

106TH CONGRESS
1ST SESSION

H. R. 1585

To streamline the regulation of depository institutions, to safeguard confidential banking and credit union supervisory information, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 27, 1999

Mrs. ROUKEMA introduced the following bill; which was referred to the
Committee on Banking and Financial Services

A BILL

To streamline the regulation of depository institutions, to safeguard confidential banking and credit union supervisory information, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Depository Institution Regulatory Streamlining Act of
6 1999”.

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

Sec. 1. Short title; table of contents.

TITLE I—IMPROVING MONETARY POLICY

- Sec. 101. Payment of interest on reserve balances at Federal reserve banks.
- Sec. 102. Amendments relating to savings and demand deposit accounts at depository institutions.
- Sec. 103. Study of reserve ratios for deposit insurance funds.

TITLE II—IMPROVING DEPOSITORY INSTITUTION MANAGEMENT PRACTICES

Subtitle A—National Banks

- Sec. 201. Authority to allow more than 25 directors.
- Sec. 202. Loans on or purchases by institutions of their own stock.
- Sec. 203. Expedited procedures for certain reorganizations.

Subtitle B—Savings Associations

- Sec. 211. Noncontrolling investments by savings association holding companies.
- Sec. 212. Streamlining thrift service company investment requirements.
- Sec. 213. Repeal of dividend notice requirement.
- Sec. 214. Updating of authority for community development investments.

Subtitle C—Other Institutions

- Sec. 221. Prohibition on accrual to insiders of economic benefits from credit union conversions.
- Sec. 222. Amendments relating to limited purpose banks.
- Sec. 223. Business purpose credit extensions.

TITLE III—STREAMLINING FEDERAL BANKING AGENCY REQUIREMENTS AND ELIMINATION OF UNNECESSARY OR OUTDATED REQUIREMENTS

- Sec. 301. “Plain English” requirement for Federal banking agency rules.
- Sec. 302. Call report simplification.
- Sec. 303. Purchased mortgage service rights.
- Sec. 304. Judicial review of receivership appointment.
- Sec. 305. Elimination of outdated statutory minimum capital requirements.
- Sec. 306. Elimination of individual branch capital requirements.
- Sec. 307. Amendment to shareholder notice provisions relating to consolidations and mergers.
- Sec. 308. Payment of interest in receiverships with surplus funds.
- Sec. 309. Repeal of deposit broker notification and recordkeeping requirement.
- Sec. 310. Allowances for certain extensions of credit to executive officers.
- Sec. 311. Federal Reserve Act lending limits.
- Sec. 312. Repeal of Bank Holding Company Act provision limiting savings bank life insurance.
- Sec. 313. Amendment to section 5137 of the Revised Statutes of the United States.

TITLE IV—DISCLOSURE SIMPLIFICATION

- Sec. 401. Alternative disclosure for variable rate, open-ended home secured credit.

TITLE V—BANK EXAMINATION REPORT PRIVILEGE ACT

- Sec. 501. Amendment to the Federal Deposit Insurance Act.
 Sec. 502. Amendment to Federal Credit Union Act.

TITLE VI—TECHNICAL CORRECTIONS

- Sec. 601. Technical correction relating to deposit insurance funds.
 Sec. 602. Rules for continuation of deposit insurance for member banks converting charters.
 Sec. 603. Waiver of citizenship requirement for national bank directors.
 Sec. 604. Technical amendment to prohibition on Comptroller interests in national banks.
 Sec. 605. Applicability of limitation to prior investments.

TITLE VII—SPECIAL RESERVE FUNDS

- Sec. 701. Abolition of special reserve funds.

