

**AMENDMENT IN THE NATURE OF A SUBSTITUTE TO
H.R. 4173
OFFERED BY MR. BACHUS OF ALABAMA, MRS.
BIGGERT OF ILLINOIS, MR. GARRETT OF NEW
JERSEY, MR. NEUGEBAUER OF TEXAS, MR.
HENSARLING OF TEXAS, AND MRS. CAPITO OF
WEST VIRGINIA**

Strike all after the enacting clause and insert the following:

1 SEC. 1. SHORT TITLE.

2 This Act may be cited as the “Consumer and Tax-
3 payer Protection Act of 2009”.

4 SEC. 2. TABLE OF CONTENTS.

5 The table of contents for this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.

TITLE I—NO MORE BAILOUTS ACT

- Sec. 1001. Short title.
- Sec. 1002. Amendments to title 28 of the United States Code.
- Sec. 1003. Amendments to title 11 of the United States Code.
- Sec. 1004. Effective date; application of amendments.
- Sec. 1005. Reforms of section 13 emergency powers.
- Sec. 1006. Establishment of Market Stability and Capital Adequacy Board.
- Sec. 1007. Functions of Board.
- Sec. 1008. Powers of Board.
- Sec. 1009. Responsibilities of Federal functional regulators.
- Sec. 1010. Staff of Board.
- Sec. 1011. Compensation and travel expenses.
- Sec. 1012. GAO audit of the Federal Reserve.

TITLE II—FINANCIAL INSTITUTIONS CONSUMER PROTECTION
AND EXAMINATION COUNCIL

- Sec. 2001. Short title.
- Sec. 2002. Definitions.
- Sec. 2003. Financial Institutions Consumer Protection and Examination Council.
- Sec. 2004. Office of consumer protection.
- Sec. 2005. State enforcement authority.
- Sec. 2006. Unfair or deceptive acts or practices authority transferred.
- Sec. 2007. Equality of consumer protection functions; Consumer protection divisions.
- Sec. 2008. Prohibition on charter conversions while under regulatory sanction.

TITLE III—ANTI-FRAUD PROVISIONS

- Sec. 3001. Authority to impose civil penalties in cease and desist proceedings.
- Sec. 3002. Formerly associated persons.
- Sec. 3003. Collateral bars.
- Sec. 3004. Unlawful margin lending.
- Sec. 3005. Nationwide service of process.
- Sec. 3006. Reauthorization of the Financial Crimes Enforcement Network.
- Sec. 3007. Fair fund improvements.

TITLE IV—OVER-THE-COUNTER DERIVATIVES MARKETS

- Sec. 4001. Short title.

Subtitle A—Amendments to the Commodity Exchange Act

- Sec. 4100. Definitions.
- Sec. 4101. Swap repositories.
- Sec. 4102. Margin for swaps between swaps dealers and major swap participants.
- Sec. 4103. Segregation of assets held as collateral in swap transactions.

Subtitle B—Amendments to the Securities Exchange Act of 1934

- Sec. 4201. Definitions.
- Sec. 4202. Swap repositories.
- Sec. 4203. Margin requirements.
- Sec. 4204. Segregation of assets held as collateral in swap transactions.

Subtitle C—Common Provisions

- Sec. 4301. Report to the congress.
- Sec. 4302. Capital requirements.
- Sec. 4303. Centralized clearing.
- Sec. 4304. Definitions.

TITLE V—CORPORATE AND FINANCIAL INSTITUTION COMPENSATION FAIRNESS

- Sec. 5001. Short title.
- Sec. 5002. Shareholder vote on executive compensation.
- Sec. 5003. Compensation committee independence.

TITLE VI—CREDIT RATING AGENCIES

- Sec. 6001. Changes to designation.
- Sec. 6002. Removal of statutory references to credit ratings.

Sec. 6003. Review of reliance on ratings.

TITLE VII—GOVERNMENT-SPONSORED ENTERPRISES REFORM

Sec. 7001. Short title.

Sec. 7002. Definitions.

Sec. 7003. Termination of current conservatorship.

Sec. 7004. Limitation of enterprise authority upon emergence from conservatorship.

Sec. 7005. Requirement to periodically renew charter until wind down and dissolution.

Sec. 7006. Required wind down of operations and dissolution of enterprise.

TITLE VIII—FEDERAL INSURANCE OFFICE

Sec. 8001. Short title.

Sec. 8002. Federal Insurance Office established.

Sec. 8003. Report on global reinsurance market.

Sec. 8004. Study on modernization and improvement of insurance regulation in the United States.

1 **TITLE I—NO MORE BAILOUTS**
2 **ACT**

3 **SEC. 1001. SHORT TITLE.**

4 This title may be cited as the “No More Bailouts Act
5 of 2009”.

6 **SEC. 1002. AMENDMENTS TO TITLE 28 OF THE UNITED**
7 **STATES CODE.**

8 Title 28 of the United States Code is amended—

9 (1) in section 1408 by striking “section 1410”
10 and inserting “sections 1409A and 1410”,

11 (2) by inserting after section 1409 the fol-
12 lowing:

13 **“§ 1409A. Venue of cases involving non-bank financial**
14 **institutions**

15 “A case under chapter 14 may be commenced in the
16 district court of the United States for the district—

1 “(1) in which the debtor has its principal place
2 of business in the United States, principal assets in
3 the United States, or in which there is pending a
4 case under title 11 concerning the debtor’s affiliate
5 or subsidiary, if a Federal Reserve Bank is located
6 in that district;

7 “(2) if venue does not exist under paragraph
8 (1), in which there is a Federal Reserve Bank and
9 in a Federal Reserve district in which the debtor has
10 its principal place of business in the United States,
11 principal assets in the United States, or in which
12 there is pending a case under title 11 concerning the
13 debtor’s affiliate or subsidiary; or

14 “(3) if venue does not exist under paragraph
15 (1) or (2), in which there is a Federal Reserve Bank
16 and in a Federal circuit adjacent to the Federal cir-
17 cuit in which the debtor has its principal place of
18 business or principal assets in the United States.”,
19 and

20 (3) by amending the table of sections of chapter
21 87 of such title to insert after the item relating to
22 section 1408 the following:

“1409A. Venue of cases involving non-bank financial institutions.”.

1 **SEC. 1003. AMENDMENTS TO TITLE 11 OF THE UNITED**
2 **STATES CODE.**

3 (a) DEFINITIONS.—Section 101 of title 11, United
4 States Code, is amended—

5 (1) by inserting after paragraph (26) the fol-
6 lowing:

7 “(26A) The term ‘functional regulator’ means
8 the Federal regulatory agency with the primary Fed-
9 eral regulatory authority over the debtor, such as an
10 agency listed in section 509 of the Gramm-Leach-
11 Bliley Act.”,

12 (2) by redesignating paragraphs (38A) and
13 (38B) as paragraphs (38B) and (38C), respectively,

14 (3) by inserting after paragraph (38) the fol-
15 lowing:

16 “(38A) the term ‘Market Stability and Capital
17 Adequacy Board’ means the entity established in
18 section 1006 of the No More Bailouts Act of 2009.”,
19 and

20 (4) by inserting after paragraph (40) the fol-
21 lowing:

22 “(40A) The term ‘non-bank financial institu-
23 tion’ means an institution the business of which is
24 engaging in financial activities that is not an insured
25 depository institution.”.

1 (b) APPLICABILITY OF CHAPTERS.—Section 103 of
2 title 11, United States Code, is amended—

3 (1) in subsection (a) by striking “13” and in-
4 serting “13, and 14”,

5 (2) by redesignating subsection (k) as sub-
6 section (l), and

7 (3) by inserting after subsection (j) the fol-
8 lowing:

9 “(k) Chapter 14 applies only in a case under such
10 chapter.”.

11 (c) WHO MAY BE A DEBTOR.—Section 109 of title
12 11, United States Code, is amended—

13 (1) in subsection (b)—

14 (A) in paragraph (2) by striking “or” at
15 the end,

16 (B) in paragraph (3) by striking the period
17 at the end and insert and inserting “; or”, and

18 (C) by adding at the end the following:

19 “(4) a non-bank financial institution that has
20 not been a debtor under chapter 14 of this title.”,

21 (2) in subsection (d) by striking “or commodity
22 broker” and inserting “, commodity broker, or a
23 non-bank financial institution”, and

24 (3) by adding at the end the following:

1 “(i) Only a non-bank financial institution may be a
2 debtor under chapter 14 of this title.”.

3 (d) INVOLUNTARY CASES.—Section 303 of title 11,
4 the United States Code, is amended—

5 (1) in subsection (a) by striking “or 11” and
6 inserting “, 11, or 14”, and

7 (2) in subsection (b) by striking “or 11” and
8 inserting “, 11, or 14”.

9 (e) OBTAINING CREDIT.—Section 364 of title 11,
10 United States Code, is amended by adding at the end the
11 following:

12 “(g) Notwithstanding any other provision of this sec-
13 tion, the trustee may not, and the court may not authorize
14 the trustee to, obtain credit, if the source of that credit
15 either directly or indirectly is the United States.”.

16 (f) CHAPTER 14.—Title 11, United States Code, is
17 amended—

18 (1) by inserting the following after chapter 13:

19 **“CHAPTER 14—ADJUSTMENT TO THE**
20 **DEBTS OF A NON-BANK FINANCIAL IN-**
21 **STITUTION**

“1401. Inapplicability of other sections.

“1402. Applicability of chapter 11 to cases under this chapter.

“1403. Prepetition consultation.

“1404. Appointment of trustee.

“1405. Right to be heard.

“1406. Right to communicate.

“1407. Exemption with respect to certain contracts or agreements.

“1408. Conversion or dismissal.

1 **“§ 1401. Inapplicability of other sections**

2 “Except as provided in section 1407, sections
3 362(b)(6), 362(b)(7), 362(b)(17), 546(e), 546(f), 546(g),
4 555, 556, 559, 560, and 561 do not apply in a case under
5 this chapter.

6 **“§ 1402. Applicability of chapter 11 to cases under**
7 **this chapter**

8 “With the exception of sections 1104(d), 1109,
9 1112(a), 1115, and 1116, subchapters I, II, and III of
10 chapter 11 apply in a case under this chapter.

11 **“§ 1403. Prepetition consultation**

12 “(a) Subject to subsection (b)—

13 “(1) a non-bank financial institution may not
14 be a debtor under this chapter unless that institu-
15 tion has, at least 10 days prior to the date of the
16 filing of the petition by such institution, taken part
17 in the consultation described in subsection (c); and

18 “(2) a creditor may not commence an involun-
19 tary case under this chapter unless, at least 10 days
20 prior to the date of the filing of the petition by such
21 creditor, the creditor notifies the non-bank financial
22 institution, the functional regulator, and the Market
23 Stability and Capital Adequacy Board of its intent
24 to file a petition and requests a consultation as de-
25 scribed in subsection (c).

1 “(b) If the non-bank financial institution, the func-
2 tional regulator, and the Market Stability and Capital
3 Adequacy Board, in consultation with any agency charged
4 with administering a nonbankruptcy insolvency regime for
5 any component of the debtor, certify that the immediate
6 filing of a petition under section 301 or 303 is necessary,
7 or that an immediate filing would be in the interests of
8 justice, a petition may be filed notwithstanding subsection
9 (a).

10 “(c) The non-bank financial institution, the func-
11 tional regulator, the Market Stability and Capital Ade-
12 quacy Board, and any agency charged with administering
13 a nonbankruptcy insolvency regime for any component of
14 the debtor shall engage in prepetition consultation in order
15 to attempt to avoid the need for the non-bank financial
16 institution’s liquidation or reorganization in bankruptcy,
17 to make any liquidation or reorganization of the non-bank
18 financial institution under this title more orderly, or to
19 aid in the nonbankruptcy resolution of any of the non-
20 bank financial institution’s components under its non-
21 bankruptcy insolvency regime. Such consultation shall spe-
22 cifically include the attempt to negotiate forbearance of
23 claims between the non-bank financial institution and its
24 creditors if such forbearance would likely help to avoid the
25 commencement of a case under this title, would make any

1 liquidation or reorganization under this title more orderly,
2 or would aid in the nonbankruptcy resolution of any of
3 the non-bank financial institution's components under its
4 nonbankruptcy insolvency regime. Additionally, the con-
5 sultation shall consider whether, if a petition is filed under
6 section 301 or 303, the debtor should file a motion for
7 an exemption authorized by section 1407.

8 “(d) The court may allow the consultation process to
9 continue for 30 days after the petition, upon motion by
10 the debtor or a creditor. Any post-petition consultation
11 proceedings authorized should be facilitated by the court's
12 mediation services, under seal, and exclude ex parte com-
13 munications.

14 “(e) The Market Stability and Capital Adequacy
15 Board and the functional regulator shall publish and
16 transmit to Congress a report documenting the course of
17 any consultation. Such report shall be published and
18 transmitted to Congress within 30 days of the conclusion
19 of the consultation.

20 “(f) Nothing in this section shall be interpreted to
21 set aside any of the limitations on the use of Federal funds
22 set forth in the No More Bailouts Act of 2009 or the
23 amendments made by such Act.

1 **“§ 1404. Appointment of trustee**

2 “In applying section 1104 to a case under this chap-
3 ter, if the court orders the appointment of a trustee or
4 an examiner, if the trustee or an examiner dies or resigns
5 during the case or is removed under section 324, or if a
6 trustee fails to qualify under section 322, the functional
7 regulator, in consultation with the Market Stability and
8 Capital Adequacy Board, shall submit a list of five disin-
9 terested persons that are qualified and willing to serve as
10 trustees in the case and the United States trustee shall
11 appoint, subject to the court’s approval, one of such per-
12 sons to serve as trustee in the case.

13 **“§ 1405. Right to be heard**

14 “(a) The functional regulator, the Market Stability
15 and Capital Adequacy Board, the Federal Reserve, the
16 Department of the Treasury, the Securities and Exchange
17 Commission, and any domestic or foreign agency charged
18 with administering a nonbankruptcy insolvency regime for
19 any component of the debtor may raise and may appear
20 and be heard on any issue in a case under this chapter,
21 but may not appeal from any judgment, order, or decree
22 entered in the case.

23 “(b) A party in interest, including the debtor, the
24 trustee, a creditors’ committee, an equity security holders’
25 committee, a creditor, an equity security holder, or any

1 indenture trustee may raise, and may appear and be heard
2 on, any issue in a case under this chapter.

3 **“§ 1406. Right to communicate**

4 “The court is entitled to communicate directly with,
5 or to request information or assistance directly from, the
6 functional regulator, the Market Stability and Capital
7 Adequacy Board, the Board of Governors of the Federal
8 Reserve System, the Department of the Treasury, or any
9 agency charged with administering a nonbankruptcy insol-
10 vency regime for any component of the debtor, subject to
11 the rights of a party in interest to notice and participation.

12 **“§ 1407. Exemption with respect to certain contracts**
13 **or agreements**

14 “(a) Subject to subsection (b)—

15 “(1) upon motion of the debtor, consented to by
16 the Market Stability and Capital Adequacy Board—

17 “(A) the debtor and the estate shall be ex-
18 empt from the operation of sections 362(b)(6),
19 362(b)(7), 362(b)(17), 546(e), 546(f), 546(g),
20 555, 556, 559, 560, and 561;

21 “(B) if the Market Stability and Capital
22 Adequacy Board consents to the filing of such
23 motion by the debtor, the Board shall inform
24 the court of its reasons for consenting; and

1 “(C) the debtor may limit its motion, or
2 the board may limit its consent, to exempt the
3 debtor and the estate from the operation of sec-
4 tion 362(b)(6), 362(b)(7), 362(b)(17), 546(e),
5 546(f), 546(g), 555, 556, 559, 560, or 561, or
6 any combination thereof; and

7 “(2) if the Market Stability and Capital Ade-
8 quacy Board does not consent to the filing of a mo-
9 tion by the debtor under paragraph (1), the debtor
10 may file a motion to exempt the debtor and the es-
11 tate from the operation of sections 362(b)(6),
12 362(b)(7), 362(b)(17), 546(e), 546(f), 546(g), 555,
13 556, 559, 560, and 561, or any combination thereof.

14 “(b) The court shall commence a hearing on a motion
15 under subsection (a) not later than 5 days after the filing
16 of the motion to determine whether to maintain, termi-
17 nate, annul, modify, or condition the exemption under sub-
18 section (a)(1) or, in the case of a motion under subsection
19 (a)(2), grant the exemption. The court shall request the
20 filing or briefs by the functional regulator and the Market
21 Stability and Capital Adequacy Board. The court shall de-
22 cide the motion not later than 5 days after commencing
23 such hearing unless—

24 “(1) the parties in interest consent to a exten-
25 sion for a specific period of time; or

1 “(2) except with respect to an exemption from
2 the operation of section 559, the court sua sponte
3 extends for 5 additional days the period for decision
4 if such extension would be in the interests of justice
5 or is required by compelling circumstances.

6 “(c) The court shall maintain, terminate, annul, mod-
7 ify, or condition the exemption under subsection (a)(1),
8 or, in the case of a motion under subsection (a)(2), grant
9 the exemption only upon showing of good cause. In deter-
10 mining whether good cause has been shown, the court
11 shall balance the interests of both debtor and creditors
12 while attempting to preserve the debtor’s assets for repay-
13 ment and reorganization of the debtors obligations, or to
14 provide for a more orderly liquidation.

15 “(d) For purposes of timing under section 562 of this
16 title, if a motion is filed under subsection (a)(1) or if a
17 motion is granted under subsection (a)(2), the date or
18 dates of liquidation, termination, or acceleration shall be
19 measured from the earlier of—

20 “(1) the actual date or dates of liquidation, ter-
21 mination, or acceleration; or

22 “(2) the date on which a forward contract mer-
23 chant, stockbroker, financial institution, securities
24 clearing agency, repo participant, financial partici-
25 pant, master netting agreement participant, or swap

1 participant files a notice with the court that it would
2 have liquidated, terminated, or accelerated a con-
3 tract or agreement covered by section 562 of this
4 title had a stay under this section not been in place.

5 **“§ 1408. Conversion or dismissal**

6 “In applying section 1112 to a case under this chap-
7 ter, the debtor may convert a case under this chapter to
8 a case under chapter 7 of this title if the debtor may be
9 a debtor under such chapter unless the debtor is not a
10 debtor in possession.”, and

11 (2) by amending the table of chapters of such
12 title by adding at the end the following:

“14. Adjustment to the Debts of a Non-Bank Financial Institution 1401”.

13 **SEC. 1004. EFFECTIVE DATE; APPLICATION OF AMEND-**
14 **MENTS.**

15 (a) **EFFECTIVE DATE.**—Except as provided in sub-
16 section (b), this title and the amendments made by this
17 title shall take effect on the date of the enactment of this
18 title.

19 (b) **APPLICATION OF AMENDMENTS.**—The amend-
20 ments made by this title shall apply only with respect to
21 cases commenced under title 11 of the United States Code
22 on or after the date of the enactment of this title.

1 **SEC. 1005. REFORMS OF SECTION 13 EMERGENCY POWERS.**

2 (a) RESTRICTIONS ON EMERGENCY POWERS.—The
3 third undesignated paragraph of section 13 of the Federal
4 Reserve Act is amended—

5 (1) by striking “In unusual and exigent” and
6 inserting the following:

7 “(3) EMERGENCY AUTHORITY.—

8 “(A) IN GENERAL.—In unusual and exi-
9 gent”; and

10 (2) by adding at the end the following new sub-
11 paragraph:

12 “(B) REQUIREMENT FOR BROAD AVAIL-
13 ABILITY OF DISCOUNTS.—Subject to the limita-
14 tions provided under subparagraph (A), any au-
15 thorization made pursuant to the authority pro-
16 vided under subparagraph (A) shall require dis-
17 counts to be made broadly available to individ-
18 uals, partnerships, and corporations within the
19 market sector for which such authorization is
20 being made.

21 “(C) TRANSPARENCY AND OVERSIGHT.—

22 “(i) SECRETARY OF THE TREASURY
23 APPROVAL REQUIRED; NOTICE TO THE
24 CONGRESS.—No authorization may be
25 made pursuant to the authority provided
26 under subparagraph (A) unless—

1 “(I) such authorization is first
2 approved by the Secretary of the
3 Treasury; and

4 “(II) the Secretary of the Treas-
5 ury issues a notice to the Congress
6 detailing what authorization the Sec-
7 retary has approved.

8 “(ii) PROGRAMS MOVED ON-BUDGET
9 AFTER 90 DAYS.—On and after the date
10 that is 90 days after the date on which any
11 authorization is made pursuant to the au-
12 thority provided under subparagraph (A),
13 all receipts and disbursements resulting
14 from such authorization shall be counted
15 as new budget authority, outlays, receipts,
16 or deficit or surplus for purposes of—

17 “(I) the budget of the United
18 States Government as submitted by
19 the President;

20 “(II) the congressional budget;
21 and

22 “(III) the Balanced Budget and
23 Emergency Deficit Control Act of
24 1985.

1 “(D) JOINT RESOLUTION OF DIS-
2 APPROVAL.—

3 “(i) IN GENERAL.—With respect to an
4 authorization made pursuant to the au-
5 thority provided under subparagraph (A),
6 if, during the 90-day period beginning on
7 the date the Congress receives a notice de-
8 scribed under subparagraph (C)(i)(II) with
9 respect to such authorization, there is en-
10 acted into law a joint resolution dis-
11 approving such authorization, any action
12 taken under such authorization must be
13 discontinued and unwound not later than
14 the end of the 180-day period beginning on
15 the date that such authorization was made.

16 “(ii) CONTENTS OF JOINT RESOLU-
17 TION.—For the purpose of this paragraph,
18 the term ‘joint resolution’ means only a
19 joint resolution—

20 “(I) that is introduced not later
21 than 3 calendar days after the date on
22 which the notice referred to in clause
23 (i) is received by the Congress;

24 “(II) which does not have a pre-
25 amble;

1 “(III) the title of which is as fol-
2 lows: ‘Joint resolution relating to the
3 disapproval of authorization under the
4 emergency powers of the Federal Re-
5 serve Act’; and

6 “(IV) the matter after the resolv-
7 ing clause of which is as follows:
8 ‘That Congress disapproves the au-
9 thorization contained in the notice
10 submitted to the Congress by the Sec-
11 retary of the Treasury on the date of
12 _____ relating to
13 _____.’ (The blank spaces
14 being appropriately filled in.).

15 “(E) FAST TRACK CONSIDERATION IN
16 HOUSE OF REPRESENTATIVES.—

17 “(i) RECONVENING.—Upon receipt of
18 a notice referred to in subparagraph
19 (D)(i), the Speaker, if the House would
20 otherwise be adjourned, shall notify the
21 Members of the House that, pursuant to
22 this section, the House shall convene not
23 later than the second calendar day after
24 receipt of such report.

