13 amended by striking section 46 (12 U.S.C.
14 1831w).

15 (4) CLERICAL AMENDMENT.—The table of sec-
16 tions for chapter one of title LXII of the Revised
17 Statutes of the United States is amended by striking
18 the item relating to section 5136A.

19 (c) DEFINITION OF BROKER.—Section 3(a)(4)(B) of
20 the Securities Exchange Act of 1934 (15 U.S.C.
21 78c(a)(4)(B)) is amended—

22 (1) by striking clauses (i), (iii), (v), (vii), (x),
23 and (xi); and

1 (2) by redesignating clauses (ii), (iv), (vi), (viii),
 2 and (ix) as clauses (i), (ii), (iii), (iv), and (v), respec-
 3 tively.

4 (d) DEFINITION OF DEALER.—Section 3(a)(5)(C) of
 5 the Securities Exchange Act of 1934 (15 U.S.C.
 6 78c(a)(5)(C)) is amended—

7 (1) by striking clauses (i) and (iii); and

8 (2) by redesignating clauses (ii) and (iv) as
 9 clauses (i) and (ii), respectively.

10 (e) DEFINITION OF IDENTIFIED BANKING PROD-
 11 UCT.—Subsection (a) of section 206 of the Gramm-Leach-
 12 Bliley Act (15 U.S.C. 78c note) is amended—

13 (1) by inserting “and” after the semicolon at
 14 the end of paragraph (4);

15 (2) in paragraph (5)(B)(ii), by striking “; or”
 16 and inserting a period; and

17 (3) by striking paragraph (6) and all that fol-
 18 lows through the end of such subsection.

19 (f) DEFINITION OF ACTIVITIES CLOSELY RELATED
 20 TO BANKING.—

21 (1) IN GENERAL.—Section 4(c)(8) of the Bank
 22 Holding Company Act of 1956 (12 U.S.C.
 23 1843(c)(8)) is amended by striking “the day before
 24 the date of the enactment of the Gramm-Leach-Bli-
 25 ley Act” and inserting “January 1, 1970”.

1 (2) PROVISION ALLOWING FOR EXCEPTIONS
2 AFTER REPORT TO THE CONGRESS.—Subsection (j)
3 of section 4 of the Bank Holding Company Act of
4 1956 (12 U.S.C. 1843(j)) is amended to read as fol-
5 lows:

6 “(j) APPROVAL FOR CERTAIN POST-1970 SUB-
7 SECTION (c)(8) ACTIVITIES.—

8 “(1) IN GENERAL.—Notwithstanding the limita-
9 tion of the January 1, 1970, approval deadline in
10 subsection (c)(8), the Board may determine an activ-
11 ity to be so closely related to banking as to be a
12 proper incident thereto for purposes of such sub-
13 section, subject to the requirements of this sub-
14 section and such terms and conditions as the Board
15 may require.

16 “(2) GENERAL STANDARDS.—In making any
17 determination under paragraph (1), the Board shall
18 consider whether performance of the activity by a
19 bank holding company or a subsidiary of such com-
20 pany can reasonably be expected to result in a viola-
21 tion of section 18(bb) of the Federal Deposit Insur-
22 ance Act, section 21 of the Banking Act of 1933, or
23 the spirit of section 2(c) of the Return to Prudent
24 Banking Act of 2019, and other possible adverse ef-
25 fects, such as undue concentration of resources, de-

1 creased or unfair competition, conflicts of interests,
 2 or unsound banking practices.

3 “(3) REPORT AND WAIT.—No determination of
 4 the Board under paragraph (1) may take effect be-
 5 fore the end of the 180-day period beginning on the
 6 date by which notice of the determination has been
 7 submitted to both Houses of the Congress together
 8 with a detailed explanation of the activities to which
 9 the determination relates and the basis for the de-
 10 termination, unless before the end of such period,
 11 such activities have been approved by an Act of Con-
 12 gress.”.

13 (g) REPEAL OF PROVISION RELATING TO FOREIGN
 14 BANKS FILING AS FINANCIAL HOLDING COMPANIES.—
 15 Section 8(c) of the International Banking Act of 1978 (12
 16 U.S.C. 3106(c)) is amended by striking paragraph (3).

17 **SEC. 4. REPORTS TO THE CONGRESS.**

18 (a) REPORTS REQUIRED.—Each time the Board of
 19 Governors of the Federal Reserve System, the Comptroller
 20 of the Currency, or another appropriate Federal banking
 21 agency makes a determination or an extension under sub-
 22 paragraph (B) or (C) of paragraph (2) or (3) of section
 23 18(bb) of the Federal Deposit Insurance Act (as added
 24 by section 2(a)) or subparagraph (B) or (C) of subsection
 25 (a)(2) or (b)(2) of section 3, as the case may be, the

1 Board, Comptroller, or agency shall promptly submit a re-
2 port of such determination or extension to the Congress.

3 (b) CONTENTS.—Each report submitted to the Con-
4 gress under subsection (a) shall contain a detailed descrip-
5 tion of the basis for the determination or extension.

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