1 **TITLE I—IMPROVING MONETARY** 2 **POLICY**

3 **SEC. 101. PAYMENT OF INTEREST ON RESERVE BALANCES** 4 **AT FEDERAL RESERVE BANKS.**

5 (a) IN GENERAL.—Section 19(b) of the Federal Re-
 6 serve Act (12 U.S.C. 461(b)) is amended by adding at
 7 the end the following new paragraph:

8 “(12) EARNINGS ON RESERVES.—

9 “(A) IN GENERAL.—Balances maintained
 10 at a Federal reserve bank by or on behalf of a
 11 depository institution may receive earnings to
 12 be paid by the Federal reserve bank at least
 13 once each calendar quarter at a rate or rates
 14 not to exceed the general level of short-term in-
 15 terest rates.

16 “(B) REGULATIONS RELATING TO PAY-
 17 MENTS AND DISTRIBUTION.—The Board may
 18 prescribe regulations concerning—

1 “(i) the payment of earnings in ac-
 2 cordance with this paragraph;

3 “(ii) the distribution of such earnings
 4 to the depository institutions which main-
 5 tain balances at such banks or on whose
 6 behalf such balances are maintained; and

7 “(iii) the responsibilities of depository
 8 institutions, Federal home loan banks, and
 9 the National Credit Union Administration
 10 Central Liquidity Facility with respect to
 11 the crediting and distribution of earnings
 12 attributable to balances maintained, in ac-
 13 cordance with subsection (c)(1)(B), in a
 14 Federal reserve bank by any such entity on
 15 behalf of depository institutions which are
 16 not member banks.”.

17 (b) AUTHORIZATION FOR PASS THROUGH RESERVES
 18 FOR MEMBER BANKS.—Section 19(c)(1)(B) of the Fed-
 19 eral Reserve Act (12 U.S.C. 461(c)(1)(B)) is amended by
 20 striking “which is not a member bank”.

21 (c) TECHNICAL AND CONFORMING AMENDMENTS.—
 22 Section 19 of the Federal Reserve Act (12 U.S.C. 461)
 23 is amended—

24 (1) in subsection (b)(4) (12 U.S.C. 461(b)(4)),
 25 by striking subparagraph (C) and redesignating sub-

1 paragraphs (D) and (E) as subparagraphs (C) and
2 (D), respectively; and

3 (2) in subsection (c)(1)(A) (12 U.S.C.
4 461(c)(1)(A)), by striking “subsection (b)(4)(C)”
5 and inserting “subsection (b)”.

6 **SEC. 102. AMENDMENTS RELATING TO SAVINGS AND DE-**
7 **MAND DEPOSIT ACCOUNTS AT DEPOSITORY**
8 **INSTITUTIONS.**

9 (a) IMMEDIATE INCREASE IN THE NUMBER OF
10 INTERACCOUNT TRANSFERS ALLOWED EACH MONTH.—
11 Section 2 of Public Law 93–100 (12 U.S.C. 1832) is
12 amended—

13 (1) by redesignating subsections (b) and (c) as
14 subsections (c) and (d), respectively; and

15 (2) by inserting after subsection (a) the fol-
16 lowing:

17 “(b) INTERACCOUNT TRANSFERS.—

18 “(1) IN GENERAL.—Notwithstanding any other
19 provision of law, any depository institution may per-
20 mit the owner of any deposit or account on which in-
21 terest or dividends are paid to make up to 24 trans-
22 fers per month, for any purpose, to another account
23 of the owner in the same institution.

24 “(2) RULE OF CONSTRUCTION.—Nothing in
25 this subsection shall be construed to prevent an ac-

1 count offered pursuant to this subsection from being
 2 considered a transaction account (as defined in sec-
 3 tion 19(b) of the Federal Reserve Act (12 U.S.C.
 4 461(b)) for purposes of such Act.”.