1 “(ii) REPORTING AND DISCHARGE.—
2 Any committee of the House of Represent-
3 atives to which a joint resolution is re-
4 ferred shall report it to the House not later
5 than 5 calendar days after the date of re-
6 ceipt of the notice referred to in subpara-
7 graph (D)(i). If a committee fails to report
8 the joint resolution within that period, the
9 committee shall be discharged from further
10 consideration of the joint resolution and
11 the joint resolution shall be referred to the
12 appropriate calendar.

13 “(iii) PROCEEDING TO CONSIDER-
14 ATION.—After each committee authorized
15 to consider a joint resolution reports it to
16 the House or has been discharged from its
17 consideration, it shall be in order, not later
18 than the sixth day after Congress receives
19 the notice referred to in subparagraph
20 (D)(i), to move to proceed to consider the
21 joint resolution in the House. All points of
22 order against the motion are waived. Such
23 a motion shall not be in order after the
24 House has disposed of a motion to proceed
25 on the joint resolution. The previous ques-

1 tion shall be considered as ordered on the
2 motion to its adoption without intervening
3 motion. The motion shall not be debatable.
4 A motion to reconsider the vote by which
5 the motion is disposed of shall not be in
6 order.

7 “(iv) CONSIDERATION.—The joint res-
8 olution shall be considered as read. All
9 points of order against the joint resolution
10 and against its consideration are waived.
11 The previous question shall be considered
12 as ordered on the joint resolution to its
13 passage without intervening motion except
14 two hours of debate equally divided and
15 controlled by the proponent and an oppo-
16 nent. A motion to reconsider the vote on
17 passage of the joint resolution shall not be
18 in order.

19 “(F) FAST TRACK CONSIDERATION IN SEN-
20 ATE.—

21 “(i) RECONVENING.—Upon receipt of
22 a notice referred to in subparagraph
23 (D)(i), if the Senate has adjourned or re-
24 cessed for more than 2 days, the majority
25 leader of the Senate, after consultation

1 with the minority leader of the Senate,
2 shall notify the Members of the Senate
3 that, pursuant to this section, the Senate
4 shall convene not later than the second cal-
5 endar day after receipt of such message.

6 “(ii) PLACEMENT ON CALENDAR.—
7 Upon introduction in the Senate, the joint
8 resolution shall be placed immediately on
9 the calendar.

10 “(iii) FLOOR CONSIDERATION.—

11 “(I) IN GENERAL.—Notwith-
12 standing Rule XXII of the Standing
13 Rules of the Senate, it is in order at
14 any time during the period beginning
15 on the 4th day after the date on
16 which Congress receives a notice re-
17 ferred to in subparagraph (D)(i) and
18 ending on the 6th day after the date
19 on which Congress receives a notice
20 referred to in subparagraph (D)(i)
21 (even though a previous motion to the
22 same effect has been disagreed to) to
23 move to proceed to the consideration
24 of the joint resolution, and all points
25 of order against the joint resolution

1 (and against consideration of the joint
2 resolution) are waived. The motion to
3 proceed is not debatable. The motion
4 is not subject to a motion to postpone.
5 A motion to reconsider the vote by
6 which the motion is agreed to or dis-
7 agreed to shall not be in order. If a
8 motion to proceed to the consideration
9 of the resolution is agreed to, the joint
10 resolution shall remain the unfinished
11 business until disposed of.

12 “(II) DEBATE.—Debate on the
13 joint resolution, and on all debatable
14 motions and appeals in connection
15 therewith, shall be limited to not more
16 than 10 hours, which shall be divided
17 equally between the majority and mi-
18 nority leaders or their designees. A
19 motion further to limit debate is in
20 order and not debatable. An amend-
21 ment to, or a motion to postpone, or
22 a motion to proceed to the consider-
23 ation of other business, or a motion to
24 recommit the joint resolution is not in
25 order.

1 “(III) VOTE ON PASSAGE.—The
2 vote on passage shall occur imme-
3 diately following the conclusion of the
4 debate on a joint resolution, and a
5 single quorum call at the conclusion of
6 the debate if requested in accordance
7 with the rules of the Senate.

8 “(IV) RULINGS OF THE CHAIR
9 ON PROCEDURE.—Appeals from the
10 decisions of the Chair relating to the
11 application of the rules of the Senate,
12 as the case may be, to the procedure
13 relating to a joint resolution shall be
14 decided without debate.

15 “(G) RULES RELATING TO SENATE AND
16 HOUSE OF REPRESENTATIVES.—

17 “(i) COORDINATION WITH ACTION BY
18 OTHER HOUSE.—If, before the passage by
19 one House of a joint resolution of that
20 House, that House receives from the other
21 House a joint resolution, then the following
22 procedures shall apply:

23 “(I) The joint resolution of the
24 other House shall not be referred to a
25 committee.

1 “(II) With respect to a joint res-
2 olution of the House receiving the res-
3 olution—

4 “(aa) the procedure in that
5 House shall be the same as if no
6 joint resolution had been received
7 from the other House; but

8 “(bb) the vote on passage
9 shall be on the joint resolution of
10 the other House.

11 “(ii) TREATMENT OF JOINT RESOLU-
12 TION OF OTHER HOUSE.—If one House
13 fails to introduce or consider a joint resolu-
14 tion under this section, the joint resolution
15 of the other House shall be entitled to ex-
16 pedited floor procedures under this section.

17 “(iii) TREATMENT OF COMPANION
18 MEASURES.—If, following passage of the
19 joint resolution in the Senate, the Senate
20 then receives the companion measure from
21 the House of Representatives, the com-
22 panion measure shall not be debatable.

23 “(iv) VETOES.—If the President ve-
24 toes the joint resolution, debate on a veto
25 message in the Senate under this section

1 shall be 1 hour equally divided between the
2 majority and minority leaders or their des-
3 ignees.

4 “(v) RULES OF HOUSE OF REP-
5 RESENTATIVES AND SENATE.—This sub-
6 paragraph and subparagraphs (D), (E),
7 and (F) are enacted by Congress—

8 “(I) as an exercise of the rule-
9 making power of the Senate and
10 House of Representatives, respec-
11 tively, and as such it is deemed a part
12 of the rules of each House, respec-
13 tively, but applicable only with respect
14 to the procedure to be followed in that
15 House in the case of a joint resolu-
16 tion, and it supersedes other rules
17 only to the extent that it is incon-
18 sistent with such rules; and

19 “(II) with full recognition of the
20 constitutional right of either House to
21 change the rules (so far as relating to
22 the procedure of that House) at any
23 time, in the same manner, and to the
24 same extent as in the case of any
25 other rule of that House.”.

1 (b) CURRENT PROGRAMS MOVED ON-BUDGET.—Not
2 later than 90 days after the date of the enactment of this
3 title, all receipts and disbursements resulting from any au-
4 thorization made before the date of the enactment of this
5 title pursuant to the authority granted by the third undes-
6 ignated paragraph of section 13 of the Federal Reserve
7 Act shall be counted as new budget authority, outlays, re-
8 ceipts, or deficit or surplus for purposes of—

9 (1) the budget of the United States Govern-
10 ment as submitted by the President;

11 (2) the congressional budget; and

12 (3) the Balanced Budget and Emergency Def-
13 icit Control Act of 1985.

14 **SEC. 1006. ESTABLISHMENT OF MARKET STABILITY AND**
15 **CAPITAL ADEQUACY BOARD.**

16 (a) IN GENERAL.—There is hereby established the
17 Market Stability and Capital Adequacy Board (hereafter
18 in this title referred to as the “Board”) as an independent
19 establishment in the Executive Branch.

20 (b) CONSTITUTION OF BOARD.—Subject to para-
21 graph (4), the Board shall have 12 members as follows:

22 (1) PUBLIC MEMBERS.—The following shall be
23 members of the Board—

24 (A) The Secretary of the Treasury.

1 (B) The Chairman of the Board of Gov-
2 ernors of the Federal Reserve System.

3 (C) The Chairman of the Securities and
4 Exchange Commission.

5 (D) The Chairperson of the Federal De-
6 posit Insurance Corporation.

7 (E) The Chairman of the Commodity Fu-
8 tures Trading Commission.

9 (F) The Comptroller of the Currency.

10 (G) The Director of the Office of Thrift
11 Supervision.

12 (2) PRIVATE MEMBERS.—The Board shall also
13 have 5 members appointed by the President, by and
14 with the advice and consent of the Senate, who shall
15 be appointed from among individuals who—

16 (A) are specially qualified to serve on the
17 Board by virtue of their education, training,
18 and experience; and

19 (B) are not officers or employees of the
20 Federal Government, including the Board of
21 Governors of the Federal Reserve System.

22 (3) CHAIRPERSON.—The Secretary of the
23 Treasury shall serve as the Chairperson of the
24 Board.

1 (4) DIRECTOR OF FHFA AS INTERIM MEM-
2 BER.—Until such time as the charters of the Fed-
3 eral National Mortgage Association and the Federal
4 Home Loan Mortgage Corporation are both repealed
5 pursuant to section 7006(d), the Board shall consist
6 of 13 members with the Director of the Federal
7 Housing Finance Agency serving as a public member
8 under paragraph (1).

9 (c) APPOINTMENTS.—

10 (1) TERM.—

11 (A) IN GENERAL.—Each appointed mem-
12 ber shall be appointed for a term of 5 years.

13 (B) STAGGERED TERMS.—Of the members
14 of the Board first appointed under subsection
15 (b)(2), as designated by the President at the
16 time of appointment—

17 (i) 1 shall be appointed for a term of
18 5 years;

19 (ii) 1 shall be appointed for a term of
20 4 years;

21 (iii) 1 shall be appointed for a term of
22 3 years;

23 (iv) 1 shall be appointed for a term of
24 2 years; and

1 (v) 1 shall be appointed for a term of
2 1 year.

3 (2) INTERIM APPOINTMENTS.—Any member ap-
4 pointed to fill a vacancy occurring before the expira-
5 tion of the term for which such member's prede-
6 cessor was appointed shall be appointed only for the
7 remainder of such term.

8 (3) CONTINUATION OF SERVICE.—Each ap-
9 pointed member may continue to serve after the ex-
10 piration of the term of office to which such member
11 was appointed until a successor has been appointed
12 and qualified.

13 (4) REAPPOINTMENT TO A 2ND TERM.—Each
14 member appointed to a term on the Board under
15 subsection (b)(2), including an interim appointment
16 under paragraph (2), may be reappointed by the
17 President to serve 1 additional term.

18 (d) VACANCY.—

19 (1) IN GENERAL.—Any vacancy on the Board
20 shall be filled in the manner in which the original
21 appointment was made.

22 (2) ACTING OFFICIALS MAY SERVE.—In the
23 event of a vacancy in any position listed in sub-
24 section (b)(1) and pending the appointment of a suc-
25 cessor, or during the absence or disability of the in-

1 dividual serving in such position, any acting official
2 in such position shall be a member of the Board
3 while such vacancy, absence or disability continues
4 and the acting official continues acting in such posi-
5 tion.

6 (e) INELIGIBILITY FOR OTHER OFFICES.—

7 (1) POSTSERVICE RESTRICTION.—No member
8 of the Board may hold any office, position, or em-
9 ployment in any financial institution or affiliate of a
10 financial institution during—

11 (A) the time such member is in office; and

12 (B) the 2-year period beginning on the
13 date such member ceases to serve on the Board.

14 (2) CERTIFICATION.—Upon taking office, each
15 member of the Board shall certify under oath that
16 such member has complied with this subsection and
17 such certification shall be filed with the secretary of
18 the Board.

19 (f) QUALIFICATIONS; INITIAL MEETING.—

20 (1) POLITICAL PARTY AFFILIATION.—Not more
21 than 3 members of the Board appointed under sub-
22 section (b)(2) shall be from the same political party.

23 (2) QUALIFICATIONS GENERALLY.—It is the
24 sense of the Congress that individuals appointed to
25 the Commission should be prominent United States

1 citizens, with national recognition and significant
2 depth of experience commensurate with the duties of
3 the Board.

4 (3) SPECIFIC APPOINTMENT QUALIFICATIONS
5 FOR CERTAIN APPOINTED MEMBERS.—

6 (A) STATE BANK.—Of the members ap-
7 pointed to the Board under subsection (b)(2),
8 at least 1 shall be appointed from among indi-
9 viduals who have had experience as a State
10 bank supervisor or senior management execu-
11 tive with a State depository institution.

12 (B) INSURANCE COMMISSIONER.—Of the
13 members appointed to the Board under sub-
14 section (b)(2), at least 1 shall be appointed
15 from among individuals who have served as a
16 State insurance commissioner or supervisor.

17 (4) INITIAL MEETING.—The Board shall meet
18 and begin the operations of the Board as soon as
19 practicable but not later than the end of the 180-day
20 period beginning the date of the enactment of this
21 title.

22 (g) QUORUM.—Four of the members of the Board
23 designated under subsection (b)(1) and 3 members of the
24 Board appointed under (b)(2) shall constitute a quorum.

1 (h) QUARTERLY MEETINGS.—The Board shall meet
2 upon the call of the chairperson or a majority of the mem-
3 bers at least once in each calendar quarter

4 **SEC. 1007. FUNCTIONS OF BOARD.**

5 (a) PRINCIPAL FUNCTIONS.—The principal functions
6 of the Board shall be to—

7 (1) monitor the interactions of various sectors
8 of the financial system; and

9 (2) identify risks that could endanger the sta-
10 bility and soundness of the system.

11 (b) SPECIFIC REVIEW FUNCTIONS INCLUDED.—In
12 carrying out the functions described in subsection (a), the
13 Board shall—

14 (1) review financial industry data collected from
15 the appropriate functional regulators;

16 (2) review insurance industry data, in coordina-
17 tion with State insurance supervisors, for all lines of
18 insurance other than health insurance;

19 (3) monitor government policies and initiatives;

20 (4) review risk management practices within fi-
21 nancial regulatory agencies;

22 (5) review capital standards set by the appro-
23 priate functional regulators and make recommenda-
24 tions to ensure capital and leverage ratios match
25 risks regulated entities are taking on;

1 (6) review transparency and regulatory under-
2 standing of risk exposures in the over-the-counter
3 derivatives markets and make recommendations re-
4 garding the appropriate clearing of trades in those
5 markets through central counterparties;

6 (7) make recommendations regarding any gov-
7 ernment or industry policies and practices that are
8 exacerbating systemic risk; and

9 (8) take such other actions and make such
10 other recommendations as the Board, in the discre-
11 tion of the Board, determines to be appropriate.

12 (c) REPORTS TO FEDERAL FUNCTIONAL REGU-
13 LATORS AND THE CONGRESS.—The Board shall periodi-
14 cally make a report to the Congress and the functional
15 regulators on the findings, conclusions, and recommenda-
16 tions of the Board in a manner and within a time frame
17 that allows the Congress and such regulators to act to con-
18 tain risks posed by specific firms, industry practices, ac-
19 tivities and interactions of entities under different regu-
20 latory regimes, or government policies.

21 (d) TESTIMONY TO CONGRESS.—Not later than Feb-
22 ruary 20 and July 20 of each year, the Chairperson of
23 the Board shall testify to the Congress at semiannual
24 hearings before the Committee on Banking, Housing, and
25 Urban Affairs of the Senate and the Committee on Finan-

1 cial Services of the House of Representatives, about the
2 state of systemic risk in the financial services industry and
3 proposals or recommendations by the Board to address
4 any undue risk.

5 (e) RULE OF CONSTRUCTION.—No provision of this
6 title shall be construed as giving the Board any enforce-
7 ment authority over any financial institution.

8 **SEC. 1008. POWERS OF BOARD.**

9 (a) CONTRACTING.—The Board may, to such extent
10 and in such amounts as are provided in appropriation
11 Acts, enter into contracts to enable the Board to discharge
12 its duties under this title.

13 (b) INFORMATION FROM FEDERAL AGENCIES.—

14 (1) IN GENERAL.—The Board may secure di-
15 rectly from any executive department, agency, or
16 independent establishment, or any other instrumen-
17 tality of the United States information and rec-
18 ommendations for the purposes of this title.

19 (2) DELIVERY OF REQUESTED INFORMATION.—

20 Each executive department, agency, or independent
21 establishment, or any other instrumentality of the
22 United States shall, to the extent authorized by law,
23 furnish any information and recommendations re-
24 quested under paragraph (1) directly to the Board,

1 upon request made by the chairperson or any mem-
2 ber designated by a majority of the Commission.

3 (3) RECEIPT, HANDLING, STORAGE, AND DIS-
4 SEMINATION.—Information shall only be received,
5 handled, stored, and disseminated by members of
6 the Board and its staff consistent with all applicable
7 statutes, regulations, and Executive orders.

8 (c) ASSISTANCE FROM FEDERAL AGENCIES.—

9 (1) GENERAL SERVICES ADMINISTRATION.—
10 The Administrator of General Services shall provide
11 to the Board on a reimbursable basis administrative
12 support and other services for the performance of
13 the Commission’s functions.

14 (2) OTHER DEPARTMENTS AND AGENCIES.—In
15 addition to the assistance prescribed in paragraph
16 (1), departments and agencies of the United States
17 may provide to the Commission such services, funds,
18 facilities, staff, and other support services as they
19 may determine advisable and as may be authorized
20 by law, including agencies represented on the Board
21 under section 1006(b)(1).

22 **SEC. 1009. RESPONSIBILITIES OF FEDERAL FUNCTIONAL**
23 **REGULATORS.**

24 (a) FEDERAL FUNCTIONAL REGULATOR DEFINED.—

25 For purposes of this title, the term “Federal functional

1 regulator” has the same meaning as in section 509(2) of
2 the Gramm-Leach-Bliley Act, except that such term in-
3 cludes the Commodity Futures Trading Commission.

4 (b) ASSESSMENTS AND REVIEWS.—In order to ad-
5 dress current regulatory gaps, each Federal functional
6 regulator shall, before each quarterly meeting of the
7 Board—

8 (1) assess the effects on macroeconomic sta-
9 bility of the activities of financial institutions that
10 are subject to the jurisdiction of such agency;

11 (2) review how such financial institutions inter-
12 act with entities outside the jurisdiction of such
13 agency; and

14 (3) report the results of such assessment and
15 review to the Board, together with such rec-
16 ommendations for administrative action as the agen-
17 cy determines to be appropriate.

18 **SEC. 1010. STAFF OF BOARD.**

19 (a) APPOINTMENT AND COMPENSATION.—The chair-
20 person, in accordance with rules agreed upon by the Board
21 and title 5, United States Code, may appoint and fix the
22 compensation of a staff director and such other personnel
23 as may be necessary to enable the Board to carry out its
24 functions.

1 (b) DETAILEES.—Any Federal Government employee
2 may be detailed to the Board and such detailee shall retain
3 the rights, status, and privileges of his or her regular em-
4 ployment without interruption.

5 (c) CONSULTANT SERVICES.—The Board may pro-
6 cure the services of experts and consultants in accordance
7 with section 3109 of title 5, United States Code, but at
8 rates not to exceed the daily rate paid a person occupying
9 a position at level IV of the Executive Schedule under sec-
10 tion 5315 of title 5, United States Code.

11 **SEC. 1011. COMPENSATION AND TRAVEL EXPENSES.**

12 (a) COMPENSATION.—Each member of the Board ap-
13 pointed under section 1006(b)(2) may be compensated at
14 not to exceed the daily equivalent of the annual rate of
15 basic pay in effect for a position at level IV of the Execu-
16 tive Schedule under section 5315 of title 5, United States
17 Code, for each day during which that member is engaged
18 in the actual performance of the duties of the Board.

19 (b) TRAVEL EXPENSES.—While away from their
20 homes or regular places of business in the performance
21 of services for the Board, members of the Board shall be
22 allowed travel expenses, including per diem in lieu of sub-
23 sistence, in the same manner as persons employed inter-
24 mittently in the Government service are allowed expenses
25 under section 5703(b) of title 5, United States Code.

1 **SEC. 1012. GAO AUDIT OF THE FEDERAL RESERVE.**

2 Section 714 of title 31, United States Code, is
3 amended—

4 (1) in subsection (b), by striking all after “has
5 consented in writing.” and inserting the following:
6 “Audits of the Federal Reserve Board and Federal
7 reserve banks shall not include unreleased tran-
8 scripts or minutes of meetings of the Board of Gov-
9 ernors or of the Federal Open Market Committee.
10 To the extent that an audit deals with individual
11 market actions, records related to such actions shall
12 only be released by the Comptroller General after
13 180 days have elapsed following the effective date of
14 such actions.”;

15 (2) in subsection (c)(1), in the first sentence, by
16 striking “subsection,” and inserting “subsection or
17 in the audits or audit reports referring or relating
18 to the Federal Reserve Board or Reserve Banks,”;
19 and

20 (3) by adding at the end the following:

21 “(f) **AUDIT AND REPORT OF THE FEDERAL RESERVE**
22 **SYSTEM.—**

23 “(1) **IN GENERAL.—**An audit of the Board of
24 Governors of the Federal Reserve System and the
25 Federal reserve banks under subsection (b) shall be

1 completed within 12 months of the enactment of the
2 Consumer and Taxpayer Protection Act of 2009.

3 “(2) REPORT.—

4 “(A) REQUIRED.—A report on the audit
5 referred to in paragraph (1) shall be submitted
6 by the Comptroller General to the Congress be-
7 fore the end of the 90-day period beginning on
8 the date on which such audit is completed and
9 made available to—

10 “(i) the Speaker of the House of Rep-
11 resentatives;

12 “(ii) the majority and minority leaders
13 of the House of Representatives;

14 “(iii) the majority and minority lead-
15 ers of the Senate;

16 “(iv) the Chairman and Ranking
17 Member of the committee and each sub-
18 committee of jurisdiction in the House of
19 Representatives and the Senate; and

20 “(v) any other Member of Congress
21 who requests it.

22 “(B) CONTENTS.—The report under sub-
23 paragraph (A) shall include a detailed descrip-
24 tion of the findings and conclusion of the

1 Comptroller General with respect to the audit
2 that is the subject of the report.

3 “(3) CONSTRUCTION.—Nothing in this sub-
4 section shall be construed—

5 “(A) as interference in or dictation of mon-
6 etary policy to the Federal Reserve System by
7 the Congress or the Government Accountability
8 Office; or

9 “(B) to limit the ability of the Government
10 Accountability Office to perform additional au-
11 dits of the Board of Governors of the Federal
12 Reserve System or of the Federal reserve
13 banks.”.

14 **TITLE II—FINANCIAL INSTITU-**
15 **TIONS CONSUMER PROTEC-**
16 **TION AND EXAMINATION**
17 **COUNCIL**

18 **SEC. 2001. SHORT TITLE.**

19 This title may be cited as the “Financial Institutions
20 Consumer Protection and Examination Council Act of
21 2009”.

22 **SEC. 2002. DEFINITIONS.**

23 (a) RENAMING COUNCIL.—The Federal Financial In-
24 stitutions Examination Council Act of 1978 (12 U.S.C.
25 3301 et seq.) is amended by striking “Financial Institu-

1 tions Examination Council” each place it appears, except
2 for in section 1001 of such Act, and inserting “Financial
3 Institutions Consumer Protection and Examination Coun-
4 cil”.