5 (b) NOW ACCOUNTS AUTHORIZED FOR ALL BUSI-
 6 NESSES AFTER 2004.—

7 (1) IN GENERAL.—Effective on the date pro-
 8 vided in paragraph (3), section 2 of Public Law 93–
 9 100 (12 U.S.C. 1832(a)(2)) (as amended by sub-
 10 section (a) of this section) is amended to read as fol-
 11 lows:

12 **“SEC. 2. WITHDRAWALS BY NEGOTIABLE OR TRANSFER-**
 13 **ABLE INSTRUMENTS FOR TRANSFERS TO**
 14 **THIRD PARTIES.**

15 “Notwithstanding any other provision of law, any de-
 16 pository institution (as defined in section 3 of the Federal
 17 Deposit Insurance Act) may permit the owner of any de-
 18 posit or account to make withdrawals from such deposit
 19 or account by negotiable or transferable instruments for
 20 the purpose of making payments to third parties.”.

21 (2) REPEAL OF PROHIBITION ON PAYMENT OF
 22 INTEREST ON DEMAND DEPOSITS.—

23 (A) FEDERAL RESERVE ACT.—Section 19
 24 of the Federal Reserve Act (12 U.S.C. 371a) is
 25 amended by striking subsection (i).

(B) HOME OWNERS' LOAN ACT.—The 1st sentence of section 5(b)(1)(B) of the Home Owners' Loan Act (12 U.S.C. 1464(b)(1)(B)) is amended by striking “savings association may not—” and all that follows through “(ii) permit any” and inserting “savings association may not permit any”.

(C) FEDERAL DEPOSIT INSURANCE ACT.—Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by striking subsection (g).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on October 1, 2004.

SEC. 103. STUDY OF RESERVE RATIOS FOR DEPOSIT INSURANCE FUNDS.

(a) REVIEW AND RECOMMENDATION.—The Board of Directors of the Federal Deposit Insurance Corporation, in consultation with the Board of Governors of the Federal Reserve System and the Secretary of the Treasury, shall—

(1) conduct a study of the adequacy of the deposit insurance funds, taking into account—

(A) expected operating expenses, case resolution expenditures and income, and the effect

1 of assessments on members' earnings and cap-
2 ital;

3 (B) historical failure rates and loss experi-
4 ence;

5 (C) recent changes in the law, including
6 statutory changes requiring prompt corrective
7 action, least-cost resolutions, and risk-based as-
8 sessment systems;

9 (D) the income of such funds from invest-
10 ments;

11 (E) the potential implication of the Year
12 2000 computer problem (as defined in section
13 2(b)(5) of the Examination Parity and Year
14 2000 Readiness for Financial Institutions Act)
15 and industry consolidation; and

16 (F) the historical experience of the Cor-
17 poration in providing rebates or credits from
18 any deposit insurance fund; and

19 (2) recommend to the Congress—

20 (A) an appropriate range of reserve ratios
21 between the net worth of any deposit insurance
22 fund and the aggregate amount of insured de-
23 posits insured by such fund; and

24 (B) an appropriate mechanism for rebating
25 or providing credit from any deposit insurance

1 fund when the balance of the fund exceeds any
2 applicable reserve ratio.

3 (b) REPORT REQUIRED.—The Board of Directors of
4 the Federal Deposit Insurance Corporation, in consulta-
5 tion with the Board of Governors of the Federal Reserve
6 System and the Secretary of the Treasury, shall submit
7 a report to the Congress before June 30, 2000,
8 containing—

9 (1) the findings and conclusions of the study re-
10 quired under subsection (a)(1); and

11 (2) the recommendations required under sub-
12 section (a)(2).

13 **TITLE II—IMPROVING DEPOSI-**
14 **TORY INSTITUTION MANAGE-**
15 **MENT PRACTICES**

16 **Subtitle A—National Banks**

17 **SEC. 201. AUTHORITY TO ALLOW MORE THAN 25 DIREC-**
18 **TORS.**

19 Section 31 of the Banking Act of 1933 (12 U.S.C.
20 71a) is amended in the first sentence, by inserting before
21 the period “, except that the Comptroller of the Currency
22 may, by regulation or order, exempt a national banking
23 association from the 25-member limit established by this
24 section”.

1 **SEC. 202. LOANS ON OR PURCHASES BY INSTITUTIONS OF**
2 **THEIR OWN STOCK.**

3 (a) AMENDMENT TO REVISED STATUTES.—Section
4 5201 of the Revised Statutes of the United States (12
5 U.S.C. 83) is amended to read as follows:

6 **“SEC. 5201. LOANS BY BANK ON ITS OWN STOCK.**

7 “(a) GENERAL PROHIBITION.—No national banking
8 association shall make any loan or discount on the security
9 of the shares of its own capital stock.

10 “(b) EXCLUSION.—For purposes of this section, an
11 association shall not be deemed to be making a loan or
12 discount on the security of the shares of its own capital
13 stock if it acquires the stock to prevent loss upon a debt
14 contracted for in good faith.”.

15 (b) AMENDMENT TO FEDERAL DEPOSIT INSURANCE
16 ACT.—Section 18 of the Federal Deposit Insurance Act
17 (12 U.S.C. 1828) is amended by adding at the end the
18 following new subsection:

19 “(t) LOANS BY INSURED INSTITUTIONS ON THEIR
20 OWN STOCK.—

21 “(1) GENERAL PROHIBITION.—No insured de-
22 pository institution shall make any loan or discount
23 on the security of the shares of its own capital stock.

24 “(2) EXCLUSION.—For purposes of this sub-
25 section, an insured depository institution shall not be
26 deemed to be making a loan or discount on the secu-

1 rity of the shares of its own capital stock if it ac-
 2 quires the stock to prevent loss upon a debt con-
 3 tracted for in good faith.”.

4 **SEC. 203. EXPEDITED PROCEDURES FOR CERTAIN REORGA-**
 5 **NIZATIONS.**

6 The National Bank Consolidation and Merger Act
 7 (12 U.S.C. 215 et seq.) is amended—

8 (1) by redesignating section 5 as section 7; and

9 (2) by inserting after section 4 the following
 10 new section:

11 **“SEC. 5. EXPEDITED PROCEDURES FOR CERTAIN REORGA-**
 12 **NIZATIONS.**

13 “(a) IN GENERAL.—A national bank may, with the
 14 approval of the Comptroller, pursuant to regulations pre-
 15 scribed by the Comptroller, and upon the affirmative vote
 16 of the shareholders of such bank owning at least two-
 17 thirds of the outstanding capital stock of such bank, reor-
 18 ganize so as to become a subsidiary of a bank holding com-
 19 pany or a company that will, upon consummation of such
 20 reorganization, become a bank holding company.

21 “(b) REORGANIZATION PLAN.—A reorganization au-
 22 thorized under subsection (a) shall be carried out in ac-
 23 cordance with a reorganization plan that—

24 “(1) specifies the manner in which the reorga-
 25 nization shall be carried out;

1 “(2) is approved by a majority of the entire
2 board of directors of the bank;

3 “(3) specifies—

4 “(A) the amount of cash or securities of
5 the bank holding company, or both, or other
6 consideration, to be paid to the shareholders of
7 the reorganizing bank in exchange for their
8 shares of stock of the bank;

9 “(B) the date as of which the rights of
10 each shareholder to participate in such ex-
11 change will be determined; and

12 “(C) the manner in which the exchange
13 will be carried out; and

14 “(4) is submitted to the shareholders of the re-
15 organizing bank at a meeting to be held on the call
16 of the directors in accordance with the procedures
17 prescribed in connection with a merger of a national
18 bank under section 3.

19 “(c) APPLICABILITY OF OTHER CRITERIA.—In con-
20 sidering a reorganization plan under this section, the
21 Comptroller shall—

22 “(1) require the national bank to provide notice
23 to the public in accordance with section 18(c)(3) of
24 the Federal Deposit Insurance Act; and

1 “(2) apply the same standards and the same
2 criteria as are applicable to a transaction under sec-
3 tion 18(c) of the Federal Deposit Insurance Act,
4 other than the requirements of paragraphs (4) and
5 (6) of such section.