5 (b) DEFINITIONS RELATING TO CONSUMER PROTEC-
6 TION.—Section 1003 of such Act (12 U.S.C. 3302) is
7 amended—

8 (1) in paragraph (2), by striking “and”; and

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

11 “(4) the term ‘enumerated consumer laws’
12 means—

13 “(A) the Alternative Mortgage Transaction
14 Parity Act (12 U.S.C. 3801 et seq.);

15 “(B) the Community Reinvestment Act;

16 “(C) the Consumer Leasing Act;

17 “(D) the Electronic Funds Transfer Act
18 (15 U.S.C. 1693 et seq.);

19 “(E) the Equal Credit Opportunity Act
20 (15 U.S.C. 1691 et seq.);

21 “(F) the Fair Credit Billing Act;

22 “(G) the Fair Credit Reporting Act (15
23 U.S.C. 1681 et seq.);

24 “(H) the Fair Debt Collection Practices
25 Act (15 U.S.C. 1692 et seq.);

1 “(I) subsections (c), (d), (e), and (f) of
2 section 43 of the Federal Deposit Insurance Act
3 (12 U.S.C. 1831t);

4 “(J) sections 502, 503, 504, 505, 506,
5 507, 508, and 509 of the Gramm-Leach-Bliley
6 Act (15 U.S.C. 6802 et seq.);

7 “(K) the Home Mortgage Disclosure Act
8 (12 U.S.C. 2801 et seq.);

9 “(L) the Real Estate Settlement Proce-
10 dures Act (12 U.S.C. 2601 et seq.);

11 “(M) the Secure and Fair Enforcement for
12 Mortgage Licensing Act (12 U.S.C. 5101 et
13 seq.);

14 “(N) the Truth in Lending Act (15 U.S.C.
15 1601 et seq.);

16 “(O) the Truth in Savings Act (12 U.S.C.
17 4301 et seq.); and

18 “(5) the term ‘expanded Board’ means——

19 “(A) the members of the Council described
20 under section 1004(a);

21 “(B) the Secretary of Housing and Urban
22 Development;

23 “(C) the Chairman of the Securities and
24 Exchange Commission;

1 “(D) the Chairman of the Commodities
2 Futures Trading Commission;

3 “(E) the Chairman of the Federal Trade
4 Commission;

5 “(F) the Director of the Federal Housing
6 Finance Agency;

7 “(G) the Director of the Pension Benefit
8 Guarantee Corporation;

9 “(H) the Secretary of the Treasury;

10 “(I) the Secretary of Defense; and

11 “(J) the Secretary of Veterans’ Affairs.”.

12 (c) DEFINITIONS RELATED TO THE STATE LIAISON
13 COMMITTEE.—Section 1007 of such Act (12 U.S.C. 3306)
14 is amended by inserting after “financial institutions” the
15 following: “and one representative of the National Associa-
16 tion of Insurance Commissioners”.

17 **SEC. 2003. FINANCIAL INSTITUTIONS CONSUMER PROTEC-**
18 **TION AND EXAMINATION COUNCIL.**

19 (a) CONSUMER PROTECTION DUTIES.—Section 1006
20 of the Federal Financial Institutions Examination Council
21 Act of 1978 (12 U.S.C. 3305) is amended by adding at
22 the end the following new subsection:

23 “(h) CONSUMER PROTECTION REGULATIONS.—

24 “(1) IN GENERAL.—The Council shall study the
25 need for revised or new regulations for the protec-

1 tion of consumers under the enumerated consumer
2 laws and shall vote on suggested model regulations
3 that the Council determines necessary for the protec-
4 tion of consumers under the enumerated consumer
5 laws.

6 “(2) REGULATIONS ISSUED BY COUNCIL MEM-
7 BERS.—Not later than the end of the 1-month pe-
8 riod beginning on the date a suggested model regula-
9 tion is agreed to by the Council by a majority vote
10 of the members of the Council, the members of the
11 Council, other than the Chairman of the State Liai-
12 son Committee, shall jointly issue regulations based
13 on such suggested model regulation, where applica-
14 ble.

15 “(3) EXPANDED BOARD REQUIRED.—For pur-
16 poses of any action taken pursuant to this sub-
17 section and any reference to the members of the
18 Council under this subsection, the Council shall con-
19 sist of the expanded Board.

20 “(4) NO COUNCIL ENFORCEMENT POWER.—No
21 provision of this subsection shall be construed as
22 conferring any enforcement authority to the Council.

23 “(5) REQUIREMENTS FOR REGULATIONS PRO-
24 POSED BY THE CHAIRMAN OF THE STATE LIAISON
25 COMMITTEE.—

1 “(A) IN GENERAL.—The Chairman of the
2 State Liaison Committee may not propose any
3 suggested model regulation for the Council to
4 vote on under this subsection unless such pro-
5 posed suggested model regulation is accom-
6 panied by a certification from the Chairman of
7 the State Liaison Committee stating that more
8 than half of the States support such proposal.

9 “(B) METHOD OF DETERMINATION.—For
10 purposes of this paragraph, the Chairman of
11 the State Liaison Committee shall determine
12 the method for determining if a State supports
13 a proposal.”.

14 (b) ADDITIONAL STAFF.—Section 1008 of such Act
15 (12 U.S.C. 3307) is amended by adding at the end the
16 following new subsection:

17 “(d) CONSUMER PROTECTION STAFF.—

18 “(1) IN GENERAL.—At the request of the Coun-
19 cil, any member of the expanded Board, other than
20 the Chairman of the State Liaison Committee, may
21 detail, on a reimbursable basis, any of the personnel
22 of that member’s department or agency to the Coun-
23 cil to assist it in carrying out the Council’s duties
24 under subsection (h).

1 “(2) EXPANDED BOARD REQUIRED.—When
2 making any request under this subsection, the Coun-
3 cil shall consist of the expanded Board.”.

4 **SEC. 2004. OFFICE OF CONSUMER PROTECTION.**

5 The Federal Financial Institutions Examination
6 Council Act of 1978 (12 U.S.C. 3301 et seq.) is amended
7 by adding at the end the following new section:

8 **“SEC. 1012. OFFICE OF CONSUMER PROTECTION.**

9 “(a) OFFICE OF CONSUMER PROTECTION.—There is
10 hereby established within the Council an Office of Con-
11 sumer Protection (hereinafter in this section referred to
12 as the ‘Office’).

13 “(b) CONSUMER COMPLAINT HOTLINE AND
14 WEBSITE.—The Office shall establish a toll-free hotline
15 and a website for consumers to contact regarding inquiries
16 or complaints related to consumer protection. Such hotline
17 and website shall then refer such inquiries or complaints
18 to the appropriate Council member, which will then re-
19 spond to the inquiry or complaint.

20 “(c) DISCLOSURE REVIEW.—Not less often than once
21 every 7 years, the Office shall undertake a comprehensive
22 review of the rules and regulations regarding disclosures
23 made by entities under the jurisdiction of the members
24 of the Council to consumers. In making such review the
25 Office shall perform a cost and benefit analysis of each

1 such disclosure and determine if the policy of the members
2 of the Council towards such disclosure should remain the
3 same or be revised.

4 “(d) CONSUMER TESTING REQUIREMENT.—Before
5 prescribing any regulation pursuant to section 1006(h),
6 the Council shall have the Office carry out consumer test-
7 ing with respect to such proposed model regulation.

8 “(e) PERIODIC REVIEW OF REGULATIONS.—

9 “(1) REVIEW.—Not less than once every 7
10 years, the Office shall undertake a comprehensive re-
11 view of all regulations issued by the members of the
12 Council pursuant to section 1006(h)(2). In making
13 such review, the Office shall perform a cost and ben-
14 efit analysis of each regulation and determine if such
15 regulation should remain the same or if such regula-
16 tion should be revised.

17 “(2) REPORT.—After performing a review re-
18 quired by paragraph (1), the Office shall issue a re-
19 port to the Congress describing the review process,
20 any determinations made by the Office, and any re-
21 visions to regulations that the Office determined
22 were needed.”.

23 **SEC. 2005. STATE ENFORCEMENT AUTHORITY.**

24 (a) ENFORCEMENT OF COUNCIL REGULATIONS.—

25 The Federal Financial Institutions Examination Council

1 Act of 1978 (12 U.S.C. 3301 et seq.), as amended by sec-
2 tion 2004, is further amended by adding at the end the
3 following new section:

4 **“SEC. 1013. STATE ENFORCEMENT AUTHORITY.**

5 “The chief law enforcement officer of a State, or an
6 official or agency designated by a State, shall have the
7 authority to enforce any regulations issued by the mem-
8 bers of the Council pursuant to section 1006(h)(2) against
9 entities regulated by such State.”.

10 (b) ENFORCEMENT OF STATE CONSUMER PROTEC-
11 TION LAWS AGAINST NATIONAL BANKS AND THRIFTS.—

12 Notwithstanding any other provision of law, other than
13 section 5240 of the Revised Statutes and the comparable
14 limitation on visitorial authority applicable to federal sav-
15 ings associations, the chief law enforcement officer of a
16 State, or an official or agency designated by a State, shall
17 have the right to enforce such State’s non-preempted con-
18 sumer protection laws against national banks.

19 **SEC. 2006. UNFAIR OR DECEPTIVE ACTS OR PRACTICES AU-**
20 **THORITY TRANSFERRED.**

21 Section 18(f)(1) of the Federal Trade Commission
22 Act (15 U.S.C. 57a(f)(1)) is amended—

23 (1) by striking “(with respect to banks) and the
24 Federal Home Loan Bank Board (with respect to
25 savings and loan institutions described in paragraph

1 (3))” and inserting the following: “(with respect to
2 entities described in paragraph (2)(B)), the Comp-
3 troller of the Currency (with respect to entities de-
4 scribed in paragraph (2)(A)), the Board of Directors
5 of the Federal Deposit Insurance Corporation (with
6 respect to entities described under paragraph
7 (2)(C)), the Director of the Office of Thrift Super-
8 vision (with respect to savings associations or any
9 savings and loan institutions described in paragraph
10 (3)),”;

11 (2) by striking “each such Board” and insert-
12 ing “each such entity”; and

13 (3) by striking “any such Board” and inserting
14 “any such entity”.

15 **SEC. 2007. EQUALITY OF CONSUMER PROTECTION FUNC-**
16 **TIONS; CONSUMER PROTECTION DIVISIONS.**

17 (a) **EQUALITY OF CONSUMER PROTECTION FUNC-**
18 **TIONS.**—With respect to each regulatory agency, the func-
19 tions of such agency related to consumer protection shall
20 be of equal importance to such agency as the other func-
21 tions of such agency.

22 (b) **CONSUMER PROTECTION DIVISIONS.**—

23 (1) **IN GENERAL.**—There is hereby established
24 within each regulatory agency a consumer protection
25 division.

1 (2) REPORT.—The head of each consumer pro-
2 tection division established under paragraph (1)
3 shall submit an annual report to the Congress detail-
4 ing the performance of the regulatory agency in
5 which such division is located in enforcing the con-
6 sumer protection laws.

7 (c) REGULATORY AGENCY DEFINED.—For purposes
8 of this section, the term “regulatory agency” means the
9 Office of the Comptroller of the Currency, the Board of
10 Governors of the Federal Reserve System, the Federal De-
11 posit Insurance Corporation, the Office of Thrift Super-
12 vision, the National Credit Union Administration, the
13 Federal Trade Commission, and the Department of Hous-
14 ing and Urban Development.

15 **SEC. 2008. PROHIBITION ON CHARTER CONVERSIONS**
16 **WHILE UNDER REGULATORY SANCTION.**

17 With respect to an entity for which there is an appro-
18 priate Federal banking agency, as such term is defined
19 under section 3(q) of the Federal Deposit Insurance Act
20 (12 U.S.C. 1813(q)), such agency shall issue regulations
21 prohibiting such an entity from converting the type of
22 such entity’s charter during any time in which such entity
23 is under a regulatory sanction by such agency.

1 **TITLE III—ANTI-FRAUD**
2 **PROVISIONS**

3 **SEC. 3001. AUTHORITY TO IMPOSE CIVIL PENALTIES IN**
4 **CEASE AND DESIST PROCEEDINGS.**

5 (a) UNDER THE SECURITIES ACT OF 1933.—Section
6 8A of the Securities Act of 1933 (15 U.S.C. 77h–1) is
7 amended by adding at the end the following new sub-
8 section:

9 “(g) AUTHORITY TO IMPOSE MONEY PENALTIES.—

10 “(1) GROUNDS FOR IMPOSING.—In any cease-
11 and-desist proceeding under subsection (a), the
12 Commission may impose a civil penalty on a person
13 if it finds, on the record after notice and opportunity
14 for hearing, that—

15 “(A) such person—

16 “(i) is violating or has violated any
17 provision of this title, or any rule or regu-
18 lation thereunder; or

19 “(ii) is or was a cause of the violation
20 of any provision of this title, or any rule or
21 regulation thereunder; and

22 “(B) such penalty is in the public interest.

23 “(2) MAXIMUM AMOUNT OF PENALTY.—

24 “(A) FIRST TIER.—The maximum amount
25 of penalty for each act or omission described in

1 paragraph (1) shall be \$6,500 for a natural
2 person or \$65,000 for any other person.

3 “(B) SECOND TIER.—Notwithstanding
4 paragraph (A), the maximum amount of pen-
5 alty for each such act or omission shall be
6 \$65,000 for a natural person or \$325,000 for
7 any other person if the act or omission de-
8 scribed in paragraph (1) involved fraud, deceit,
9 manipulation, or deliberate or reckless dis-
10 regard of a regulatory requirement.

11 “(C) THIRD TIER.—Notwithstanding para-
12 graphs (A) and (B), the maximum amount of
13 penalty for each such act or omission shall be
14 \$130,000 for a natural person or \$650,000 for
15 any other person if—

16 “(i) the act or omission described in
17 paragraph (1) involved fraud, deceit, ma-
18 nipulation, or deliberate or reckless dis-
19 regard of a regulatory requirement; and

20 “(ii) such act or omission directly or
21 indirectly resulted in substantial losses or
22 created a significant risk of substantial
23 losses to other persons or resulted in sub-
24 stantial pecuniary gain to the person who
25 committed the act or omission.

1 “(3) EVIDENCE CONCERNING ABILITY TO
2 PAY.—In any proceeding in which the Commission
3 may impose a penalty under this section, a respond-
4 ent may present evidence of the respondent’s ability
5 to pay such penalty. The Commission may, in its
6 discretion, consider such evidence in determining
7 whether such penalty is in the public interest. Such
8 evidence may relate to the extent of such person’s
9 ability to continue in business and the collectability
10 of a penalty, taking into account any other claims of
11 the United States or third parties upon such per-
12 son’s assets and the amount of such person’s as-
13 sets.”.

14 (b) UNDER THE SECURITIES EXCHANGE ACT OF
15 1934.—Subsection (a) of section 21B of the Securities
16 Exchange Act of 1934 (15 U.S.C. 78u–2(a)) is amend-
17 ed—

18 (1) by striking “(a) COMMISSION AUTHORITY
19 TO ASSESS MONEY PENALTIES.—In any pro-
20 ceeding” and inserting the following:

21 “(a) COMMISSION AUTHORITY TO ASSESS MONEY
22 PENALTIES.—

23 “(1) IN GENERAL.—In any proceeding”;

24 (2) by redesignating paragraphs (1) through
25 (4) of such subsection as subparagraphs (A) through

1 (D), respectively and moving such redesignated sub-
2 paragraphs and the matter following such subpara-
3 graphs 2 ems to the right; and

4 (3) by adding at the end of such subsection the
5 following new paragraph:

6 “(2) CEASE-AND-DESIST PROCEEDINGS.—In
7 any proceeding instituted pursuant to section 21C of
8 this title against any person, the Commission may
9 impose a civil penalty if it finds, on the record after
10 notice and opportunity for hearing, that such per-
11 son—

12 “(A) is violating or has violated any provi-
13 sion of this title, or any rule or regulation
14 thereunder; or

15 “(B) is or was a cause of the violation of
16 any provision of this title, or any rule or regula-
17 tion thereunder.”.

18 (c) UNDER THE INVESTMENT COMPANY ACT OF
19 1940.—Paragraph (1) of section 9(d) of the Investment
20 Company Act of 1940 (15 U.S.C. 80a–9(d)(1)) is amend-
21 ed—

22 (1) by striking “(1) AUTHORITY OF COMMIS-
23 SION.—In any proceeding” and inserting the fol-
24 lowing:

25 “(1) AUTHORITY OF COMMISSION.—

1 “(A) IN GENERAL.—In any proceeding”;
2 (2) by redesignating subparagraphs (A) through
3 (C) of such paragraph as clauses (i) through (iii),
4 respectively and by moving such redesignated clauses
5 and the matter following such subparagraphs 2 ems
6 to the right; and

7 (3) by adding at the end of such paragraph the
8 following new subparagraph:

9 “(B) CEASE-AND-DESIST PROCEEDINGS.—
10 In any proceeding instituted pursuant to sub-
11 section (f) against any person, the Commission
12 may impose a civil penalty if it finds, on the
13 record after notice and opportunity for hearing,
14 that such person—

15 “(i) is violating or has violated any
16 provision of this title, or any rule or regu-
17 lation thereunder; or

18 “(ii) is or was a cause of the violation
19 of any provision of this title, or any rule or
20 regulation thereunder.”.

21 (d) UNDER THE INVESTMENT ADVISERS ACT OF
22 1940.—Paragraph (1) of section 203(i) of the Investment
23 Advisers Act of 1940 (15 U.S.C. 80b–3(i)(1)) is amend-
24 ed—

1 (1) by striking “(1) AUTHORITY OF COMMIS-
2 SION.—In any proceeding” and inserting the fol-
3 lowing:

4 “(1) AUTHORITY OF COMMISSION.—

5 “(A) IN GENERAL.—In any proceeding”;

6 (2) by redesignating subparagraphs (A) through
7 (D) of such paragraph as clauses (i) through (iv),
8 respectively and moving such redesignated clauses
9 and the matter following such subparagraphs 2 ems
10 to the right; and

11 (3) by adding at the end of such paragraph the
12 following new subparagraph:

13 “(B) CEASE-AND-DESIST PROCEEDINGS.—

14 In any proceeding instituted pursuant to sub-
15 section (k) against any person, the Commission
16 may impose a civil penalty if it finds, on the
17 record after notice and opportunity for hearing,
18 that such person—

19 “(i) is violating or has violated any
20 provision of this title, or any rule or regu-
21 lation thereunder; or

22 “(ii) is or was a cause of the violation
23 of any provision of this title, or any rule or
24 regulation thereunder.”.

1 **SEC. 3002. FORMERLY ASSOCIATED PERSONS.**

2 (a) MEMBER OR EMPLOYEE OF THE MUNICIPAL SE-
3 CURITIES RULEMAKING BOARD.—Section 15B(c)(8) of
4 the Securities Exchange Act of 1934 (15 U.S.C. 78o–
5 4(c)(8)) is amended by striking “any member or em-
6 ployee” and inserting “any person who is, or at the time
7 of the alleged misconduct was, a member or employee”.

8 (b) PERSON ASSOCIATED WITH A GOVERNMENT SE-
9 CURITIES BROKER OR DEALER.—Section 15C of the Se-
10 curities Exchange Act of 1934 (15 U.S.C. 78o–5) is
11 amended—

12 (1) in subsection (c)(1)(C), by striking “or
13 seeking to become associated,” and inserting “seek-
14 ing to become associated, or, at the time of the al-
15 leged misconduct, associated or seeking to become
16 associated”;

17 (2) in subsection (c)(2)(A), by inserting “, seek-
18 ing to become associated, or, at the time of the al-
19 leged misconduct, associated or seeking to become
20 associated” after “any person associated”; and

21 (3) in subsection (c)(2)(B), by inserting “,
22 seeking to become associated, or, at the time of the
23 alleged misconduct, associated or seeking to become
24 associated” after “any person associated”.

25 (c) PERSON ASSOCIATED WITH A MEMBER OF A NA-
26 TIONAL SECURITIES EXCHANGE OR REGISTERED SECURI-

1 TIES ASSOCIATION.—Section 21(a)(1) of the Securities
2 Exchange Act of 1934 (15 U.S.C. 78u(a)(1)) is amended
3 by inserting “, or, as to any act or practice, or omission
4 to act, while associated with a member, formerly associ-
5 ated” after “member or a person associated”.

6 (d) PARTICIPANT OF A REGISTERED CLEARING
7 AGENCY.—Section 21(a)(1) of the Securities Exchange
8 Act of 1934 (15 U.S.C. 78u(a)(1)) is amended by insert-
9 ing “or, as to any act or practice, or omission to act, while
10 a participant, was a participant,” after “in which such
11 person is a participant,”.

12 (e) OFFICER OR DIRECTOR OF A SELF-REGULATORY
13 ORGANIZATION.—Section 19(h)(4) of the Securities Ex-
14 change Act of 1934 (15 U.S.C. 78s(h)(4)) is amended—

15 (1) by striking “any officer or director” and in-
16 serting “any person who is, or at the time of the al-
17 leged misconduct was, an officer or director”; and

18 (2) by striking “such officer or director” and
19 inserting “such person”.

20 (f) OFFICER OR DIRECTOR OF AN INVESTMENT COM-
21 PANY.—Section 36(a) of the Investment Company Act of
22 1940 (15 U.S.C. 80a-35(a)) is amended—

23 (1) by striking “a person serving or acting” and
24 inserting “a person who is, or at the time of the al-
25 leged misconduct was, serving or acting”; and

1 (2) by striking “such person so serves or acts”
2 and inserting “such person so serves or acts, or at
3 the time of the alleged misconduct, so served or
4 acted”.

5 (g) PERSON ASSOCIATED WITH A PUBLIC ACCOUNT-
6 ING FIRM.—

7 (1) SARBANES-OXLEY ACT OF 2002 AMEND-
8 MENT.—Section 2(a)(9) of the Sarbanes-Oxley Act
9 of 2002 (15 U.S.C. 7201(9)) is amended by adding
10 at the end the following new subparagraph:

11 “(C) INVESTIGATIVE AND ENFORCEMENT
12 AUTHORITY.—For purposes of the provisions of
13 sections 3(c), 101(c), 105, and 107(c) and
14 Board or Commission rules thereunder, except
15 to the extent specifically excepted by such rules,
16 the terms defined in subparagraph (A) shall in-
17 clude any person associated, seeking to become
18 associated, or formerly associated with a public
19 accounting firm, except—

20 “(i) the authority to conduct an inves-
21 tigation of such person under section
22 105(b) shall apply only with respect to any
23 act or practice, or omission to act, while
24 such person was associated or seeking to

1 become associated with a registered public
2 accounting firm; and

3 “(ii) the authority to commence a pro-
4 ceeding under section 105(e)(1), or impose
5 disciplinary sanctions under section
6 105(e)(4), against such person shall apply
7 only on—

8 “(I) the basis of conduct occur-
9 ring while such person was associated
10 or seeking to become associated with
11 a registered public accounting firm; or

12 “(II) non-cooperation as de-
13 scribed in section 105(b)(3) with re-
14 spect to a demand in a Board inves-
15 tigation for testimony, documents, or
16 other information relating to a period
17 when such person was associated or
18 seeking to become associated with a
19 registered public accounting firm.”.

20 (2) SECURITIES EXCHANGE ACT OF 1934
21 AMENDMENT.—Section 21(a)(1) of the Securities
22 Exchange Act of 1934 (15 U.S.C. 78u(a)(1)) is
23 amended by striking “or a person associated with
24 such a firm” and inserting “, a person associated
25 with such a firm, or, as to any act, practice, or omis-

1 sion to act while associated with such firm, a person
2 formerly associated with such a firm”.

3 (h) SUPERVISORY PERSONNEL OF AN AUDIT
4 FIRM.—Section 105(c)(6) of the Sarbanes-Oxley Act of
5 2002 (15 U.S.C. 7215(c)(6)) is amended—

6 (1) in subparagraph (A), by striking “the su-
7 pervisory personnel” and inserting “any person who
8 is, or at the time of the alleged failure reasonably to
9 supervise was, a supervisory person”; and

10 (2) in subparagraph (B)—

11 (A) by striking “No associated person”
12 and inserting “No current or former super-
13 visory person”; and

14 (B) by striking “any other person” and in-
15 serting “any associated person”.

16 (i) MEMBER OF THE PUBLIC COMPANY ACCOUNTING
17 OVERSIGHT BOARD.—Section 107(d)(3) of the Sarbanes-
18 Oxley Act of 2002 (15 U.S.C. 7217(d)(3)) is amended by
19 striking “any member” and inserting “any person who is,
20 or at the time of the alleged misconduct was, a member”.

21 **SEC. 3003. COLLATERAL BARS.**

22 (a) SECTION 15(b)(6)(A) OF THE SECURITIES EX-
23 CHANGE ACT OF 1934.—Section 15(b)(6)(A) of the Secu-
24 rities Exchange Act of 1934 (15 U.S.C. 78o(b)(6)(A)) is
25 amended by striking “12 months, or bar such person from

1 being associated with a broker or dealer,” and inserting
2 “12 months, or bar any such person from being associated
3 with a broker, dealer, investment adviser, municipal secu-
4 rities dealer, or transfer agent,”.

5 (b) SECTION 15B(c)(4) OF THE SECURITIES EX-
6 CHANGE ACT OF 1934.—Section 15B(c)(4) of the Securi-
7 ties Exchange Act of 1934 (15 U.S.C. 78o–4(c)(4)) is
8 amended by striking “twelve months or bar any such per-
9 son from being associated with a municipal securities deal-
10 er,” and inserting “twelve months or bar any such person
11 from being associated with a broker, dealer, investment
12 adviser, municipal securities dealer, or transfer agent,”.

13 (c) SECTION 17A(c)(4)(C) OF THE SECURITIES EX-
14 CHANGE ACT OF 1934.—Section 17A(c)(4)(C) of the Se-
15 curities Exchange Act of 1934 (15 U.S.C. 78q–1(c)(4)(C))
16 is amended by striking “twelve months or bar any such
17 person from being associated with the transfer agent,”
18 and inserting “twelve months or bar any such person from
19 being associated with any transfer agent, broker, dealer,
20 investment adviser, or municipal securities dealer,”.

21 (d) SECTION 203(f) OF THE INVESTMENT ADVISERS
22 ACT OF 1940.—Section 203(f) of the Investment Advisers
23 Act of 1940 (15 U.S.C. 80b–3(f)) is amended by striking
24 “twelve months or bar any such person from being associ-
25 ated with an investment adviser,” and inserting “twelve

1 months or bar any such person from being associated with
2 an investment adviser, broker, dealer, municipal securities
3 dealer, or transfer agent.”.

4 **SEC. 3004. UNLAWFUL MARGIN LENDING.**

5 Section 7(c)(1)(A) of the Securities Exchange Act of
6 1934 (15 U.S.C. 78g(c)(1)(A)) is amended by striking “;
7 and” and inserting “; or”.

8 **SEC. 3005. NATIONWIDE SERVICE OF PROCESS.**

9 (a) SECURITIES ACT OF 1933.—Section 22(a) of the
10 Securities Act of 1933 (15 U.S.C. 77v(a)) is amended by
11 inserting after the second sentence the following: “In any
12 civil action instituted by the Commission under this title
13 in a United States district court for any judicial district,
14 subpoenas issued to compel the attendance of witnesses
15 or the production of documents or tangible things (or
16 both) at any hearing or trial may be served at any place
17 within the United States. Rule 45(c)(3)(A)(ii) of the Fed-
18 eral Rules of Civil Procedure does not apply to a subpoena
19 so issued.”.

20 (b) SECURITIES EXCHANGE ACT OF 1934.—Section
21 27 of the Securities Exchange Act of 1934 (15 U.S.C.
22 78aa) is amended by inserting after the third sentence the
23 following: “In any civil action instituted by the Commis-
24 sion under this title in a United States district court for
25 any judicial district, subpoenas issued to compel the at-

1 tendance of witnesses or the production of documents or
2 tangible things (or both) at any hearing or trial may be
3 served at any place within the United States. Rule
4 45(c)(3)(A)(ii) of the Federal Rules of Civil Procedure
5 does not apply to a subpoena so issued.”.

6 (c) INVESTMENT COMPANY ACT OF 1940.—Section
7 44 of the Investment Company Act of 1940 (15 U.S.C.
8 80a–43) is amended by inserting after the fourth sentence
9 the following: “In any civil action instituted by the Com-
10 mission under this title in a United States district court
11 for any judicial district, subpoenas issued to compel the
12 attendance of witnesses or the production of documents
13 or tangible things (or both) at any hearing or trial may
14 be served at any place within the United States. Rule
15 45(c)(3)(A)(ii) of the Federal Rules of Civil Procedure
16 does not apply to a subpoena so issued.”.

17 (d) INVESTMENT ADVISERS ACT OF 1940.—Section
18 214 of the Investment Advisers Act of 1940 (15 U.S.C.
19 80b–14) is amended by inserting after the third sentence
20 the following: “In any civil action instituted by the Com-
21 mission under this title in a United States district court
22 for any judicial district, subpoenas issued to compel the
23 attendance of witnesses or the production of documents
24 or tangible things (or both) at any hearing or trial may
25 be served at any place within the United States. Rule

1 45(c)(3)(A)(ii) of the Federal Rules of Civil Procedure
2 does not apply to a subpoena so issued.”.

3 **SEC. 3006. REAUTHORIZATION OF THE FINANCIAL CRIMES**

4 **ENFORCEMENT NETWORK.**

5 (a) FINDINGS.—

6 (1) The Congress finds as follows:

7 (A) The work of the Financial Crimes En-
8 forcement Network (hereinafter in this section
9 referred to as “FinCEN”) is essential to safe-
10 guard the United States financial system and
11 its international affiliates from the abuses of fi-
12 nancial crime, including terrorist financing,
13 weapons of mass destruction proliferation, and
14 money laundering.

15 (B) All avenues of financial intermediation
16 are vulnerable to abuse by illicit actors, and
17 FinCEN exercises the authorities of the Bank
18 Secrecy Act over a broad range of financial in-
19 stitutions.

20 (2) The Congress further finds and recognizes
21 the recent establishment by FinCEN of an Inter-
22 national Programs Division to expand and enhance
23 global financial intelligence sharing initiatives aimed
24 at combating transnational crime threats facing
25 United States financial markets, and takes note of

1 FinCEN’s efforts to collaborate with foreign finan-
2 cial intelligence unit partners on analytical projects
3 to identify and address emerging threats and
4 vulnerabilities.

5 (3) The Congress further finds and recognizes
6 the role of FinCEN in discovering and investigating
7 widespread fraud in the mortgage market and else-
8 where in the financial services industry. Alongside
9 an effective licensing and registration system for all
10 mortgage originators, a vigilant FinCEN is critical
11 to the recovery of our housing markets and con-
12 sumer confidence in both the home buying process
13 and the financial services industry as a whole.

14 (b) REAUTHORIZATION.—Section 310(d)(1) of title
15 31, United States Code, is amended by striking “such
16 sums as may be necessary for fiscal years 2002, 2003,
17 2004, and 2005” and inserting “not more than
18 \$105,500,000 for fiscal year 2010, and such sums as may
19 be necessary for fiscal years 2011, 2012, 2013, and
20 2014”.

21 (c) ADDITIONAL FINANCIAL FRAUD AUTHORIZATION
22 OF APPROPRIATIONS.—In addition to such other amounts
23 otherwise made available or appropriated to FinCEN,
24 there are authorized to be appropriated to FinCEN
25 \$15,000,000 to be used specifically for efforts to detect

1 financial fraud. Such sums are authorized to remain avail-
2 able until expended.

3 **SEC. 3007. FAIR FUND IMPROVEMENTS.**

4 (a) AMENDMENT.—Subsection (a) of section 308 of
5 the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7246(a)) is
6 amended to read as follows:

7 “(a) CIVIL PENALTIES TO BE USED FOR THE RE-
8 LIEF OF VICTIMS.—If in any judicial or administrative ac-
9 tion brought by the Commission under the securities laws
10 (as such term is defined in section 3(a)(47) of the Securi-
11 ties Exchange Act of 1934 (15 U.S.C. 78c(a)(47)), the
12 Commission obtains a civil penalty against any person for
13 a violation of such laws, the amount of such civil penalty
14 shall, on the motion or at the direction of the Commission,
15 be added to and become part of a disgorgement fund or
16 other fund established for the benefit of the victims of
17 such violation.”.

18 (b) CONFORMING AMENDMENTS.—Section 308 of
19 such Act is amended—

20 (1) in subsection (b)—

21 (A) by striking “for a disgorgement fund
22 described in subsection (a)” and inserting “for
23 a disgorgement fund or other fund described in
24 subsection (a)”; and

1 (B) by striking “in the disgorgement fund”
2 and inserting “in such fund”; and
3 (2) by striking subsection (e).

4 **TITLE IV—OVER-THE-COUNTER**
5 **DERIVATIVES MARKETS**

6 **SECTION 4001. SHORT TITLE.**

7 This title may be cited as the “Over-the-Counter De-
8 rivatives Markets Act of 2009”.

9 **Subtitle A—Amendments to the**
10 **Commodity Exchange Act**

11 **SEC. 4100. DEFINITIONS.**

12 Section 1a of the Commodity Exchange Act (7 U.S.C.
13 1a) is amended by adding at the end the following:

14 “(35) SWAP.—

15 “(A) IN GENERAL.—Except as provided in
16 subparagraph (B), the term ‘swap’ means any
17 agreement, contract, or transaction that—

18 “(i) is a put, call, cap, floor, collar, or
19 similar option of any kind for the purchase
20 or sale of, or based on the value of, one or
21 more interest or other rates, currencies,
22 commodities, securities, instruments of in-
23 debtedness, indices, quantitative measures,
24 or other financial or economic interests or
25 property of any kind;

1 “(ii) provides for any purchase, sale,
2 payment, or delivery (other than a dividend
3 on an equity security) that is dependent on
4 the occurrence, non-occurrence, or the ex-
5 tent of the occurrence of an event or con-
6 tingency associated with a potential finan-
7 cial, economic, or commercial consequence;
8 “(iii) provides on an executory basis
9 for the exchange, on a fixed or contingent
10 basis, of one or more payments based on
11 the value or level of one or more interest
12 or other rates, currencies, commodities, se-
13 curities, instruments of indebtedness, indi-
14 ces, quantitative measures, or other finan-
15 cial or economic interests or property of
16 any kind, or any interest therein or based
17 on the value thereof, and that transfers, as
18 between the parties to the transaction, in
19 whole or in part, the financial risk associ-
20 ated with a future change in any such
21 value or level without also conveying a cur-
22 rent or future direct or indirect ownership
23 interest in an asset (including any enter-
24 prise or investment pool) or liability that
25 incorporates the financial risk so trans-

1 ferred, including any agreement, contract,
2 or transaction commonly known as an in-
3 terest rate swap, a rate floor, rate cap,
4 rate collar, cross-currency rate swap, basis
5 swap, currency swap, total return swap,
6 equity index swap, equity swap, debt index
7 swap, debt swap, credit spread, credit de-
8 fault swap, credit swap, weather swap, en-
9 ergy swap, metal swap, agricultural swap,
10 emissions swap, or commodity swap;

11 “(iv) is an agreement, contract, or
12 transaction that is, or in the future be-
13 comes, commonly known to the trade as a
14 swap; or

15 “(v) is any combination or permuta-
16 tion of, or option on, any agreement, con-
17 tract, or transaction described in any of
18 clauses (i) through (iv).

19 “(B) EXCLUSIONS.—The term ‘swap’ does
20 not include:

21 “(i) any contract of sale of a com-
22 modity for future delivery or security fu-
23 tures product traded on or subject to the
24 rules of any board of trade designated as
25 a contract market under section 5 or 5f;

1 “(ii) any sale of a nonfinancial com-
2 modity for deferred shipment or delivery,
3 so long as such transaction is physically
4 settled;

5 “(iii) any put, call, straddle, option, or
6 privilege on any security, certificate of de-
7 posit, or group or index of securities, in-
8 cluding any interest therein or based on
9 the value thereof, that is subject to the Se-
10 curities Act of 1933 (15 U.S.C. 77a et
11 seq.) and the Securities Exchange Act of
12 1934 (15 U.S.C. 78a et seq.);

13 “(iv) any put, call, straddle, option, or
14 privilege relating to foreign currency en-
15 tered into on a national securities exchange
16 registered pursuant to section 6(a) of the
17 Securities Exchange Act of 1934 (15
18 U.S.C. 78f(a));

19 “(v) any agreement, contract, or
20 transaction providing for the purchase or
21 sale of one or more securities on a fixed
22 basis that is subject to the Securities Act
23 of 1933 (15 U.S.C. 77a et seq.) and the
24 Securities Exchange Act of 1934 (15
25 U.S.C. 78a et seq.);

1 “(vi) any agreement, contract, or
2 transaction providing for the purchase or
3 sale of one or more securities on a contin-
4 gent basis that is subject to the Securities
5 Act of 1933 (15 U.S.C. 77a et seq.) and
6 the Securities Exchange Act of 1934 (15
7 U.S.C. 78a et seq.), unless such agree-
8 ment, contract, or transaction predicates
9 such purchase or sale on the occurrence of
10 a bona fide contingency that might reason-
11 ably be expected to affect or be affected by
12 the creditworthiness of a party other than
13 a party to the agreement, contract, or
14 transaction;

15 “(vii) any note, bond, or evidence of
16 indebtedness that is a security as defined
17 in section 2(a)(1) of the Securities Act of
18 1933 (15 U.S.C. 77b(a)(1));

19 “(viii) any agreement, contract, or
20 transaction that is—

21 “(I) based on a security; and

22 “(II) entered into directly or
23 through an underwriter (as defined in
24 section 2(a)(11) of the Securities Act
25 of 1933) (15 U.S.C. 77b(a)(11)) by

1 the issuer of such security for the
2 purposes of raising capital, unless
3 such agreement, contract, or trans-
4 action is entered into to manage a
5 risk associated with capital raising;

6 “(ix) any foreign exchange swap;

7 “(x) any foreign exchange forward;

8 “(xi) any agreement, contract, or
9 transaction a counterparty of which is a
10 Federal Reserve bank or the United States
11 Government, or an agency of the United
12 States Government that is expressly
13 backed by the full faith and credit of the
14 United States; and

15 “(xii) any security-based swap, other
16 than a security-based swap as described in
17 paragraph (36](C).

18 “(C) RULE OF CONSTRUCTION REGARDING
19 MASTER AGREEMENTS.—The term ‘swap’ shall
20 be construed to include a master agreement
21 that provides for an agreement, contract, or
22 transaction that is a swap pursuant to subpara-
23 graph (A), together with all supplements to any
24 such master agreement, without regard to
25 whether the master agreement contains an

1 agreement, contract, or transaction that is not
2 a swap pursuant to subparagraph (A), except
3 that the master agreement shall be considered
4 to be a swap only with respect to each agree-
5 ment, contract, or transaction under the master
6 agreement that is a swap pursuant to subpara-
7 graph (A).

8 “(36) SECURITY-BASED SWAP.—

9 “(A) IN GENERAL.—Except as provided in
10 subparagraph (B), the term ‘security-based
11 swap’ means any agreement, contract, or trans-
12 action that would be a swap under paragraph
13 (35) (without regard to paragraph
14 (35)(B)(xii)), and that—

15 “(i) is based on an index that is a
16 narrow-based security index, including any
17 interest therein or based on the value
18 thereof;

19 “(ii) is based on a single security or
20 loan, including any interest therein or
21 based on the value thereof; or

22 “(iii) is based on the occurrence, non-
23 occurrence, or extent of the occurrence of
24 an event relating to a single issuer of a se-
25 curity or the issuers of securities in a nar-

1 row-based security index, provided that
2 such event must directly affect the finan-
3 cial statements, financial condition, or fi-
4 nancial obligations of the issuer.

5 “(B) EXCLUSION.—The term ‘security-
6 based swap’ does not include any agreement,
7 contract, or transaction that meets the defini-
8 tion of security-based swap only because it ref-
9 erences or is based upon a government security.

10 “(C) MIXED SWAP.—The term ‘security-
11 based swap’ includes any agreement, contract,
12 or transaction that is as described in subpara-
13 graph (A) and also is based on the value of one
14 or more interest or other rates, currencies, com-
15 modities, instruments of indebtedness, indices,
16 quantitative measures, other financial or eco-
17 nomic interest or property of any kind (other
18 than a single security or a narrow-based secu-
19 rity index), or the occurrence, non-occurrence,
20 or the extent of the occurrence of an event or
21 contingency associated with a potential finan-
22 cial, economic, or commercial consequence
23 (other than an event described in subparagraph
24 (A)(iii)).

1 “(D) RULE OF CONSTRUCTION REGARDING
2 MASTER AGREEMENTS.—The term ‘security-
3 based swap’ shall be construed to include a
4 master agreement that provides for an agree-
5 ment, contract, or transaction that is a secu-
6 rity-based swap pursuant to subparagraph (A),
7 together with all supplements to any such mas-
8 ter agreement, without regard to whether the
9 master agreement contains an agreement, con-
10 tract, or transaction that is not a security-based
11 swap pursuant to subparagraph (A), except
12 that the master agreement shall be considered
13 to be a security-based swap only with respect to
14 each agreement, contract, or transaction under
15 the master agreement that is a security-based
16 swap pursuant to subparagraph (A).

17 “(37) SWAP DEALER.—

18 “(A) IN GENERAL.—The term ‘swap deal-
19 er’ means any person engaged in the business
20 of buying and selling swaps for such person’s
21 own account, through a broker or otherwise,
22 that is regulated by a Prudential Regulator.

23 “(B) EXCEPTION.—The term ‘swap dealer’
24 does not include a person that buys or sells
25 swaps for such person’s own account, either in-

1 dividually or in a fiduciary capacity, but not as
2 a part of a regular business.

3 “(38) SECURITY-BASED SWAP DEALER.—

4 “(A) IN GENERAL.—The term ‘security-
5 based swap dealer’ means any person engaged
6 in the business of buying and selling security-
7 based swaps for such person’s own account,
8 through a broker or otherwise, that is regulated
9 by a Prudential Regulator.

10 “(B) EXCEPTION.—The term ‘security-
11 based swap dealer’ does not include a person
12 that buys or sells security-based swaps for such
13 person’s own account, either individually or in
14 a fiduciary capacity, but not as a part of a reg-
15 ular business.

16 “(39) MAJOR SWAP PARTICIPANT.—

17 “(A) IN GENERAL.—The term ‘major swap
18 participant’ means any person who is not a
19 swap dealer, who maintains a substantial net
20 position in outstanding swaps, excluding posi-
21 tions held primarily for hedging (including bal-
22 ance sheet hedging) or risk management pur-
23 poses, and who is regulated by a Prudential
24 Regulator. A person may be designated as a

1 major swap participant for 1 or more individual
2 types of swaps.

3 “(B) DEFINITION OF ‘SUBSTANTIAL NET
4 POSITION’.— The Commission and the Securi-
5 ties and Exchange Commission shall jointly de-
6 fine by rule or regulation the term ‘substantial
7 net position’ at a threshold that the regulators
8 determine prudent for the effective monitoring,
9 management and oversight of the financial sys-
10 tem.

11 “(40) MAJOR SECURITY-BASED SWAP PARTICI-
12 PANT.—

13 “(A) IN GENERAL.—The term ‘major secu-
14 rity-based swap participant’ means any person
15 who is not a security-based swap dealer, who
16 maintains a substantial net position in out-
17 standing security-based swaps, excluding posi-
18 tions held primarily for commercial hedging (in-
19 cluding balance sheet hedging) or financial risk
20 management purposes, and who is regulated by
21 a Prudential Regulator. A person may be des-
22 ignated as a major security-based swap partici-
23 pant for 1 or more individual types of security-
24 based swaps.

1 “(B) DEFINITION OF ‘SUBSTANTIAL NET
2 POSITION’.—The Commission and the Securi-
3 ties and Exchange Commission shall jointly de-
4 fine by rule or regulation the term ‘substantial
5 net position’ at a threshold that the regulators
6 determine prudent for the effective monitoring,
7 management and oversight of the financial sys-
8 tem.

9 “(41) APPROPRIATE FEDERAL BANKING AGEN-
10 CY.—The term ‘appropriate Federal banking agency’
11 has the same meaning as in section 3(q) of the Fed-
12 eral Deposit Insurance Act (12 U.S.C. 1813(q)).

13 “(42) BOARD.—The term ‘Board’ means the
14 Board of Governors of the Federal Reserve System.

15 “(43) PRUDENTIAL REGULATOR.—The term
16 ‘Prudential Regulator’ means—

17 “(A) the Board, in the case of a swap deal-
18 er, major swap participant, security-based swap
19 dealer or major security-based swap participant
20 that is—

21 “(i) a State-chartered bank that is a
22 member of the Federal Reserve System;

23 “(ii) a State-chartered branch or
24 agency of a foreign bank; or

1 “(iii) a bank holding company (as de-
2 fined in section 2 of the Bank Holding
3 Company Act of 1956);

4 “(B) the Office of the Comptroller of the
5 Currency, in the case of a swap dealer, major
6 swap participant, security-based swap dealer or
7 major security-based swap participant that is—

8 “(i) a national bank; or

9 “(ii) a federally chartered branch or
10 agency of a foreign bank;

11 “(C) the Federal Deposit Insurance Cor-
12 poration, in the case of a swap dealer, major
13 swap participant, security-based swap dealer or
14 major security-based swap participant that is a
15 State-chartered bank that is not a member of
16 the Federal Reserve System; or

17 “(D) the Office of Thrift Supervision, in
18 the case of a savings association (as defined in
19 section 2 of the Home Owners’ Loan Act) or a
20 savings and loan holding company (as defined
21 in section 10 of such Act).