6 “(d) RIGHTS OF DISSENTING SHAREHOLDERS.—If,
7 pursuant to this section, a reorganization plan has been
8 approved by the shareholders and the Comptroller, any
9 shareholder of the national bank who has voted against
10 the reorganization at the meeting referred to in subsection
11 (b)(4), or has given notice in writing at or before that
12 meeting to the presiding officer that the shareholder dis-
13 sents from the reorganization plan, shall be entitled to re-
14 ceive the value of the shares of the shareholder, as pro-
15 vided by section 3 for the merger of a national bank.

16 “(e) EFFECT OF REORGANIZATION.—The corporate
17 existence of a national bank that reorganizes in accord-
18 ance with this section shall not be deemed to have been
19 affected in any way by reason of such reorganization.

20 “(f) APPROVAL UNDER THE BANK HOLDING COM-
21 PANY ACT OF 1956.—Notwithstanding the preceding pro-
22 visions of this section, it shall be unlawful for any action
23 to be taken that causes any company to become a bank
24 holding company or any bank to become a subsidiary of
25 a bank holding company, except with the prior approval

1 of the Board of Governors of the Federal Reserve System
 2 pursuant to section 3 of the Bank Holding Company Act
 3 of 1956 (12 U.S.C. 1842).”.

4 **Subtitle B—Savings Associations**

5 **SEC. 211. NONCONTROLLING INVESTMENTS BY SAVINGS** 6 **ASSOCIATION HOLDING COMPANIES.**

7 Section 10(e)(1)(A)(iii) of the Home Owners’ Loan
 8 Act (12 U.S.C. 1467a(e)(1)(A)(iii) is amended—

9 (1) by inserting “, except with the prior written
 10 approval of the Director,” after “or to retain”;

11 (2) by striking “subsidiary, or in” and inserting
 12 “subsidiary. In”; and

13 (3) by striking “to so acquire or retain” and in-
 14 serting “it shall be unlawful, and the Director may
 15 not authorize such a company, to acquire or retain”.

16 **SEC. 212. STREAMLINING SAVINGS ASSOCIATION SERVICE** 17 **COMPANY INVESTMENT REQUIREMENTS.**

18 Section 5(c)(4)(B) of the Home Owners’ Loan Act
 19 (12 U.S.C. 1464(c)(4)(B)) is amended—

20 (1) in the subparagraph heading, by striking
 21 “CORPORATIONS” and inserting “COMPANIES”; and

22 (2) in the first sentence, by striking “corpora-
 23 tion organized” and all that follows through “such
 24 State.” and inserting “company organized under the
 25 laws of any State, if such company’s entire capital

1 stock is available for purchase only by savings asso-
 2 ciations. For purposes of this subparagraph, the
 3 term ‘company’ includes any corporation and any
 4 limited liability company (as defined in section
 5 1(b)(7) of the Bank Service Company Act).”.

6 **SEC. 213. REPEAL OF DIVIDEND NOTICE REQUIREMENT.**

7 Section 10(f) of the Home Owners’ Loan Act (12
 8 U.S.C. 1467a(f)) is amended to read as follows:

9 “(f) [Repealed].”.

10 **SEC. 214. UPDATING OF AUTHORITY FOR COMMUNITY DE-**
 11 **VELOPMENT INVESTMENTS.**

12 Section 5(c) of the Home Owners’ Loan Act (12
 13 U.S.C. 1464(c)) is amended—

14 (1) in paragraph (3), by striking subparagraph
 15 (A) and redesignating subparagraphs (B) and (C) as
 16 subparagraphs (A) and (B), respectively; and

17 (2) by adding at the end the following new
 18 paragraph:

19 “(7) COMMUNITY DEVELOPMENT INVEST-
 20 MENTS.—

21 “(A) IN GENERAL.—Investments in real
 22 property and obligations secured by liens on
 23 real property for the primary purpose of pro-
 24 moting the public welfare, including the welfare
 25 of low- and moderate-income communities or

1 families (including the provision of housing,
2 services, or jobs), are permitted, subject to sub-
3 paragraph (B).