22 “(44) SWAP REPOSITORY.—The term ‘swap re-
23 pository’ means an entity that collects and maintains
24 the records of the terms and conditions of swaps or
25 security-based swaps entered into by third parties.”.

1 **SEC. 4101. SWAP REPOSITORIES.**

2 (a) SWAP REPOSITORIES.—The Commodity Ex-
3 change Act (7 U.S.C. 1 et seq.) is amended by inserting
4 after section 20 the following:

5 **“SEC. 21. SWAP REPOSITORIES.**

6 “(a) REQUIRED REPORTING.—

7 “(1) IN GENERAL.—

8 “(A) IN GENERAL.—Any swap that is not
9 accepted for clearing by a derivatives clearing
10 organization shall be reported to either a swap
11 repository registered pursuant to subsection (b)
12 or, if there is no repository that would accept
13 the swap, to the Commission in accordance with
14 section 4r within such time period as the Com-
15 mission may by rule prescribe.

16 “(B) AUTHORITY OF SWAP DEALER TO RE-
17 PORT.—Counterparties to a swap may agree as
18 to which counterparty will report such swap as
19 required by subparagraph (A). In any swap
20 where only one counterparty is a swap dealer,
21 the swap dealer shall report the swap.

22 “(2) TRANSITION RULES.—Rules adopted by
23 the Commission under this section shall provide for
24 the reporting of data, as follows:

25 “(A) Swaps that were entered into before
26 the date of enactment of the Over-the-Counter

1 Derivatives Markets Act of 2009 shall be re-
2 ported to a registered swap repository or the
3 Commission no later than 270 days after the
4 effective date of such Act.

5 “(B) Swaps that were entered into on or
6 after the date of enactment of the Over-the-
7 Counter Derivatives Markets Act of 2009 shall
8 be reported to a registered swap repository or
9 the Commission no later than the later of—

10 “(i) 180 days after the effective date
11 of such Act; or

12 “(ii) such other time after entering
13 into the swap as the Commission may pre-
14 scribe by rule or regulation.

15 “(b) SWAP REPOSITORIES.—

16 “(1) REGISTRATION REQUIREMENT.—

17 “(A) IN GENERAL.—It shall be unlawful
18 for a swap repository, unless registered with the
19 Commission, directly or indirectly to make use
20 of the mails or any means or instrumentality of
21 interstate commerce to perform the functions of
22 a swap repository.

23 “(B) INSPECTION AND EXAMINATION.—
24 Registered swap repositories shall be subject to

1 inspection and examination by any representa-
2 tives of the Commission.

3 “(2) STANDARD SETTING.—

4 “(A) DATA IDENTIFICATION.—The Com-
5 mission shall prescribe standards that specify
6 the data elements for each swap that shall be
7 collected and maintained by each swap reposi-
8 tory.

9 “(B) DATA COLLECTION AND MAINTEN-
10 NANCE.—The Commission shall prescribe data
11 collection and data maintenance standards for
12 swap repositories.

13 “(C) COMPARABILITY.—The standards
14 prescribed by the Commission under this sub-
15 section shall be comparable to the data stand-
16 ards imposed by the Commission on derivatives
17 clearing organizations that clear swaps.

18 “(3) DUTIES.—A swap repository shall—

19 “(A) accept data prescribed by the Com-
20 mission for each swap under paragraph (2);

21 “(B) maintain such data in such form and
22 manner and for such period as may be required
23 by the Commission;

24 “(C) provide to the Commission, or its des-
25 ignee, such information as is required by, and

1 in a form and at a frequency to be determined
2 by, the Commission, in order to comply with the
3 public reporting requirements contained in sec-
4 tion 8(j); and

5 “(D) make available, on a confidential
6 basis, all data obtained by the swap repository,
7 including individual counterparty trade and po-
8 sition data, to the Commission, the appropriate
9 Federal banking agencies, the Commodity Fu-
10 tures Trading Commission, the Financial Serv-
11 ices Oversight Council, and the Department of
12 Justice or to other persons the Commission
13 deems appropriate, including foreign financial
14 supervisors (including foreign futures authori-
15 ties), foreign central banks, and foreign min-
16 istries.

17 “(4) REQUIRED REGISTRATION FOR SWAP RE-
18 POSITORIES.—Any person that is required to be reg-
19 istered as a swap repository under this subsection
20 shall register with the Commission, regardless of
21 whether that person also is registered with the Secu-
22 rities and Exchange Commission as a security-based
23 swap repository.

24 “(5) HARMONIZATION OF RULES.—Not later
25 than 270 days after the date of enactment of the

1 Over-the-Counter Derivatives Markets Act of 2009,
2 the Commission and the Securities and Exchange
3 Commission shall jointly adopt uniform rules gov-
4 erning persons that are registered under this section
5 and persons that are registered as security-based
6 swap repositories under the Securities Exchange Act
7 of 1934 (15 U.S.C. 78a et seq.), including uniform
8 rules that specify the data elements that shall be col-
9 lected and maintained by each repository.

10 “(6) EXEMPTIONS.—The Commission may ex-
11 empt, conditionally or unconditionally, a swap repos-
12 itory from the requirements of this section if the
13 Commission finds that such swap repository is sub-
14 ject to comparable, comprehensive supervision or
15 regulation on a consolidated basis by the Securities
16 and Exchange Commission, a Prudential Regulator
17 or the appropriate governmental authorities in the
18 organization’s home country, or as necessary or ap-
19 propriate in the public interest and consistent with
20 the purposes of this Act.”

21 (b) REPORTING AND RECORDKEEPING.—The Com-
22 modity Exchange Act (7 U.S.C. 1 et seq.) is amended by
23 inserting after section 4q the following:

1 **“SEC. 4r. REPORTING AND RECORDKEEPING FOR CERTAIN**
2 **SWAPS.**

3 “(a) IN GENERAL.—Any person who enters into a
4 swap that is not accepted for clearing by a derivatives
5 clearing organization and is not reported to a swap reposi-
6 tory registered pursuant to section 21 shall meet the re-
7 quirements in subsection (b).

8 “(b) REPORTS.—Any person described in subsection
9 (a) shall—

10 “(1) make such reports in such form and man-
11 ner and for such period as the Commission shall pre-
12 scribe by rule or regulation regarding the swaps held
13 by the person; and

14 “(2) keep books and records pertaining to the
15 security-based swaps held by the person in such
16 form and manner and for such period as may be re-
17 quired by the Commission, which books and records
18 shall be open to inspection by any representative of
19 the Commission, an appropriate Federal banking
20 agency, the Securities and Exchange Commission,
21 the Financial Services Oversight Council, and the
22 Department of Justice.

23 “(c) IDENTICAL DATA.—In adopting rules under this
24 section, the Commission shall require persons described in
25 subsection (a) to report the same or more comprehensive

1 data than the Commission requires repositories to col-
2 lect.”.

3 (c) PUBLIC REPORTING OF AGGREGATE SWAP
4 DATA.—Section 8 of such Act (7 U.S.C. 12) is amended
5 by adding at the end the following:

6 “(j) PUBLIC REPORTING OF AGGREGATE SWAP
7 DATA.—

8 “(1) IN GENERAL.—The Commission, or a per-
9 son designated by the Commission pursuant to para-
10 graph (2), shall make available to the public, in a
11 manner that does not disclose the business trans-
12 actions and market positions of any person, aggre-
13 gate data on swap trading volumes and positions
14 from the sources set forth in paragraph (3).

15 “(2) DESIGNEE OF THE COMMISSION.—The
16 Commission may designate a derivatives clearing or-
17 ganization or a swap repository to carry out the
18 public reporting described in paragraph (1).

19 “(3) SOURCES OF INFORMATION.—The sources
20 of the information to be publicly reported as de-
21 scribed in paragraph (1) are—

22 “(A) derivatives clearing organizations;

23 “(B) swap repositories pursuant to section
24 21(c)(3); and

1 “(C) reports received by the Commission
2 pursuant to section 4r.”.

3 **SEC. 4102. MARGIN FOR SWAPS BETWEEN SWAPS DEALERS**
4 **AND MAJOR SWAP PARTICIPANTS.**

5 The Commodity Exchange Act (7 U.S.C. 1 et seq.)
6 is amended by inserting after section 4r (as added by sec-
7 tion 4101(b) of this title) the following:

8 **“SEC. 4s. MARGIN FOR SWAPS BETWEEN CERTAIN SWAPS**
9 **DEALERS AND CERTAIN MAJOR SWAP PAR-**
10 **TICIPANTS.**

11 “Each Prudential Regulator shall impose both initial
12 and variation margin requirements on all swaps between
13 swap dealers and major swap participants subject to regu-
14 lation by the Regulator, that are not cleared by a deriva-
15 tives clearing organization.”.

16 **SEC. 4103. SEGREGATION OF ASSETS HELD AS COLLAT-**
17 **ERAL IN SWAP TRANSACTIONS.**

18 The Commodity Exchange Act (7 U.S.C. 1 et seq.)
19 is amended by inserting after section 4s (as added by sec-
20 tion 4102 of this title) the following:

21 **“SEC. 4t. SEGREGATION OF ASSETS HELD AS COLLATERAL**
22 **IN SWAP TRANSACTIONS.**

23 “(a) CLEARED SWAPS.—A swap dealer, futures com-
24 mission merchant, or derivatives clearing organization by
25 or through which funds or other property are held as mar-

1 gin or collateral to secure the obligations of a counterparty
2 under a swap to be cleared by or through a derivatives
3 clearing organization shall segregate, maintain, and use
4 the funds or other property for the benefit of the
5 counterparty, in accordance with such rules and relations
6 as the Commission or Prudential Regulator shall pre-
7 scribe. Any such funds or other property shall be treated
8 as customer property under this Act.

9 “(b) OVER-THE-COUNTER SWAPS.—At the request of
10 a swap counterparty who provides funds or other property
11 to a swap dealer as margin or collateral to secure the obli-
12 gations of the counterparty under a swap entered into
13 using the mails or any other means or instrumentalities
14 of interstate commerce between the counterparty and the
15 swap dealer that is not submitted for clearing to a deriva-
16 tives clearing organization, the swap dealer shall segregate
17 the funds or other property for the benefit of the
18 counterparty, and maintain the funds or other property
19 in an account which is carried by a third-party custodian
20 and designated as a segregated account for the
21 counterparty, in accordance with such rules and regula-
22 tions as the Commission or Prudential Regulator may pre-
23 scribe. Any such funds and property may, with the agree-
24 ment of the customer, be commingled with the funds and
25 property of other swap counterparties and customers and

1 shall be eligible for treatment as customer property under
2 this Act. This subsection shall not be interpreted to pre-
3 clude commercial arrangements regarding the investment
4 of the segregated funds or other property and the related
5 allocation of gains and losses resulting from any such in-
6 vestment or regarding the allocation of the costs of seg-
7 regation.

8 “(c) MARK-TO-MARKET MARGIN.—Nothing in this
9 section shall be construed to obligate any person to seg-
10 regate variation or mark-to-market margin.”.

11 **Subtitle B—Amendments to the** 12 **Securities Exchange Act of 1934**

13 **SEC. 4201. DEFINITIONS.**

14 Section 3(a) of the Securities Exchange Act of 1934
15 (15 U.S.C. 78c(a)) is amended by adding at the end the
16 following:

17 “(65) APPROPRIATE FEDERAL BANKING AGEN-
18 CY.—The term ‘appropriate Federal banking agency’
19 has the same meaning as in section 3(q) of the Fed-
20 eral Deposit Insurance Act (12 U.S.C. 1813(q)).

21 “(66) MAJOR SWAP PARTICIPANT.—The term
22 ‘major swap participant’ has the same meaning as in
23 section 1a(40) of the Commodity Exchange Act (7
24 U.S.C. 1a(40)).

1 “(67) MAJOR SECURITY-BASED SWAP PARTICI-
2 PANT.—The term ‘major security-based swap partici-
3 pant’ has the same meaning as in section 1a(41) of
4 the Commodity Exchange Act (7 U.S.C. 1a(41)).

5 “(68) PRUDENTIAL REGULATOR.—The term
6 ‘Prudential Regulator’ has the same meaning as in
7 section 1a(43) of the Commodity Exchange Act (7
8 U.S.C. 1a(43)).

9 “(69) SWAP.—The term ‘swap’ has the same
10 meaning as in section 1a(35) of the Commodity Ex-
11 change Act (7 U.S.C. 1a(35)).

12 “(70) SWAP DEALER.—The term ‘swap dealer’
13 has the same meaning as in section 1a(39) of the
14 Commodity Exchange Act (7 U.S.C. 1a(39)).

15 “(71) SECURITY-BASED SWAP.—The term ‘se-
16 curity-based swap’ has the same meaning as in sec-
17 tion 1a(38) of the Commodity Exchange Act (7
18 U.S.C. 1a(38)).

19 “(72) SECURITY-BASED SWAP DEALER.—The
20 term ‘security-based swap dealer’ has the same
21 meaning as in section 1a(44) of the Commodity Ex-
22 change Act (7 U.S.C. 1a(44)).”.

1 **SEC. 4202. SWAP REPOSITORIES.**

2 (a) IN GENERAL.—The Securities Exchange Act of
3 1934 (15 U.S.C. 78a, et seq.) is amended by adding the
4 following section after section 3A:

5 **“SEC. 3B. SWAP REPOSITORIES.**

6 “(a) REQUIRED REPORTING.—

7 “(1) IN GENERAL.—

8 “(A) IN GENERAL.—Any security-based
9 swap that is not accepted for clearing by any
10 clearing agency shall be reported to either a se-
11 curity-based swap repository registered pursu-
12 ant to subsection (b) or, if there is no reposi-
13 tory that would accept the security-based swap,
14 to the Commission in accordance with section
15 13A within such time period as the Commission
16 may by rule prescribe.

17 “(B) AUTHORITY OF SWAP DEALER TO RE-
18 PORT.—Counterparties to a security-based swap
19 may agree as to which counterparty will report
20 such swap as required by subparagraph (A). In
21 any security-based swap where only one
22 counterparty is a swap dealer, the swap dealer
23 shall report the swap.

24 “(2) TRANSITION RULES.—Rules adopted by
25 the Commission under this section shall provide for
26 the reporting of data, as follows:

1 “(A) Security-based swaps that were en-
2 tered into before the date of enactment of the
3 Over-the-Counter Derivatives Markets Act of
4 2009 shall be reported to a registered security-
5 based swap repository or the Commission no
6 later than 270 days after the effective date of
7 such Act.

8 “(B) Security-based swaps that were en-
9 tered into on or after the date of enactment of
10 the Over-the-Counter Derivatives Markets Act
11 of 2009 shall be reported to a registered secu-
12 rity-based swap repository or the Commission
13 no later than the later of—

14 “(i) 180 days after the effective date
15 of such Act; or

16 “(ii) such other time after entering
17 into the swap as the Commission may pre-
18 scribe by rule or regulation.

19 “(b) SECURITY-BASED SWAP REPOSITORIES.—

20 “(1) REGISTRATION REQUIREMENT.—

21 “(A) IN GENERAL.—It shall be unlawful
22 for a security-based swap repository, unless reg-
23 istered with the Commission, directly or indi-
24 rectly to make use of the mails or any means
25 or instrumentality of interstate commerce to

1 perform the functions of a security-based swap
2 repository.

3 “(B) INSPECTION AND EXAMINATION.—
4 Registered security-based swap repositories
5 shall be subject to inspection and examination
6 by any representatives of the Commission.

7 “(2) STANDARD SETTING.—

8 “(A) DATA IDENTIFICATION.—The Com-
9 mission shall prescribe standards that specify
10 the data elements for each security-based swap
11 that shall be collected and maintained by each
12 security-based swap repository.

13 “(B) DATA COLLECTION AND MAINTENANCE.—The Commission shall prescribe data
14 collection and data maintenance standards for
15 security-based swap repositories.

16 “(C) COMPARABILITY.—The standards
17 prescribed by the Commission under this sub-
18 section shall be comparable to the data stand-
19 ards imposed by the Commission on clearing
20 agencies that clear security-based swaps.

21 “(3) DUTIES.—A security-based swap reposi-
22 tory shall—
23

1 “(A) accept data prescribed by the Com-
2 mission for each security-based swap under this
3 paragraph (2);

4 “(B) maintain such data in such form and
5 manner and for such period as may be required
6 by the Commission;

7 “(C) provide to the Commission, or its des-
8 ignee, such information as is required by, and
9 in a form and at a frequency to be determined
10 by, the Commission, in order to comply with the
11 public reporting requirements contained in sec-
12 tion 13(m); and

13 “(D) make available, on a confidential
14 basis, all data obtained by the security-based
15 swap repository, including individual
16 counterparty trade and position data, to the
17 Commission, the appropriate Federal banking
18 agencies, the Commodity Futures Trading
19 Commission, the Financial Services Oversight
20 Council, and the Department of Justice or to
21 other persons the Commission deems appro-
22 priate, including foreign financial supervisors
23 (including foreign futures authorities), foreign
24 central banks, and foreign ministries.

1 “(4) REQUIRED REGISTRATION FOR SECURITY-
2 BASED SWAP REPOSITORIES.—Any person that is re-
3 quired to be registered as a securities-based swap re-
4 pository under this subsection shall register with the
5 Commission, regardless of whether that person also
6 is registered with the Commodity Futures Trading
7 Commission as a swap repository.

8 “(5) HARMONIZATION OF RULES.—Not later
9 than 270 days after the date of enactment of the
10 Over-the-Counter Derivatives Markets Act of 2009,
11 the Commission and the Commodity Futures Trad-
12 ing Commission shall jointly adopt uniform rules
13 governing persons that are registered under this sec-
14 tion and persons that are registered as swap reposi-
15 tories under the Commodity Exchange Act (7 U.S.C.
16 1, et seq.), including uniform rules that specify the
17 data elements that shall be collected and maintained
18 by each repository.

19 “(6) EXEMPTIONS.—The Commission may ex-
20 empt, conditionally or unconditionally, a security-
21 based swap repository from the requirements of this
22 section if the Commission finds that such security-
23 based swap repository is subject to comparable, com-
24 prehensive supervision or regulation on a consoli-
25 dated basis by the Commodity Futures Trading

1 Commission, a Prudential Regulator or the appro-
2 priate governmental authorities in the organization's
3 home country, or as necessary or appropriate in the
4 public interest and consistent with the purposes of
5 this Act.”.

6 (b) REPORTING AND RECORDKEEPING.—The Securi-
7 ties Exchange Act of 1934 (15 U.S.C. 78a, et seq.) is
8 amended by inserting after section 13 the following sec-
9 tion:

10 **“SEC. 13A. REPORTING AND RECORDKEEPING FOR CER-**
11 **TAIN SECURITY-BASED SWAPS.**

12 “(a) IN GENERAL.—Any person who enters into a se-
13 curity-based swap that is not accepted for clearing by any
14 clearing agency and is not reported to a security-based
15 swap repository registered pursuant to section 3B(b) shall
16 meet the requirements in subsection (b).

17 “(b) REPORTS.—Any person described in subsection
18 (a) shall—

19 “(1) make such reports in such form and man-
20 ner and for such period as the Commission shall pre-
21 scribe by rule or regulation regarding the security-
22 based swaps held by the person; and

23 “(2) keep books and records pertaining to the
24 security-based swaps held by the person in such
25 form and manner and for such period as may be re-

1 quired by the Commission, which books and records
2 shall be open to inspection by any representative of
3 the Commission, an appropriate Federal banking
4 agency, the Commodity Futures Trading Commis-
5 sion, the Financial Services Oversight Council, and
6 the Department of Justice.

7 “(c) IDENTICAL DATA.—In adopting rules under this
8 section, the Commission shall require persons described in
9 subsection (a) to report the same or more comprehensive
10 data than the Commission requires security-based swap
11 repositories to collect.”.

12 (c) PUBLIC REPORTING AND REPOSITORIES FOR SE-
13 CURITY-BASED SWAP AGREEMENTS.—Section 13 of the
14 Securities Exchange Act of 1934 (15 U.S.C. 78m) is
15 amended by adding at the end the following:

16 “(m) PUBLIC REPORTING OF AGGREGATE SECURITY-
17 BASED SWAP DATA.—

18 “(1) IN GENERAL.—The Commission, or a per-
19 son designated by the Commission pursuant to para-
20 graph (2), shall make available to the public, in a
21 manner that does not disclose the business trans-
22 actions and market positions of any person, aggre-
23 gate data on security-based swap trading volumes
24 and positions from the sources set forth in para-
25 graph (3).

1 “(2) DESIGNEE OF THE COMMISSION.—The
2 Commission may designate a clearing agency or a
3 security-based swap repository to carry out the pub-
4 lic reporting described in paragraph (1).

5 “(3) SOURCES OF INFORMATION.—The sources
6 of the information to be publicly reported as de-
7 scribed in paragraph (1) are—

8 “(A) clearing agencies;

9 “(B) security-based swap repositories reg-
10 istered pursuant to section 3B(b); and

11 “(C) reports received by the Commission
12 pursuant to section 13A.”.

13 **SEC. 4203. MARGIN REQUIREMENTS.**

14 The Securities Exchange Act of 1934 (15 U.S.C. 78a,
15 et seq.) is amended by adding the following section after
16 section 3B:

17 **“SEC. 3C. MARGIN REQUIREMENTS FOR SECURITY-BASED**
18 **SWAP DEALERS AND MAJOR SECURITY-**
19 **BASED SWAP PARTICIPANTS.**

20 “Each Prudential Regulator shall impose both initial
21 and variation margin requirements on all security-based
22 swaps between security-based swap dealers and major se-
23 curity-based swap participants subject to regulation by the
24 Regulator, that are not cleared by a clearing agency.”.

1 **SEC. 4204. SEGREGATION OF ASSETS HELD AS COLLAT-**
2 **ERAL IN SWAP TRANSACTIONS.**

3 The Securities Exchange Act of 1934 (15 U.S.C. 78a,
4 et seq.) is further amended by adding after section 3C (as
5 added by section 4203) the following:

6 **“SEC. 3D. SEGREGATION OF ASSETS HELD AS COLLATERAL**
7 **IN SWAP TRANSACTIONS.**

8 “(a) CLEARED SWAPS.—A security-based swap deal-
9 er or clearing agency by or through which funds or other
10 property are held as margin or collateral to secure the obli-
11 gations of a counterparty under a security-based swap to
12 be cleared by or through a derivatives clearing agency
13 shall segregate, maintain, and use the funds or other prop-
14 erty for the benefit of the counterparty, in accordance with
15 such rules and regulations as the Commission or Pruden-
16 tial Regulator shall prescribe. Any such funds or other
17 property shall be treated as customer property under this
18 Act.

19 “(b) OVER-THE-COUNTER SWAPS.—At the request of
20 a counterparty to a security-based swap who provides
21 funds or other property to a swap dealer as margin or
22 collateral to secure the obligations of the counterparty
23 under a security-based swap entered into using the mails
24 or any other means or instrumentalities of interstate com-
25 merce between the counterparty and the swap dealer that
26 is not submitted for clearing to a derivatives clearing agen-

1 cy, the swap dealer shall segregate the funds or other
2 property for the benefit of the counterparty, and maintain
3 the funds or other property in an account which is carried
4 by a third-party custodian and designated as a segregated
5 account for the counterparty, in accordance with such
6 rules and regulations as the Commission or Prudential
7 Regulator may prescribe. This subsection shall not be in-
8 terpreted to preclude commercial arrangements regarding
9 the investment of the segregated funds or other property
10 and the related allocation of gains and losses resulting
11 from any such investment or regarding the allocation of
12 the costs of segregation.

13 “(c) MARK-TO-MARKET MARGIN.—Nothing in this
14 section shall be construed to obligate any person to seg-
15 regate variation or mark-to-market margin.”

16 **Subtitle C—Common Provisions**

17 **SEC. 4301. REPORT TO THE CONGRESS.**

18 Within 1 year after the date of the enactment of this
19 title, and not less frequently than annually thereafter, the
20 Commodity Futures Trading Commission, the Securities
21 and Exchange Commission, and the Prudential Regulators
22 shall review data from swap repositories, security-based
23 swap repositories, derivative clearing organizations, and
24 clearing agencies, and if the Commodity Futures Trading
25 Commission, the Securities and Exchange Commission,

1 and the Prudential Regulators jointly find that the activi-
2 ties of swaps dealers, securities-based swaps dealers,
3 major swap participants, or major security-based swap
4 participants not subject to regulation by the Commodity
5 Futures Trading Commission, the Securities and Ex-
6 change Commission, or a Prudential Regulator, in relation
7 to swaps or security-based swaps that are not submitted
8 to a derivatives clearing organization or clearing agency
9 for clearing, have become so substantial or imprudent as
10 to potentially threaten the stability of financial markets
11 or the economy, the Commodity Futures Trading Commis-
12 sion, the Securities and Exchange Commission, and the
13 Prudential Regulators shall jointly submit to the Congress
14 a report on the situation, including recommendations as
15 to whether the activities should be subject to further regu-
16 lation.

17 **SEC. 4302. CAPITAL REQUIREMENTS.**

18 Each Prudential Regulator shall take into account
19 the swaps and security-based swaps activities of the enti-
20 ties subject to regulation by the Regulator in establishing
21 capital requirements for the entities.

22 **SEC. 4303. CENTRALIZED CLEARING.**

23 (a) IN GENERAL.—The Board, in consultation and
24 coordination with the Securities and Exchange Commis-
25 sion and the Commodity Futures Trading Commission,

1 shall implement policies and procedures designed to in-
2 crease the use of central counterparties for clearing of
3 over-the-counter swaps transactions by swap dealers, secu-
4 rity-based swap dealers, major swap participants, and
5 major security-based swap participants, with the goal of
6 significantly reducing the risk profile of the market in
7 which the transactions occur.

8 (b) FIRM TARGETS.—

9 (1) IN GENERAL.—Pursuant to subsection (a),
10 the Board shall establish the following firm goals for
11 swap dealers, security-based swap dealers, major
12 swap participants, and major security-based swap
13 participants, with respect to the clearing of certain
14 swaps:

15 (A) INTEREST RATE SWAPS.—In the case
16 of interest rate swaps, each swap dealer, secu-
17 rity-based swap dealer, major swap participant,
18 and major security-based swap participant shall
19 commit to a goal, beginning December 2009, of
20 submitting for clearing to a derivatives clearing
21 organization or clearing agency—

22 (i) 90 percent of new eligible trades
23 (calculated on a notional basis);

1 (ii) 70 percent of new eligible trades
2 (calculated on a weighted average notional
3 basis); and

4 (iii) 60 percent of historical eligible
5 trades (calculated on a weighted average
6 notional basis).

7 (B) CREDIT DEFAULT SWAPS.—In the case
8 of credit default swaps, each swap dealer, secu-
9 rity-based swap dealer, major swap participant,
10 and major security-based swap participant shall
11 commit to a goal, beginning December 2009, of
12 submitting for clearing to a derivatives clearing
13 organization or clearing agency—

14 (i) 95 percent of new eligible trades
15 (calculated on a notional basis); and

16 (ii) 80 percent of all eligible trades
17 (calculated on a weighted average notional
18 basis).

19 (2) DEFINITIONS.—In paragraph (1):

20 (A) ELIGIBLE TRADE.—The term “eligible
21 trade” means a trade on an eligible product be-
22 tween counterparties each of whom—

23 (i) is a swap dealer, security-based
24 swap dealer, major swap participant, or
25 major security-based swap participant; and

1 (ii) has a clearing relationship in place
2 with 1 or more common derivative clearing
3 organizations or clearing agencies) for the
4 eligible product.

5 (B) ELIGIBLE PRODUCT.—The term “eligi-
6 ble product” means a product eligible for clear-
7 ing by a derivative clearing organization or
8 clearing agency.

9 (c) OTHER CONTRACTS AND COUNTERPARTIES.—
10 The Board, in consultation with the Securities and Ex-
11 change Commission and the Commodity Futures Trading
12 Commission, shall actively engage central counterparties
13 and regulators globally to—

14 (1) broaden the set of derivative products eligi-
15 ble for clearing by swap dealers, security-based swap
16 dealers, major swap participants, and major secu-
17 rity-based swap participants, taking into account
18 risk, liquidity, default management and other proc-
19 esses; and

20 (2) expand the set of counterparties eligible to
21 clear at each eligible central counterparty taking
22 into account appropriate counterparty risk manage-
23 ment considerations, including the development of
24 buy-side clearing.

1 **SEC. 4304. DEFINITIONS.**

2 The terms used in this subtitle shall have the mean-
3 ings given the terms in section 1a of the Commodity Ex-
4 change Act.

5 **TITLE V—CORPORATE AND FI-**
6 **NANCIAL INSTITUTION COM-**
7 **PENSATION FAIRNESS**

8 **SEC. 5001. SHORT TITLE.**

9 This title may be cited as the “Corporate and Finan-
10 cial Institution Compensation Fairness Act of 2009”.

11 **SEC. 5002. SHAREHOLDER VOTE ON EXECUTIVE COM-**
12 **PENSATION.**

13 (a) AMENDMENT TO THE SECURITIES EXCHANGE
14 ACT OF 1934.—Section 14 of the Securities Exchange Act
15 of 1934 (15 U.S.C. 78n) is amended by adding at the end
16 the following new subsection:

17 “(i) TRIENNIAL ADVISORY SHAREHOLDER VOTE ON
18 EXECUTIVE COMPENSATION.—

19 “(1) IN GENERAL.—A proxy or consent or au-
20 thorization for an annual meeting of the share-
21 holders (or a special meeting in lieu of the annual
22 meeting) occurring on or after the date that is 6
23 months after the date on which final rules are issued
24 under paragraph (4), shall provide for a separate
25 shareholder advisory vote, at least once every three
26 years, to approve the registrant’s executive com-

1 pensation policies and practices as set forth pursu-
2 ant to the Commission’s disclosure rules. The share-
3 holder vote shall be advisory in nature and shall not
4 be binding on the issuer or its board of directors and
5 shall not be construed as overruling a decision by
6 such board, nor to create or imply any additional fi-
7 duciary duty by such board, nor shall such vote be
8 construed to restrict or limit the ability of share-
9 holders to make proposals for inclusion in proxy ma-
10 terials related to executive compensation for meet-
11 ings of shareholders at which such an advisory vote
12 on executive compensation is not to be conducted.

13 “(2) OPT OUT.—If not less than $\frac{2}{3}$ of votes
14 cast at a meeting of shareholders on a proposal to
15 opt out of the triennial shareholder advisory vote on
16 executive compensation required under paragraph
17 (1) are cast in favor of such a proposal, then such
18 shareholder advisory vote required under such para-
19 graph shall not be required to take place for a pe-
20 riod of 5 years following the vote approving such
21 proposal.

22 “(3) SHAREHOLDER APPROVAL OF GOLDEN
23 PARACHUTE COMPENSATION.—

24 “(A) DISCLOSURE.—In any proxy or con-
25 sent solicitation material for an annual meeting

1 of the shareholders (or a special meeting in lieu
2 of the annual meeting) occurring on or after
3 the date that is 6 months after the date on
4 which final rules are issued under paragraph
5 (4), that concerns an acquisition, merger, con-
6 solidations, or proposed sale or other disposition
7 of all or substantially all the assets of an issuer,
8 the person making such solicitation shall dis-
9 close in the proxy or consent solicitation mate-
10 rial, in a clear and simple tabular form in ac-
11 cordance with regulations to be promulgated by
12 the Commission, any agreements or under-
13 standings that such person has with the named
14 executive officers (as such term is defined in
15 the rules promulgated by the Commission) of
16 such issuer (or of the acquiring issuer, if such
17 issuer is not the acquiring issuer) concerning
18 any type of compensation (whether present, de-
19 ferred, or contingent) that is based on or other-
20 wise relates to the acquisition, merger, consoli-
21 dation, sale, or other dispositions of all or sub-
22 stantially all of the assets of the issuer, and the
23 aggregate total of all such compensation that
24 may (and the conditions upon which it may) be

1 paid or become payable to or on behalf of such
2 named executive officer.

3 “(B) SHAREHOLDER APPROVAL.—Any
4 proxy or consent or authorization relating to
5 the proxy or consent solicitation material con-
6 taining the disclosure required by subparagraph
7 (A) shall provide for a separate shareholder
8 vote to approve such agreements or under-
9 standings and compensation as disclosed. A
10 vote by the shareholders shall not be binding on
11 the corporation or the board of directors of the
12 issuer or the person making the solicitation and
13 shall not be construed as overruling a decision
14 by such board, nor to create or imply any addi-
15 tional fiduciary duty by such board.”

16 “(4) RULEMAKING.—Not later than 1 year
17 after the date of the enactment of the Corporate and
18 Financial Institution Compensation Fairness Act of
19 2009, the Commission shall issue rules and regula-
20 tions to implement this subsection.”.

21 (b) STUDY AND REPORT.—The Securities and Ex-
22 change Commission shall conduct a study and review of
23 the results of shareholder advisory votes on executive com-
24 pensation held pursuant to this section and the effects of
25 such votes. Not later than 5 years after the date of enact-

1 ment of this title, the Securities and Exchange Commis-
2 sion shall submit a report to the Congress on the results
3 of the study and review required by this subsection.

4 **SEC. 5003. COMPENSATION COMMITTEE INDEPENDENCE.**

5 (a) STANDARDS RELATING TO COMPENSATION COM-
6 MITTEES.—The Securities Exchange Act of 1934 (15
7 U.S.C. 78f) is amended by inserting after section 10A the
8 following new section:

9 **“SEC. 10B. STANDARDS RELATING TO COMPENSATION COM-
10 MITTEES.**

11 “(a) COMMISSION RULES.—

12 “(1) IN GENERAL.—Effective not later than
13 270 days after the date of enactment of the Cor-
14 porate and Financial Institution Compensation Fair-
15 ness Act of 2009, the Commission shall, by rule, di-
16 rect the national securities exchanges and national
17 securities associations to prohibit the listing of any
18 security of an issuer that is not in compliance with
19 the requirements of any portion of subsections (b)
20 through (f).

21 “(2) OPPORTUNITY TO CURE DEFECTS.—The
22 rules of the Commission under paragraph (1) shall
23 provide for appropriate procedures for an issuer to
24 have an opportunity to cure any defects that would

1 be the basis for a prohibition under paragraph (1)
2 before the imposition of such prohibition.

3 “(3) EXEMPTION AUTHORITY.—The Commis-
4 sion may exempt certain categories of issuers from
5 the requirements of subsections (b) through (f),
6 where appropriate in view of the purpose of this sec-
7 tion. In determining appropriate exemptions, the
8 Commission shall take into account, among other
9 considerations, the potential impact on smaller re-
10 porting issuers.

11 “(4) NO FEDERAL PREEMPTION.—If the law of
12 the State under which an issuer is incorporated pro-
13 vides for a procedure for the board of directors to
14 establish an independent compensation committee,
15 then such State law shall be controlling and nothing
16 in this section shall preempt such State law.

17 “(b) INDEPENDENCE OF COMPENSATION COMMIT-
18 TEES.—

19 “(1) IN GENERAL.—Each member of the com-
20 pensation committee of the board of directors of the
21 issuer shall be a member of the board of directors
22 of the issuer, and shall otherwise be independent.

23 “(2) CRITERIA.—The Commission shall, by
24 rule, establish the criteria for determining whether a
25 director is independent for purposes of this sub-

1 section. Such rules shall require that a member of
2 a compensation committee of an issuer may not,
3 other than in his or her capacity as a member of the
4 compensation committee, the board of directors, or
5 any other board committee—

6 “(A) accept any consulting, advisory, or
7 other compensatory fee from the issuer; or

8 “(B) be an affiliated person of the issuer
9 or any subsidiary thereof.

10 “(3) EXEMPTIVE AUTHORITY.—The Commis-
11 sion may exempt from the requirements of para-
12 graph (2) a particular relationship with respect to
13 compensation committee members, where appro-
14 priate in view of the purpose of this section.

15 “(4) DEFINITION.—As used in this section, the
16 term ‘compensation committee’ means—

17 “(A) a committee (or equivalent body) es-
18 tablished by and amongst the board of directors
19 of an issuer for the purpose of determining and
20 approving the compensation arrangements for
21 the executive officers of the issuer; and

22 “(B) if no such committee exists with re-
23 spect to an issuer, the independent members of
24 the entire board of directors.

1 “(c) INDEPENDENCE STANDARDS FOR COMPENSA-
2 TION CONSULTANTS AND OTHER COMMITTEE ADVI-
3 SORS.—The charter of the compensation committee of the
4 board of directors of an issuer shall set forth that any
5 outside compensation consultant formally engaged or re-
6 tained by the compensation committee shall meet stand-
7 ards for independence to be promulgated by the Commis-
8 sion.

9 “(d) COMPENSATION COMMITTEE AUTHORITY RE-
10 LATING TO COMPENSATION CONSULTANTS.—

11 “(1) IN GENERAL.—The compensation com-
12 mittee of each issuer, in its capacity as a committee
13 of the board of directors, shall have the authority,
14 in its sole discretion, to retain and obtain the advice
15 of a compensation consultant meeting the standards
16 for independence promulgated pursuant to sub-
17 section (c), and the compensation committee shall be
18 directly responsible for the appointment, compensa-
19 tion, and oversight of the work of such independent
20 compensation consultant. This provision shall not be
21 construed to require the compensation committee to
22 implement or act consistently with the advice or rec-
23 ommendations of the compensation consultant, and
24 shall not otherwise affect the compensation commit-

1 tee's ability or obligation to exercise its own judg-
2 ment in fulfillment of its duties.

3 “(2) DISCLOSURE.—In any proxy or consent
4 solicitation material for an annual meeting of the
5 shareholders (or a special meeting in lieu of the an-
6 nual meeting) occurring on or after the date that is
7 1 year after the date of enactment of the Corporate
8 and Financial Institution Compensation Fairness
9 Act of 2009, each issuer shall disclose in the proxy
10 or consent material, in accordance with regulations
11 to be promulgated by the Commission whether the
12 compensation committee of the issuer retained and
13 obtained the advice of a compensation consultant
14 meeting the standards for independence promulgated
15 pursuant to subsection (c).

16 “(e) AUTHORITY TO ENGAGE INDEPENDENT COUN-
17 SEL AND OTHER ADVISORS.—The compensation com-
18 mittee of each issuer, in its capacity as a committee of
19 the board of directors, shall have the authority, in its sole
20 discretion, to retain and obtain the advice of independent
21 counsel and other advisers meeting the standards for inde-
22 pendence promulgated pursuant to subsection (c), and the
23 compensation committee shall be directly responsible for
24 the appointment, compensation, and oversight of the work
25 of such independent counsel and other advisers. This pro-

1 vision shall not be construed to require the compensation
2 committee to implement or act consistently with the advice
3 or recommendations of such independent counsel and
4 other advisers, and shall not otherwise affect the com-
5 pensation committee's ability or obligation to exercise its
6 own judgment in fulfillment of its duties.

7 “(f) FUNDING.—Each issuer shall provide for appro-
8 priate funding, as determined by the compensation com-
9 mittee, in its capacity as a committee of the board of direc-
10 tors, for payment of compensation—

11 “(1) to any compensation consultant to the
12 compensation committee that meets the standards
13 for independence promulgated pursuant to sub-
14 section (c); and

15 “(2) to any independent counsel or other ad-
16 viser to the compensation committee.”.

17 (b) STUDY AND REVIEW REQUIRED.—

18 (1) IN GENERAL.—The Securities Exchange
19 Commission shall conduct a study and review of the
20 use of compensation consultants meeting the stand-
21 ards for independence promulgated pursuant to sec-
22 tion 10B(e) of the Security Exchange Act of 1934
23 (as added by subsection (a)), and the effects of such
24 use.

1 (2) REPORT TO CONGRESS.—Not later than 3
2 years after the date of enactment of this title, the
3 Commission shall submit a report to the Congress
4 on the results of the study and review required by
5 this paragraph.

6 **TITLE VI—CREDIT RATING**
7 **AGENCIES**

8 **SEC. 6001. CHANGES TO DESIGNATION.**

9 The Securities Act of 1933 and the Securities Ex-
10 change Act of 1934 are each amended by striking “nation-
11 ally recognized statistical rating” each place it appears
12 and inserting “nationally registered statistical rating”.

13 **SEC. 6002. REMOVAL OF STATUTORY REFERENCES TO**
14 **CREDIT RATINGS.**

15 (a) FEDERAL DEPOSIT INSURANCE ACT.—The Fed-
16 eral Deposit Insurance Act (12 U.S.C. 1811 et seq.) is
17 amended—

18 (1) in section 28(d)—

19 (A) in the subsection heading, by striking
20 “not of investment grade”;

21 (B) in paragraph (1), by striking “not of
22 investment grade” and inserting “that does not
23 meet standards of credit-worthiness as estab-
24 lished by the Corporation”;

1 (C) in paragraph (2), by striking “not of
2 investment grade”;

3 (D) by striking paragraph (3) and redesignating
4 paragraph (4) as paragraph (3); and

5 (E) in paragraph (3) (as so redesignated)—
6

7 (i) by striking subparagraph (A) and
8 redesignating subparagraphs (B) and (C)
9 as subparagraphs (A) and (B), respectively; and
10

11 (ii) in subparagraph (B) (as so redesignated), by striking “not of investment
12 grade” and inserting “that does not meet
13 standards of credit-worthiness as established
14 by the Corporation”;

15
16 (2) in section 28(e)—

17 (A) in the subsection heading, by striking
18 “not of investment grade”;

19 (B) in paragraph (1), by striking “not of
20 investment grade” and inserting “that does not
21 meet standards of credit-worthiness as established
22 by the Corporation”; and

23 (C) in paragraphs (2) and (3), by striking
24 “not of investment grade” each place that it appears
25 and inserting “that does not meet stand-

1 ards of credit-worthiness established by the
2 Corporation”; and

3 (3) in section 7(b)(1)(E)(i), by striking “credit
4 rating entities, and other private economic” and in-
5 serting “private economic, credit,”.

6 (b) FEDERAL HOUSING ENTERPRISES FINANCIAL
7 SAFETY AND SOUNDNESS ACT OF 1992.—Section 1319
8 of the Federal Housing Enterprises Financial Safety and
9 Soundness Act of 1992 (12 U.S.C. 4519) is amended—

10 (1) in the section heading, by striking “by rat-
11 ing organization”; and

12 (2) by striking “that is a nationally recognized
13 statistical rating organization, as such term is de-
14 fined in section 3(a) of the Securities Exchange Act
15 of 1934,”.

16 (c) INVESTMENT COMPANY ACT OF 1940.—Section
17 6(a)(5)(A)(iv)(I) of the Investment Company Act of 1940
18 (15 U.S.C. 80a-6(a)(5)(A)(iv)(I)) is amended by striking
19 “is rated investment grade by not less than 1 nationally
20 recognized statistical rating organization” and inserting
21 “meets such standards of credit-worthiness that the Com-
22 mission shall adopt”.

23 (d) REVISED STATUTES.—Section 5136A of title
24 LXII of the Revised Statutes of the United States (12
25 U.S.C. 24a) is amended—

1 (1) in subsection (a)(2)(E), by striking “any
2 applicable rating” and inserting “standards of credit
3 worthiness established by the Comptroller of the
4 Currency”;

5 (2) in the heading for subsection (a)(3) by
6 striking “rating or comparable requirement” and in-
7 serting “requirement”;

8 (3) in subsection (a)(3), by amending subpara-
9 graph (A) to read as follows:

10 “(A) IN GENERAL.—A national bank meets
11 the requirements of this paragraph if the bank
12 is one of the 100 largest insured banks and has
13 not fewer than 1 issue of outstanding debt that
14 meets standards of credit-worthiness or other
15 criteria as the Secretary of the Treasury and
16 the Board of Governors of the Federal Reserve
17 System may jointly establish.”;

18 (4) in the heading for subsection (f), by striking
19 “maintain public rating or” and inserting “meet
20 standards of credit-worthiness”; and

21 (5) in subsection (f)(1), by striking “any appli-
22 cable rating” and inserting “standards of credit-wor-
23 thiness established by the Comptroller of the Cur-
24 rency”.

1 (e) SECURITIES EXCHANGE ACT OF 1934.—Section
2 3(a) Securities Exchange Act of 1934 (15 U.S.C.
3 78a(3)(a)) is amended—

4 (1) in paragraph (41), by striking “is rated in
5 one of the two highest rating categories by at least
6 one nationally recognized statistical rating organiza-
7 tion” and inserting “meets standards of credit-wor-
8 thiness as defined by the Commission”; and

9 (2) in paragraph (53)(A), by striking “is rated
10 in 1 of the 4 highest rating categories by at least 1
11 nationally recognized statistical rating organization”
12 and inserting “meets standards of credit-worthiness
13 as defined by the Commission”.

14 (f) WORLD BANK DISCUSSIONS.—Section 3(a)(6) of
15 the amendment in the nature of a substitute to the text
16 of H.R. 4645, as ordered reported from the Committee
17 on Banking, Finance and Urban Affairs on September 22,
18 1988, as enacted into law by section 555 of Public Law
19 100-461, (22 U.S.C. 286hh(a)(6)), is amended by striking
20 “rating” and inserting “worthiness”.

21 (g) EFFECTIVE DATE.—The amendments made by
22 this section shall take effect after the end of the 6-month
23 period beginning on the date of the enactment of this title.

24 **SEC. 6003. REVIEW OF RELIANCE ON RATINGS.**

25 (a) AGENCY REVIEW.—

1 (1) REVIEW.—Not later than 1 year after the
2 date of the enactment of this title, each Federal
3 agency listed in paragraph (4) shall, to the extent
4 applicable, review—

5 (A) any regulation issued by such agency
6 that requires the use of an assessment of the
7 credit-worthiness of a security or money market
8 instrument; and

9 (B) any references to or requirements in
10 such regulations regarding credit ratings.