4 “(B) LIMITATIONS.—The aggregate
5 amount of investments of a savings association
6 under subparagraph (A) shall not exceed the
7 sum of 5 percent of the savings association’s
8 capital stock actually paid in and unimpaired
9 and 5 percent of the savings association’s
10 unimpaired surplus fund, unless the Director
11 determines by order that a higher amount will
12 pose no significant risk to the affected deposit
13 insurance fund, and that the savings association
14 is adequately capitalized, in which case the ag-
15 gregate amount of such investments shall not
16 exceed an amount equal to the sum of 10 per-
17 cent of the savings association’s capital stock
18 actually paid in and unimpaired and 10 percent
19 of the savings association’s unimpaired surplus
20 fund.”.

1 **Subtitle C—Other Institutions**

2 **SEC. 221. PROHIBITION ON ACCRUAL TO INSIDERS OF ECO-**
3 **NOMIC BENEFITS FROM CREDIT UNION CON-**
4 **VERSIONS.**

5 Section 18 of the Federal Deposit Insurance Act (12
6 U.S.C. 1828) is amended by adding at the end the fol-
7 lowing new subsection:

8 “(t) PROHIBITION ON ECONOMIC BENEFIT FROM
9 CONVERSION FOR CREDIT UNION OFFICERS, DIRECTORS,
10 AND COMMITTEE MEMBERS.—

11 “(1) IN GENERAL.—An individual who is or, at
12 any time during the 5-year period preceding any
13 conversion described in paragraph (2), was a direc-
14 tor, committee member, or senior management offi-
15 cial of an insured credit union described in subpara-
16 graph (A) or (B) of such paragraph (in connection
17 with such conversion) may not receive any economic
18 benefit as a result of the conversion with regard to
19 the shares or interests of such director, member, or
20 officer in the former insured credit union or in any
21 resulting insured depository institution.

22 “(2) COVERED CONVERSIONS.—The following
23 conversions are described in this paragraph for pur-
24 poses of paragraph (1):

1 “(A) The conversion of an insured credit
2 union into an insured depository institution.

3 “(B) The conversion from the mutual form
4 to the stock form of an insured depository insti-
5 tution which resulted from a prior conversion of
6 an insured credit union into such insured de-
7 pository institution.

8 “(3) DEFINITIONS.—For purposes of this sub-
9 section, the following definitions shall apply:

10 “(A) INSURED CREDIT UNION.—The term
11 ‘insured credit union’ has the meaning given to
12 such term in section 101(7) of the Federal
13 Credit Union Act.

14 “(B) SENIOR MANAGEMENT OFFICIAL.—
15 The term ‘senior management official’ means a
16 chief executive officer, an assistant chief execu-
17 tive officer, a chief financial officer, and any
18 other senior executive officer (as defined by the
19 appropriate Federal banking agency pursuant
20 to section 32(f)).”.

21 **SEC. 222. AMENDMENTS RELATING TO LIMITED PURPOSE**
22 **BANKS.**

23 Section 4(f) of the Bank Holding Company Act of
24 1956 (12 U.S.C. 1843(f)) is amended—

25 (1) in paragraph (2)(A)(ii)—

1 (A) by striking “and” at the end of sub-
2 clause (IX);

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

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

7 “(XI) assets that are derived
8 from, or are incidental to, activities in
9 which institutions described in section
10 2(c)(2)(F) are permitted to engage,”;
11 (2) in paragraph (2)—