11 (2) MODIFICATIONS REQUIRED.—Each such
12 agency shall modify any such regulations identified
13 by the review conducted under paragraph (1) to re-
14 move any reference to or requirement of reliance on
15 credit ratings and to substitute in such regulations
16 such standard of credit-worthiness as each respective
17 agency shall determine as appropriate for such regu-
18 lations. In making such determination, such agencies
19 shall seek to establish, to the extent feasible, uni-
20 form standards of credit-worthiness for use by each
21 such agency, taking into account the entities regu-
22 lated by each such agency and the purposes for
23 which such entities would rely on such standards of
24 credit-worthiness.

1 (3) REPORT.—Upon conclusion of the review
2 required under paragraph (1), each Federal agency
3 listed in paragraph (4) shall transmit a report to the
4 Congress containing a description of any modifica-
5 tion of any regulation such agency made pursuant to
6 paragraph (2).

7 (4) APPLICABLE AGENCIES.—The agencies re-
8 quired to conduct the review and report required by
9 this subsection are—

10 (A) the Securities and Exchange Commis-
11 sion;

12 (B) the Federal Deposit Insurance Cor-
13 poration;

14 (C) the Office of Thrift Supervision;

15 (D) the Office of the Comptroller of the
16 Currency;

17 (E) the Board of Governors of the Federal
18 Reserve;

19 (F) the National Credit Union Administra-
20 tion; and

21 (G) the Federal Housing Finance Agency.

22 (b) GAO REVIEW OF OTHER AGENCIES.—

23 (1) REVIEW.—The Comptroller General of the
24 United States shall conduct a comprehensive review
25 of the use of credit ratings by Federal agencies other

1 than those listed in subsection (a)(4), including an
2 analysis of the provisions of law or regulation appli-
3 cable to each such agency that refer to and require
4 the use of credit ratings by the agency, and the poli-
5 cies and practices of each agency with respect to
6 credit ratings.

7 (2) REPORT.—Not later than 1 year after the
8 date of the enactment of this title, the Comptroller
9 General shall transmit to the Congress a report on
10 the findings of the study conducted pursuant to
11 paragraph (1), including recommendations for any
12 legislation or rulemaking necessary or appropriate in
13 order for such agencies to reduce their reliance on
14 credit ratings.

15 **TITLE VII—GOVERNMENT-SPON-**
16 **SORED ENTERPRISES RE-**
17 **FORM**

18 **SEC. 7001. SHORT TITLE.**

19 This title may be cited as the “Government-Spon-
20 sored Enterprises Free Market Reform Act of 2009”.

21 **SEC. 7002. DEFINITIONS.**

22 For purposes of this title, the following definitions
23 shall apply:

24 (1) CHARTER.—The term “charter” means—

1 (A) with respect to the Federal National
2 Mortgage Association, the Federal National
3 Mortgage Association Charter Act (12 U.S.C.
4 1716 et seq.); and

5 (B) with respect to the Federal Home
6 Loan Mortgage Corporation, the Federal Home
7 Loan Mortgage Corporation Act (12 U.S.C.
8 1451 et seq.).

9 (2) DIRECTOR.—The term “Director” means
10 the Director of the Federal Housing Finance Agen-
11 cy.

12 (3) ENTERPRISE.—The term “enterprise”
13 means—

14 (A) the Federal National Mortgage Asso-
15 ciation; and

16 (B) the Federal Home Loan Mortgage
17 Corporation.

18 (4) GUARANTEE.—The term “guarantee”
19 means, with respect to an enterprise, the credit sup-
20 port of the enterprise that is provided by the Fed-
21 eral Government through its charter as a Govern-
22 ment-sponsored enterprise.

23 **SEC. 7003. TERMINATION OF CURRENT CONSERVATORSHIP.**

24 (a) IN GENERAL.—Upon the expiration of the period
25 referred to in subsection (b), the Director of the Federal

1 Housing Finance Agency shall determine, with respect to
2 each enterprise, if the enterprise is financially viable at
3 that time and—

4 (1) if the Director determines that the enter-
5 prise is financially viable, immediately take all ac-
6 tions necessary to terminate the conservatorship for
7 each of the enterprises; or

8 (2) if the Director determines that the enter-
9 prise is not financially viable, immediately appoint
10 the Federal Housing Finance Agency as receiver
11 under section 1367 of the Federal Housing Enter-
12 prises Financial Safety and Soundness Act of 1992
13 and carry out such receivership under the authority
14 of such section.

15 (b) TIMING.—The period referred to in this sub-
16 section is, with respect to an enterprise—

17 (1) except as provided in paragraph (2), the 24-
18 month period beginning upon the date of the enact-
19 ment of this title; or

20 (2) if the Director determines before the expira-
21 tion of the period referred to in paragraph (1) that
22 the financial markets would be adversely affected
23 without the extension of such period under this
24 paragraph with respect to that enterprise, the 30-

1 month period beginning upon the date of the enact-
2 ment of this title.

3 (c) FINANCIAL VIABILITY.—The Director may not
4 determine that an enterprise is financially viable for pur-
5 poses of subsection (a) if the Director determines that any
6 of the conditions for receivership set forth in paragraph
7 (3) or (4) of section 1367(a) of the Federal Housing En-
8 terprises Financial Safety and Soundness Act of 1992 (12
9 U.S.C. 4617(a)) exists at the time with respect to the en-
10 terprise.

11 **SEC. 7004. LIMITATION OF ENTERPRISE AUTHORITY UPON**
12 **EMERGENCE FROM CONSERVATORSHIP.**

13 (a) REVISED AUTHORITY.—Upon the expiration of
14 the period referred to in section 7003(b), if the Director
15 makes the determination under section 7003(a)(1), the
16 following provisions shall take effect:

17 (1) PORTFOLIO LIMITATIONS.—Subtitle B of
18 title XIII of the Housing and Community Develop-
19 ment Act of 1992 (12 U.S.C. 4611 et seq.) is
20 amended by adding at the end the following new sec-
21 tion:

1 **“SEC. 1369E. RESTRICTION ON MORTGAGE ASSETS OF EN-**
2 **TERPRISES.**

3 “(a) RESTRICTION.—No enterprise shall own, as of
4 any applicable date in this subsection or thereafter, mort-
5 gage assets in excess of—

6 “(1) upon the expiration of the period referred
7 to in section 7003(b) of the Government-Sponsored
8 Enterprises Free Market Reform Act of 2009,
9 \$850,000,000,000; or

10 “(2) on December 31 of each year thereafter,
11 80.0 percent of the aggregate amount of mortgage
12 assets of the enterprise as of December 31 of the
13 immediately preceding calendar year;

14 except that in no event shall an enterprise be required
15 under this section to own less than \$250,000,000,000 in
16 mortgage assets.

17 “(b) DEFINITION OF MORTGAGE ASSETS.—For pur-
18 poses of this section, the term ‘mortgage assets’ means,
19 with respect to an enterprise, assets of such enterprise
20 consisting of mortgages, mortgage loans, mortgage-related
21 securities, participation certificates, mortgage-backed
22 commercial paper, obligations of real estate mortgage in-
23 vestment conduits and similar assets, in each case to the
24 extent such assets would appear on the balance sheet of
25 such enterprise in accordance with generally accepted ac-
26 counting principles in effect in the United States as of

1 September 7, 2008 (as set forth in the opinions and pro-
2 nouncements of the Accounting Principles Board and the
3 American Institute of Certified Public Accountants and
4 statements and pronouncements of the Financial Account-
5 ing Standards Board from time to time; and without giv-
6 ing any effect to any change that may be made after Sep-
7 tember 7, 2008, in respect of Statement of Financial Ac-
8 counting Standards No. 140 or any similar accounting
9 standard).”.

10 (2) INCREASE IN MINIMUM CAPITAL REQUIRE-
11 MENT.—Section 1362 of the Federal Housing En-
12 terprises Financial Safety and Soundness Act of
13 1992 (12 U.S.C. 4612), as amended by section 1111
14 of the Housing and Economic Recovery Act of 2008
15 (Public Law 110–289), is amended—

16 (A) in subsection (a), by striking “For
17 purposes of this subtitle, the minimum capital
18 level for each enterprise shall be” and inserting
19 “The minimum capital level established under
20 subsection (g) for each enterprise may not be
21 lower than”;

22 (B) in subsection (c)—

23 (i) by striking “subsections (a) and”
24 and inserting “subsection”;

1 (ii) by striking “regulated entities”
2 the first place such term appears and in-
3 sserting “Federal Home Loan Banks”;

4 (iii) by striking “for the enterprises,”;

5 (iv) by striking “, or for both the en-
6 terprises and the banks,”;

7 (v) by striking “the level specified in
8 subsection (a) for the enterprises or”;

9 (vi) by striking “the regulated entities
10 operate” and inserting “such banks oper-
11 ate”;

12 (C) in subsection (d)(1)—

13 (i) by striking “subsections (a) and”
14 and inserting “subsection”;

15 (ii) by striking “regulated entity”
16 each place such term appears and inserting
17 “Federal home loan bank”;

18 (D) in subsection (e), by striking “regu-
19 lated entity” each place such term appears and
20 inserting “Federal home loan bank”;

21 (E) in subsection (f)—

22 (i) by striking “the amount of core
23 capital maintained by the enterprises,”;
24 and

1 (ii) by striking “regulated entities”
2 and inserting “banks”; and
3 (F) by adding at the end the following new
4 subsection:

5 “(g) ESTABLISHMENT OF REVISED MINIMUM CAP-
6 ITAL LEVELS.—

7 “(1) IN GENERAL.—The Director shall cause
8 the enterprises to achieve and maintain adequate
9 capital by establishing minimum levels of capital for
10 the enterprises and by using such other methods as
11 the Director deems appropriate.

12 “(2) AUTHORITY.—The Director shall have the
13 authority to establish such minimum level of capital
14 for an enterprise in excess of the level specified
15 under subsection (a) as the Director, in the Direc-
16 tor’s discretion, deems to be necessary or appro-
17 priate in light of the particular circumstances of the
18 enterprise.

19 “(h) FAILURE TO MAINTAIN REVISED MINIMUM
20 CAPITAL LEVELS.—

21 “(1) UNSAFE AND UNSOUND PRACTICE OR CON-
22 DITION.—Failure of an enterprise to maintain cap-
23 ital at or above its minimum level as established
24 pursuant to subsection (c) of this section may be
25 deemed by the Director, in his discretion, to con-

1 stitute an unsafe and unsound practice or condition
2 within the meaning of this title.

3 “(2) DIRECTIVE TO ACHIEVE CAPITAL
4 LEVEL.—

5 “(A) AUTHORITY.—In addition to, or in
6 lieu of, any other action authorized by law, in-
7 cluding paragraph (1), the Director may issue
8 a directive to an enterprise that fails to main-
9 tain capital at or above its required level as es-
10 tablished pursuant to subsection (c) of this sec-
11 tion.

12 “(B) PLAN.—Such directive may require
13 the enterprise to submit and adhere to a plan
14 acceptable to the Director describing the means
15 and timing by which the enterprise shall achieve
16 its required capital level.

17 “(C) ENFORCEMENT.—Any such directive
18 issued pursuant to this paragraph, including
19 plans submitted pursuant thereto, shall be en-
20 forceable under the provisions of subtitle C of
21 this title to the same extent as an effective and
22 outstanding order issued pursuant to subtitle C
23 of this title which has become final.

24 “(3) ADHERENCE TO PLAN.—

1 “(A) CONSIDERATION.—The Director may
2 consider such enterprise’s progress in adhering
3 to any plan required under this subsection
4 whenever such enterprise seeks the requisite ap-
5 proval of the Director for any proposal which
6 would divert earnings, diminish capital, or oth-
7 erwise impede such enterprise’s progress in
8 achieving its minimum capital level.

9 “(B) DENIAL.—The Director may deny
10 such approval where it determines that such
11 proposal would adversely affect the ability of
12 the enterprise to comply with such plan.”.

13 (3) REPEAL OF INCREASES TO CONFORMING
14 LOAN LIMITS.—

15 (A) REPEAL OF TEMPORARY INCREASES.—

16 (i) ECONOMIC STIMULUS ACT OF
17 2008.—Section 201 of the Economic Stim-
18 ulus Act of 2008 (Public Law 110–185) is
19 hereby repealed.

20 (ii) AMERICAN RECOVERY AND REIN-
21 VESTMENT ACT OF 2009.—Section 1203 of
22 division A of the American Recovery and
23 Reinvestment Act of 2009 (Public Law
24 111–5; 123 Stat. 225) is hereby repealed.

1 (B) REPEAL OF GENERAL LIMIT AND PER-
2 MANENT HIGH-COST AREA INCREASE.—Para-
3 graph (2) of section 302(b) of the Federal Na-
4 tional Mortgage Association Charter Act (12
5 U.S.C. 1717(b)(2)) and paragraph (2) of sec-
6 tion 305(a) of the Federal Home Loan Mort-
7 gage Corporation Act (12 U.S.C. 1454(a)(2))
8 are each amended to read as such sections were
9 in effect immediately before the enactment of
10 the Housing and Economic Recovery Act of
11 2008 (Public Law 110–289).

12 (C) REPEAL OF NEW HOUSING PRICE
13 INDEX.—Section 1322 of the Federal Housing
14 Enterprises Financial Safety and Soundness
15 Act of 1992, as added by section 1124(d) of the
16 Housing and Economic Recovery Act of 2008
17 (Public Law 110–289), is hereby repealed.

18 (D) REPEAL.—Section 1124 of the Hous-
19 ing and Economic Recovery Act of 2008 (Public
20 Law 110–289) is hereby repealed.

21 (E) ESTABLISHMENT OF CONFORMING
22 LOAN LIMIT.—For the year in which the expira-
23 tion of the period referred to in section 7003(b)
24 of this section occurs, the limitations governing
25 the maximum original principal obligation of

1 conventional mortgages that may be purchased
2 by the Federal National Mortgage Association
3 and the Federal Home Loan Mortgage Cor-
4 poration, referred to in section 302(b)(2) of the
5 Federal National Mortgage Association Charter
6 Act (12 U.S.C. 1717(b)(2)) and section
7 305(a)(2) of the Federal Home Loan Mortgage
8 Corporation Act (12 U.S.C. 1454(a)(2)), re-
9 spectively, shall be considered to be—

10 (i) \$417,000 for a mortgage secured
11 by a single-family residence,

12 (ii) \$533,850 for a mortgage secured
13 by a 2-family residence,

14 (iii) \$645,300 for a mortgage secured
15 by a 3-family residence, and

16 (iv) \$801,950 for a mortgage secured
17 by a 4-family residence,

18 and such limits shall be adjusted effective each
19 January 1 thereafter in accordance with such
20 sections 302(b)(2) and 305(a)(2).

21 (F) PROHIBITION OF PURCHASE OF MORT-
22 GAGES EXCEEDING MEDIAN AREA HOME
23 PRICE.—

24 (i) FANNIE MAE.—Section 302(b)(2)
25 of the Federal National Mortgage Associa-

1 tion Charter Act (12 U.S.C. 1717(b)(2)) is
2 amended by adding at the end the fol-
3 lowing new sentence: “Notwithstanding
4 any other provision of this title, the cor-
5 poration may not purchase any mortgage
6 for a property having a principal obligation
7 that exceeds the median home price, for
8 properties of the same size, for the area in
9 which such property subject to the mort-
10 gage is located.”.

11 (ii) FREDDIE MAC.—Section
12 305(a)(2) of the Federal Home Loan
13 Mortgage Corporation Act (12 U.S.C.
14 1454(a)(2)) is amended by adding at the
15 end the following new sentence: “Notwith-
16 standing any other provision of this title,
17 the Corporation may not purchase any
18 mortgage for a property having a principal
19 obligation that exceeds the median home
20 price, for properties of the same size, for
21 the area in which such property subject to
22 the mortgage is located.”.

23 (4) REQUIREMENT TO PAY STATE AND LOCAL
24 TAXES.—

1 (A) FANNIE MAE.—Paragraph (2) of sec-
2 tion 309(c) of the Federal National Mortgage
3 Association Charter Act (12 U.S.C.
4 1723a(c)(2)) is amended—

5 (i) by striking “shall be exempt from”
6 and inserting “shall be subject to”; and

7 (ii) by striking “except that any” and
8 inserting “and any”.

9 (B) FREDDIE MAC.—Section 303(e) of the
10 Federal Home Loan Mortgage Corporation Act
11 (12 U.S.C. 1452(e)) is amended—

12 (i) by striking “shall be exempt from”
13 and inserting “shall be subject to”; and

14 (ii) by striking “except that any” and
15 inserting “and any”.

16 (5) REPEALS RELATING TO REGISTRATION OF
17 SECURITIES.—

18 (A) FANNIE MAE.—

19 (i) MORTGAGE-BACKED SECURI-
20 TIES.—Section 304(d) of the Federal Na-
21 tional Mortgage Association Charter Act
22 (12 U.S.C. 1719(d)) is amended by strik-
23 ing the fourth sentence.

24 (ii) SUBORDINATE OBLIGATIONS.—
25 Section 304(e) of the Federal National

1 Mortgage Association Charter Act (12
2 U.S.C. 1719(e)) is amended by striking the
3 fourth sentence.

4 (B) FREDDIE MAC.—Section 306 of the
5 Federal Home Loan Mortgage Corporation Act
6 (12 U.S.C. 1455) is amended by striking sub-
7 section (g).

8 (6) RECOUPMENT OF COSTS FOR FEDERAL
9 GUARANTEE.—

10 (A) ASSESSMENTS.—The Director of the
11 Federal Housing Finance Agency shall establish
12 and collect from each enterprise assessments in
13 the amount determined under subparagraph
14 (B). In determining the method and timing for
15 making such assessments, the Director shall
16 take into consideration the determinations and
17 conclusions of the study under subsection (b) of
18 this section.

19 (B) DETERMINATION OF COSTS OF GUAR-
20 ANTEE.—Assessments under subparagraph (A)
21 with respect to an enterprise shall be in such
22 amount as the Director determines necessary to
23 recoup to the Federal Government the full value
24 of the benefit the enterprise receives from the
25 guarantee provided by the Federal Government

1 for the obligations and financial viability of the
2 enterprise, based upon the dollar value of such
3 benefit in the market to such enterprise when
4 not operating under conservatorship or receiver-
5 ship. To determine such amount, the Director
6 shall establish a risk-based pricing mechanism
7 as the Director considers appropriate, taking
8 into consideration the determinations and con-
9 clusions of the study under subsection (b) of
10 this section.

11 (C) TREATMENT OF RECOUPED
12 AMOUNTS.—The Director shall cover into the
13 general fund of the Treasury any amounts re-
14 ceived from assessments made under this para-
15 graph.

16 (b) GAO STUDY REGARDING RECOUPMENT OF
17 COSTS FOR FEDERAL GOVERNMENT GUARANTEE.—The
18 Comptroller General of the United States shall conduct
19 a study to determine a risk-based pricing mechanism to
20 accurately determine the value of the benefit the enter-
21 prises receive from the guarantee provided by the Federal
22 Government for the obligations and financial viability of
23 the enterprises. Such study shall establish a dollar value
24 of such benefit in the market to each enterprise when not
25 operating under conservatorship or receivership, shall ana-

1 lyze various methods of the Federal Government assessing
2 a charge for such value received (including methods involv-
3 ing an annual fee or a fee for each mortgage purchased
4 or securitized), and shall make a recommendation of the
5 best such method for assessing such charge. Not later
6 than 12 months after the date of the enactment of this
7 title, the Comptroller General shall submit to the Congress
8 a report setting forth the determinations and conclusions
9 of such study.

10 **SEC. 7005. REQUIREMENT TO PERIODICALLY RENEW CHAR-**
11 **TER UNTIL WIND DOWN AND DISSOLUTION.**

12 (a) **REQUIRED RENEWAL; WIND DOWN AND DIS-**
13 **SOLUTION UPON NON-RENEWAL.**—Upon the expiration of
14 the 3-year period that begins upon the expiration of the
15 period referred to in section 7003(b), unless the charter
16 of an enterprise is renewed pursuant to subsection (b) of
17 this section, section 7006 (relating to wind down of oper-
18 ations and dissolution of enterprise) shall apply to the en-
19 terprise.

20 (b) **RENEWAL PROCEDURE.**—

21 (1) **APPLICATION; TIMING.**—The Director shall
22 provide for each enterprise to apply to the Director,
23 before the expiration of the 3-year period under sub-
24 section (a), for renewal of the charter of the enter-
25 prise.

1 (2) STANDARD.—The Director shall approve
2 the application of an enterprise for the renewal of
3 the charter of the enterprise if—

4 (A) the application includes a certification
5 by the enterprise that the enterprise is finan-
6 cially sound and is complying with all provisions
7 of, and amendments made by, section 7004 of
8 this title applicable to such enterprise; and

9 (B) the Director verifies that the certifi-
10 cation made pursuant to subparagraph (A) is
11 accurate.

12 (c) OPTION TO REAPPLY.—Nothing in this section
13 may be construed to require an enterprise to apply under
14 this section for renewal of the charter of the enterprise.

15 **SEC. 7006. REQUIRED WIND DOWN OF OPERATIONS AND**
16 **DISSOLUTION OF ENTERPRISE.**

17 (a) APPLICABILITY.—This section shall apply to an
18 enterprise—

19 (1) upon the expiration of the 3-year period re-
20 ferred to in such section 7005(a), to the extent pro-
21 vided in such section; and

22 (2) if this section has not previously applied to
23 the enterprise, upon the expiration of the 6-year pe-
24 riod that begins upon the expiration of the period re-
25 ferred to in section 7003(b).

1 (b) WIND DOWN.—Upon the applicability of this sec-
2 tion to an enterprise, the Director and the Secretary of
3 the Treasury shall jointly take such action, and may pre-
4 scribe such regulations and procedures, as may be nec-
5 essary to wind down the operations of an enterprise as
6 an entity chartered by the United States Government over
7 the duration of the 10-year period beginning upon the ap-
8 plicability of this section to the enterprise (pursuant to
9 subsection (a)) in an orderly manner consistent with this
10 title and the ongoing obligations of the enterprise.

11 (c) DIVISION OF ASSETS AND LIABILITIES; AUTHOR-
12 ITY TO ESTABLISH HOLDING CORPORATION AND DIS-
13 SOLUTION TRUST FUND.—The action and procedures re-
14 quired under subsection (b)—

15 (1) shall include the establishment and execu-
16 tion of plans to provide for an equitable division and
17 distribution of assets and liabilities of the enterprise,
18 including any liability of the enterprise to the United
19 States Government or a Federal reserve bank that
20 may continue after the end of the period described
21 in subsection (b); and

22 (2) may provide for establishment of—

23 (A) a holding corporation organized under
24 the laws of any State of the United States or
25 the District of Columbia for the purposes of the

1 reorganization and restructuring of the enter-
2 prise; and

3 (B) one or more trusts to which to trans-
4 fer—

5 (i) remaining debt obligations of the
6 enterprise, for the benefit of holders of
7 such remaining obligations; or

8 (ii) remaining mortgages held for the
9 purpose of backing mortgage-backed secu-
10 rities, for the benefit of holders of such re-
11 maining securities.

12 (d) REPEAL OF CHARTER.—Effective upon the expi-
13 ration of the 10-year period referred to in subsection (b)
14 for an enterprise, the charter for the enterprise is re-
15 pealed, except that the provisions of such charter in effect
16 immediately before such repeal shall continue to apply
17 with respect to the rights and obligations of any holders
18 of outstanding debt obligations and mortgage-backed secu-
19 rities of the enterprise.

20 **TITLE VIII—FEDERAL**
21 **INSURANCE OFFICE**

22 **SEC. 8001. SHORT TITLE.**

23 This title may be cited as the “Federal Insurance Of-
24 fice Act of 2009”.

1 **SEC. 8002. FEDERAL INSURANCE OFFICE ESTABLISHED.**

2 (a) ESTABLISHMENT OF OFFICE.—Subchapter I of
3 chapter 3 of title 31, United States Code, is amended—

4 (1) by transferring and inserting section 312
5 after section 313;

6 (2) by redesignating sections 313 and 312 (as
7 so transferred) as sections 312 and 315, respec-
8 tively; and

9 (3) by inserting after section 312 (as so redesi-
10 gnated) the following new sections:

11 **“SEC. 313. FEDERAL INSURANCE OFFICE.**

12 “(a) ESTABLISHMENT OF OFFICE.—There is estab-
13 lished the Federal Insurance Office as an office in the De-
14 partment of the Treasury.

15 “(b) LEADERSHIP.—The Office shall be headed by a
16 Director, who shall be appointed by the Secretary of the
17 Treasury. The position of such Director shall be a career
18 reserved position in the Senior Executive Service.

19 “(c) FUNCTIONS.—

20 “(1) AUTHORITY PURSUANT TO DIRECTION OF
21 SECRETARY.—The Office shall have the authority,
22 pursuant to the direction of the Secretary, as fol-
23 lows:

24 “(A) To monitor the insurance industry to
25 gain expertise.

1 “(B) To identify issues or gaps in the reg-
2 ulation of insurers that could contribute to a
3 systemic crisis in the insurance industry or the
4 United States financial system.

5 “(C) To recommend for review by the Mar-
6 ket Stability and Capital Adequacy Board any
7 activities or practices by insurers or their affili-
8 ates that may be exacerbating systemic risk.

9 “(D) To assist the Secretary in admin-
10 istering the Terrorism Insurance Program es-
11 tablished in the Department of the Treasury
12 under the Terrorism Risk Insurance Act of
13 2002 (15 U.S.C. 6701 note).

14 “(E) To coordinate Federal efforts and de-
15 velop Federal policy on prudential aspects of
16 international insurance matters, including rep-
17 resenting the United States as appropriate in
18 the International Association of Insurance Su-
19 pervisors or any successor organization and as-
20 sisting the Secretary in negotiating covered
21 agreements.

22 “(F) To determine, in accordance with
23 subsection (f), whether State insurance meas-
24 ures are preempted by covered agreements.

1 “(G) To consult with the States regarding
2 insurance matters of national importance and
3 prudential insurance matters of international
4 importance.

5 “(H) To perform such other related duties
6 and authorities as may be assigned to it by the
7 Secretary.

8 “(2) ADVISORY FUNCTIONS.—The Office shall
9 advise the Secretary on major domestic and pruden-
10 tial international insurance policy issues.

11 “(d) SCOPE.—The authority of the Office shall ex-
12 tend to all lines of insurance except health insurance, as
13 determined by the Secretary based on section 2791 of the
14 Public Health Service Act (42 U.S.C. 300gg-91).

15 “(e) GATHERING OF INFORMATION.—

16 “(1) GENERAL.—In carrying out its functions
17 under subsection (c), the Office may request, receive,
18 and collect data and information on and from the in-
19 surance industry and insurers, enter into informa-
20 tion-sharing agreements, analyze and disseminate
21 data and information, and issue reports regarding
22 all lines of insurance except health insurance.

23 “(2) COLLECTION OF INFORMATION FROM IN-
24 SURERS AND AFFILIATES.—Except as provided in
25 paragraph (3) and subject to paragraph (4), the Of-

1 fice may require an insurer, or affiliate of an in-
2 surer, to submit such data or information that the
3 Office may reasonably require in carrying out its
4 functions under subsection (c). Notwithstanding sub-
5 section (p) and for the purposes of this paragraph
6 only, the term ‘insurer’ means any entity that is au-
7 thorized to write insurance or reinsure risks and
8 issue contracts or policies in one or more States.

9 “(3) EXCEPTION FOR SMALL INSURERS.—Para-
10 graph (2) shall not apply with respect to any insurer
11 or affiliate thereof that meets a minimum size
12 threshold that may be established by the Office by
13 order or rule. Such threshold shall be appropriate to
14 the particular request and need for the data or in-
15 formation.

16 “(4) ADVANCE COORDINATION.—Before col-
17 lecting any data or information under paragraph (2)
18 from an insurer, or affiliate of an insurer, the Office
19 shall coordinate with each relevant Federal agency
20 and State insurance regulator (or other relevant
21 Federal or State regulatory agency, if any, in the
22 case of an affiliate of an insurer) and any publicly
23 available sources to determine if the information to
24 be collected is available from, or may be obtained in
25 a timely manner by, such Federal agency or State

1 insurance regulator, individually or collectively, other
2 regulatory agency, or publicly available sources. If
3 the Director determines that such data or informa-
4 tion is available, or may be obtained in a timely
5 manner, from such an agency, regulator, regulatory
6 agency, or source, the Director shall obtain the data
7 or information from such agency, regulator, regu-
8 latory agency, or source. If the Director determines
9 that such data or information is not so available, the
10 Director may collect such data or information from
11 an insurer (or affiliate) only if the Director complies
12 with the requirements of subchapter I of chapter 35
13 of title 44, United States Code (relating to Federal
14 information policy; commonly known as the Paper-
15 work Reduction Act) in collecting such data or infor-
16 mation. Notwithstanding any other provision of law,
17 each such relevant Federal agency and State insur-
18 ance regulator or other Federal or State regulatory
19 agency is authorized to provide to the Office such
20 data or information.

21 “(5) CONFIDENTIALITY.—

22 “(A) The submission of any non-publicly
23 available data and information to the Office
24 under this subsection shall not constitute a
25 waiver of, or otherwise affect, any privilege aris-

1 ing under Federal or State law (including the
2 rules of any Federal or State Court) to which
3 the data or information is otherwise subject.

4 “(B) Any requirement under Federal or
5 State law to the extent otherwise applicable, or
6 any requirement pursuant to a written agree-
7 ment in effect between the original source of
8 any non-publicly available data or information
9 and the source of such data or information to
10 the Office, regarding the privacy or confiden-
11 tiality of any data or information in the posses-
12 sion of the source to the Office, shall continue
13 to apply to such data or information after the
14 data or information has been provided pursuant
15 to this subsection to the Office.

16 “(C) Any data or information obtained by
17 the Office may be made available to State in-
18 surance regulators individually or collectively
19 through an information sharing agreement that
20 shall comply with applicable Federal law and
21 that shall not constitute a waiver of, or other-
22 wise affect, any privilege under Federal or
23 State law (including the rules of any Federal or
24 State Court) to which the data or information
25 is otherwise subject.

1 “(D) Section 552 of title 5, United States
2 Code, shall apply to any data or information
3 submitted by an insurer or affiliate of an in-
4 surer.

5 “(f) PREEMPTION OF STATE INSURANCE MEAS-
6 URES.—

7 “(1) STANDARD.—A State insurance measure
8 shall be preempted pursuant to this section or sec-
9 tion 314 if, and only to the extent that the Director
10 determines, in accordance with this subsection, that
11 the measure—

12 “(A) directly results in less favorable treat-
13 ment of a non-United States insurer domiciled
14 in a foreign jurisdiction that is subject to a cov-
15 ered agreement than a United States insurer
16 domiciled, licensed, admitted, or otherwise au-
17 thorized in that State; and

18 “(B) is inconsistent with a covered agree-
19 ment that is entered into on a date after the
20 date of the enactment of this Act.

21 “(2) DETERMINATION.—

22 “(A) NOTICE OF POTENTIAL INCONSIST-
23 ENCY.—Before making any determination of in-
24 consistency, the Director shall—

1 “(i) notify and consult with the appro-
2 priate State regarding any potential incon-
3 sistency or preemption;

4 “(ii) notify and consult with the
5 United States Trade Representative re-
6 garding any potential inconsistency or pre-
7 emption;

8 “(iii) cause to be published in the
9 Federal Register notice of the issue re-
10 garding the potential inconsistency or pre-
11 emption, including a description of each
12 State insurance measure at issue and any
13 applicable covered agreement;

14 “(iv) provide interested parties a rea-
15 sonable opportunity to submit written com-
16 ments to the Office;

17 “(v) consider the effect of preemption
18 on—

19 “(I) the protection of policy-
20 holders and policy claimants;

21 “(II) the maintenance of the
22 safety, soundness, integrity, and fi-
23 nancial responsibility of any entity in-
24 volved in the business of insurance or
25 insurance operations;

1 “(III) ensuring the integrity and
2 stability of the United States financial
3 system; and

4 “(IV) the creation of a gap or
5 void in financial or market conduct
6 regulation of any entity involved in
7 the business of insurance or insurance
8 operations in the United States; and

9 “(vi) consider any comments received.

10 The Director shall provide the notifications re-
11 quired under clauses (i), (ii), and (iii) contem-
12 poraneously.

13 “(B) SCOPE OF REVIEW.—For purposes of
14 this section, the Director’s determination of
15 State insurance measures shall be limited to the
16 subject matter of the prudential measures ap-
17 plicable to the business of insurance contained
18 within the covered agreement involved.

19 “(C) NOTICE OF DETERMINATION OF IN-
20 CONSISTENCY.—Upon making any determina-
21 tion of inconsistency, the Director shall—

22 “(i) notify the appropriate State of
23 the determination and the extent of the in-
24 consistency;

1 “(ii) establish a reasonable period of
2 time, which shall not be shorter than 90
3 days, before the determination shall be-
4 come effective; and

5 “(iii) notify the Committee on Finan-
6 cial Services of the House of Representa-
7 tives and the Committee on Banking,
8 Housing, and Urban Affairs of the Senate
9 of the inconsistency.

10 “(3) NOTICE OF EFFECTIVENESS.—Upon the
11 conclusion of the period referred to in paragraph
12 (2)(C)(ii), if the basis for the determination of in-
13 consistency still exists, the determination shall be-
14 come effective and the Director shall—

15 “(A) cause to be published notice in the
16 Federal Register that the preemption has be-
17 come effective, as well as the effective date; and

18 “(B) notify the appropriate State.

19 “(4) LIMITATION.—No State may enforce a
20 State insurance measure to the extent that it has
21 been preempted under this subsection.

22 “(g) APPLICABILITY OF ADMINISTRATIVE PROCE-
23 DURE ACT.—Determinations of inconsistency pursuant to
24 subsection (f)(2) shall be subject to the applicable provi-
25 sions of subchapter II of chapter 5 of title 5, United

1 States Code (relating to administrative procedure), and
2 chapter 7 of such title (relating to judicial review), except
3 that in any action for judicial review of a determination
4 of inconsistency, the court shall determine the matter de
5 novo.

6 “(h) REGULATIONS, POLICIES, AND PROCEDURES.—
7 The Secretary may issue orders, regulations, policies and
8 procedures to implement this section.

9 “(i) CONSULTATION.—The Director shall consult
10 with State insurance regulators, individually and collec-
11 tively, to the extent the Director determines appropriate,
12 in carrying out the functions of the Office.

13 “(j) SAVINGS PROVISIONS.—Nothing in this section
14 shall—

15 “(1) preempt any State insurance measure that
16 governs any insurer’s rates, premiums, underwriting
17 or sales practices, or State coverage requirements
18 for insurance, or to the application of the antitrust
19 laws of any State to the business of insurance;

20 “(2) preempt any State insurance measure gov-
21 erning the capital or solvency of an insurer, except
22 to the extent that such State insurance measure di-
23 rectly results in less favorable treatment of a non-
24 United States insurer than a United States insurer;

1 “(3) be construed to alter, amend, or limit the
2 responsibility of any department or agency of the
3 Federal Government to issue regulations under the
4 Truth in Lending Act (15 U.S.C. 1601 et seq.) or
5 any other Federal law regulating the provision of
6 consumer financial products or services;

7 “(4) preempt any State insurance measure be-
8 cause of inconsistency with any agreement that is
9 not a covered agreement (as such term is defined in
10 subsection (p)); or

11 “(5) affect the preemption of any State insur-
12 ance measure otherwise inconsistent with and pre-
13 empted by Federal law.

14 “(k) RETENTION OF EXISTING STATE REGULATORY
15 AUTHORITY.—Nothing in this section or section 314 shall
16 be construed to establish a general supervisory or regu-
17 latory authority of the Office or the Department of the
18 Treasury over the business of insurance.

19 “(l) RETENTION OF AUTHORITY OF FEDERAL FI-
20 NANCIAL REGULATORY AGENCIES.—Nothing in this sec-
21 tion or section 314 shall be construed to limit the author-
22 ity of any Federal financial regulatory agency, including
23 the authority to develop and coordinate policy, negotiate,
24 and enter into agreements with foreign governments, au-
25 thorities, regulators, and multi-national regulatory com-

1 mittees and to preempt State measures to affect uni-
2 formity with international regulatory agreements.

3 “(m) RETENTION OF AUTHORITY OF UNITED
4 STATES TRADE REPRESENTATIVE.—Nothing in this sec-
5 tion or section 314 shall be construed to affect the author-
6 ity of the Office of the United States Trade Representative
7 pursuant to section 141 of the Trade Act of 1974 (19
8 U.S.C. 2171) or any other provision of law, including au-
9 thority over the development and coordination of United
10 States international trade policy and the administration
11 of the United States trade agreements program.

12 “(n) REPORTS TO CONGRESS.—

13 “(1) ANNUAL REPORT.—Beginning September
14 30, 2011, the Director shall submit a report on or
15 before September 30 of each calendar year to the
16 President and to the Committees on Financial Serv-
17 ices and Ways and Means of the House of Rep-
18 resentatives and the Committees on Banking, Hous-
19 ing, and Urban Affairs and Finance of the Senate
20 on the insurance industry, any actions taken by the
21 office pursuant to subsection (f) (regarding preemp-
22 tion of inconsistent State insurance measures).

23 “(2) OTHER REPORTS.—The Director shall sub-
24 mit to the President and the Committees referred to
25 in paragraph (1) any other information or reports as

1 deemed relevant by the Director or as requested by
2 the Chairman or Ranking Member of any of such
3 Committees.

4 “(o) USE OF EXISTING RESOURCES.—To carry out
5 this section, the Office may employ personnel, facilities,
6 and other Department of the Treasury resources available
7 to the Secretary and the Secretary shall dedicate specific
8 personnel to the Office.

9 “(p) DEFINITIONS.—For purposes of this section and
10 section 314, the following definitions shall apply:

11 “(1) AFFILIATE.—The term ‘affiliate’ means,
12 with respect to an insurer, any person that controls,
13 is controlled by, or is under common control with the
14 insurer.

15 “(2) COVERED AGREEMENT.—The term ‘cov-
16 ered agreement’ means a written bilateral or multi-
17 lateral recognition agreement that—

18 “(A) is entered into between the United
19 States and one or more foreign governments,
20 authorities, or regulatory entities; and

21 “(B) provides for recognition of prudential
22 measures with respect to the business of insur-
23 ance or reinsurance that achieves a level of pro-
24 tection for insurance or reinsurance consumers
25 that is substantially equivalent to the level of

1 protection achieved under State insurance or re-
2 insurance regulation.

3 “(3) DETERMINATION OF INCONSISTENCY.—

4 The term ‘determination of inconsistency’ means a
5 determination that a State insurance measure is pre-
6 empted under subsection (f).

7 “(4) FEDERAL FINANCIAL REGULATORY AGEN-

8 CY.—The term ‘Federal financial regulatory agency’
9 means the Department of the Treasury, the Board
10 of Governors of the Federal Reserve System, the Of-
11 fice of the Comptroller of the Currency, the Office
12 of Thrift Supervision, the Securities and Exchange
13 Commission, the Commodity Futures Trading Com-
14 mission, the Federal Deposit Insurance Corporation,
15 the Federal Housing Finance Agency, or the Na-
16 tional Credit Union Administration.

17 “(5) INSURER.—The term ‘insurer’ means any
18 person engaged in the business of insurance, includ-
19 ing reinsurance.

20 “(6) NON-UNITED STATES INSURER.—The term

21 ‘non-United States insurer’ means an insurer that is
22 organized under the laws of a jurisdiction other than
23 a State, but does not include any United States
24 branch of such an insurer.

1 “(7) OFFICE.—The term ‘Office’ means the
2 Federal Insurance Office established by this section.

3 “(8) SECRETARY.—The term ‘Secretary’ means
4 the Secretary of the Treasury.

5 “(9) STATE.—The term ‘State’ means any
6 State, commonwealth, territory, or possession of the
7 United States, the District of Columbia, the Com-
8 monwealth of Puerto Rico, the Commonwealth of the
9 Northern Mariana Islands, American Samoa, Guam,
10 or the United States Virgin Islands.

11 “(10) STATE INSURANCE MEASURE.—The term
12 ‘State insurance measure’ means any State law, reg-
13 ulation, administrative ruling, bulletin, guideline, or
14 practice relating to or affecting prudential measures
15 applicable to insurance or reinsurance.

16 “(11) STATE INSURANCE REGULATOR.—The
17 term ‘State insurance regulator’ means any State
18 regulatory authority responsible for the supervision
19 of insurers.

20 “(12) UNITED STATES INSURER.—The term
21 ‘United States insurer’ means—

22 “(A) an insurer that is organized under
23 the laws of a State; or

24 “(B) a United States branch of a non-
25 United States insurer.

1 “(q) AUTHORIZATION OF APPROPRIATIONS.—There
2 are authorized to be appropriated for the Office such sums
3 as may be necessary for each fiscal year.

4 **“SEC. 314. COVERED AGREEMENTS.**

5 “(a) AUTHORITY.—The Secretary and the United
6 States Trade Representative are authorized, jointly, to ne-
7 gotiate and enter into covered agreements on behalf of the
8 United States.

9 “(b) REQUIREMENTS FOR CONSULTATION WITH
10 CONGRESS.—

11 “(1) IN GENERAL.—Before initiating negotia-
12 tions to enter into a covered agreement under sub-
13 section (a), during such negotiations, and before en-
14 tering into any such agreement, the Secretary and
15 the United States Trade Representative shall jointly
16 consult with the Committee on Financial Services
17 and the Committee on Ways and Means of the
18 House of Representatives and the Committee on
19 Banking, Housing, and Urban Affairs and the Com-
20 mittee on Finance of the Senate.

21 “(2) SCOPE.—The consultation described in
22 paragraph (1) shall include consultation with respect
23 to—

24 “(A) the nature of the agreement;

1 “(B) how and to what extent the agree-
2 ment will achieve the applicable purposes, poli-
3 cies, priorities, and objectives of section 313
4 and this section; and

5 “(C) the implementation of the agreement,
6 including the general effect of the agreement on
7 existing State laws.

8 “(c) SUBMISSION AND LAYOVER PROVISIONS.—A
9 covered agreement under subsection (a) may enter into
10 force with respect to the United States only if—

11 “(1) the Secretary and the United States Trade
12 Representative jointly submit to the congressional
13 committees specified in subsection (b)(1), on a day
14 on which both Houses of Congress are in session, a
15 copy of the final legal text of the agreement; and

16 “(2) a period of 90 calendar days beginning on
17 the date on which the copy of the final legal text of
18 the agreement is submitted to the congressional
19 committees under paragraph (1) has expired.”.

20 (b) DUTIES OF SECRETARY.—Section 321(a) of title
21 31, United States Code, is amended—

22 (1) in paragraph (7), by striking “and” at the
23 end;

24 (2) in paragraph (8)(C), by striking the period
25 at the end and inserting “; and”; and

1 (3) by adding at the end the following new
2 paragraph:

3 “(9) advise the President on major domestic
4 and international prudential policy issues in connec-
5 tion with all lines of insurance except health insur-
6 ance.”.

7 (c) CLERICAL AMENDMENT.—The table of sections
8 for subchapter I of chapter 3 of title 31, United States
9 Code, is amended by striking the item relating to section
10 312 and inserting the following new items:

“Sec. 312. Terrorism and Financial Intelligence.

“Sec. 313. Federal Insurance Office.

“Sec. 314. Covered agreements.

“Sec. 315. Continuing in office.”.

11 **SEC. 8003. REPORT ON GLOBAL REINSURANCE MARKET.**

12 Not later than September 30, 2011, the Director of
13 the Federal Insurance Office appointed under section
14 313(b) of title 31, United States Code (as amended by
15 section 8002(a)(3) of this title) shall submit to the Com-
16 mittee on Financial Services of the House of Representa-
17 tives and the Committee on Banking, Housing, and Urban
18 Affairs of the Senate a report describing the breadth and
19 scope of the global reinsurance market and the critical role
20 such market plays in supporting insurance in the United
21 States.

1 **SEC. 8004. STUDY ON MODERNIZATION AND IMPROVEMENT**
2 **OF INSURANCE REGULATION IN THE UNITED**
3 **STATES.**

4 (a) STUDY.—The Director of the Federal Insurance
5 Office appointed under section 313(b) of title 31, United
6 States Code (as amended by section 8002(a)(3) of this
7 title) shall conduct a study on how to modernize and im-
8 prove the system of insurance regulation in the United
9 States. Such study shall include consideration of the fol-
10 lowing:

11 (1) Effective systemic risk regulation with re-
12 spect to insurance.

13 (2) Strong capital standards and an appro-
14 priate match between capital allocation and liabil-
15 ities for all risk.

16 (3) Meaningful and consistent consumer protec-
17 tion for insurance products and practices.

18 (4) Increased national uniformity through ei-
19 ther a Federal charter or effective action by the
20 States.

21 (5) Improved and broadened regulation of in-
22 surance companies and affiliates on a consolidated
23 basis, including affiliates outside of the traditional
24 insurance business.

25 (6) International coordination.

1 (b) REPORT.—Not later than one year after the date
2 of the enactment of this Act, the Director shall submit
3 to the Committee on Financial Services of the House of
4 Representatives and the Committee on Banking, Housing,
5 and Urban Affairs of the Senate a report containing—

6 (1) the results of the study conducted under
7 subsection (a); and

8 (2) any legislative, administrative, or regulatory
9 recommendations that the Director considers appro-
10 priate to modernize and improve the system of in-
11 surance regulation in the United States.

12 (c) CONSULTATION.—In carrying out subsections (a)
13 and (b), the Director shall consult with State insurance
14 commissioners, consumer organizations, representatives of
15 the insurance industry, policyholders, and other persons,
16 as the Director considers appropriate.