12 (A) by striking “Paragraph (1) shall cease
13 to apply to any company described in such
14 paragraph if—” and inserting “A company de-
15 scribed in paragraph (1) shall no longer qualify
16 for the exemption provided under such para-
17 graph if—”; and

18 (B) by striking subparagraph (B) and in-
19 serting the following new subparagraphs:

20 “(B) any bank subsidiary of such company
21 engages in any activity in which the bank was
22 not lawfully engaged as of March 5, 1987, un-
23 less the bank is well managed and well capital-
24 ized;

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

3 “(i) accepts demand deposits or de-
4 posits that the depositor may withdraw by
5 check or similar means for payment to
6 third parties; and

7 “(ii) engages in the business of mak-
8 ing commercial loans; or

9 “(D) after the date of the enactment of the
10 Competitive Equality Amendments of 1987, any
11 bank subsidiary of such company permits any
12 overdraft (including any intraday overdraft), or
13 incurs any such overdraft in such bank’s ac-
14 count at a Federal reserve bank, on behalf of
15 an affiliate, other than an overdraft described
16 in paragraph (3).”; and

17 (3) by striking paragraphs (3) and (4) and in-
18 serting the following new paragraphs:

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

22 “(A) such overdraft results from an inad-
23 vertent computer or accounting error that is be-
24 yond the control of both the bank and the affil-
25 iate; or

1 “(B) such overdraft—

2 “(i) is permitted or incurred on behalf
3 of an affiliate which is monitored by, re-
4 ports to, and is recognized as a primary
5 dealer by the Federal Reserve Bank of
6 New York; and

7 “(ii) is fully secured, as required by
8 the Board, by bonds, notes, or other obli-
9 gations which are direct obligations of the
10 United States or on which the principal
11 and interest are fully guaranteed by the
12 United States or by securities and obliga-
13 tions eligible for settlement on the Federal
14 Reserve book entry system.

15 “(4) DIVESTITURE IN CASE OF LOSS OF EX-
16 EMPTION.—If any company described in paragraph
17 (1) fails to continue to qualify for the exemption
18 provided under such paragraph by operation of para-
19 graph (2), the company shall immediately notify the
20 Board that the company has failed to continue to
21 qualify for such exemption, and the company shall
22 divest control of each bank it controls before the end
23 of the 180-day period beginning on the date that the
24 company receives notice from the Board that the
25 company has failed to continue to qualify for such

1 exemption, unless before the end of such 180-day pe-
2 riod, the company has—

3 “(A) either—

4 “(i) corrected the condition or ceased
5 the activity that caused the company to
6 fail to continue to qualify for the exemp-
7 tion; or

8 “(ii) received approval from the Board
9 of a plan to correct the condition in a
10 timely manner (which shall not exceed 1
11 year); and

12 “(B) implemented procedures that are rea-
13 sonably adapted to avoid the reoccurrence of
14 such condition or activity.”.

15 **SEC. 223. BUSINESS PURPOSE CREDIT EXTENSIONS.**

16 Section 4 of the Bank Holding Company Act of 1956
17 (12 U.S.C. 1843) is amended by adding at the end the
18 following new subsection:

19 “(k) BUSINESS PURPOSE CREDIT EXTENSIONS.—

20 “(1) IN GENERAL.—An institution referred to
21 in section 2(c)(2)(F) or 4(f)(3) which extends credit
22 through credit card accounts for qualified business
23 purposes shall not be treated as engaging in the
24 business of making commercial loans by reason of
25 such extensions of credit.

1 “(2) QUALIFIED BUSINESS PURPOSE.—

2 “(A) IN GENERAL.—The Board shall pre-
3 scribe regulations defining the term ‘qualified
4 business purposes’ for purposes of this sub-
5 section.

6 “(B) CERTAIN BUSINESS PURPOSES EX-
7 CLUDED.—In defining the term ‘qualified busi-
8 ness purposes’ under subparagraph (A), the
9 Board—

10 “(i) may not treat extensions of credit
11 through a credit card account for expendi-
12 tures for capital improvements, acquisi-
13 tions of inventory, or other large acquisi-
14 tions as a qualified business purpose for
15 credit card accounts; and

16 “(ii) may treat extensions of credit
17 through a credit card account for expendi-
18 tures involving employee travel, entertain-
19 ment, and subsistence, purchases involving
20 a small number of items and low-dollar
21 amounts, and other small acquisitions as
22 qualified business purposes for credit card
23 accounts.

24 “(3) CREDIT CARD DEFINED.—For purposes of
25 this subsection, the term ‘credit card’ has the same

1 meaning as in section 103 of the Truth In Lending
2 Act.”.

3 **TITLE III—STREAMLINING FED-**
4 **ERAL BANKING AGENCY RE-**
5 **QUIREMENTS AND ELIMI-**
6 **NATION OF UNNECESSARY OR**
7 **OUTDATED REQUIREMENTS**

8 **SEC. 301. “PLAIN ENGLISH” REQUIREMENT FOR FEDERAL**
9 **BANKING AGENCY RULES.**

10 (a) IN GENERAL.—Each Federal banking agency
11 shall use plain English in all proposed and final
12 rulemakings published by the agency in the Federal Reg-
13 ister after January 1, 2000.

14 (b) REPORT.—Not later than June 1, 2001, each
15 Federal banking agency shall submit to the Congress a
16 report that describes how the agency has complied with
17 subsection (a).

18 (c) DEFINITIONS.—For purposes of this section and
19 section 302, the terms “Federal banking agency” and
20 “State bank supervisor” have the meanings given such
21 terms in section 3 of the Federal Deposit Insurance Act.

22 **SEC. 302. CALL REPORT SIMPLIFICATION.**

23 (a) MODERNIZATION OF CALL REPORT FILING AND
24 DISCLOSURE SYSTEM.—In order to reduce the adminis-
25 trative requirements pertaining to bank reports of condi-

tion, savings association financial reports, and bank holding company consolidated and parent-only financial statements, and to improve the timeliness of such reports and statements, the Federal banking agencies (after consulting with State bank supervisors) shall—

(1) work jointly to develop a system under which—

(A) insured depository institutions and their affiliates may file such reports and statements electronically; and

(B) the Federal banking agencies may make such reports and statements available to the public electronically; and

(2) not later than July 1, 2001, report to the Congress and make recommendations for legislation that would enhance efficiency for filers and users of such reports and statements.

(b) UNIFORM REPORTS AND SIMPLIFICATION OF INSTRUCTIONS.—The Federal banking agencies (after consulting with State bank supervisors) shall, consistent with the principles of safety and soundness, work jointly—

(1) to adopt a single form for the filing of core information required to be submitted under Federal law to all such agencies in the reports and statements referred to in subsection (a); and

1 (2) to simplify instructions accompanying such
2 reports and statements and to provide an index to
3 the instructions that is adequate to meet the needs
4 of both filers and users.

5 (c) REVIEW OF CALL REPORT SCHEDULE.—Each
6 Federal banking agency (after consulting with State bank
7 supervisors) shall—

8 (1) review the information required by sched-
9 ules supplementing the core information referred to
10 in subsection (b); and

11 (2) eliminate requirements that are not war-
12 ranted for reasons of safety and soundness or other
13 public purposes.

14 **SEC. 303. PURCHASED MORTGAGE SERVICE RIGHTS.**

15 Section 475 of the Federal Depository Insurance Cor-
16 poration Improvement Act of 1991 (12 U.S.C. 1828 note)
17 is amended—

18 (1) in subsection (a)(1), by inserting “(or such
19 other percentage exceeding 90 percent but not ex-
20 ceeding 100 percent, as may be determined under
21 subsection (b))” after “90 percent”; and

22 (2) by redesignating subsections (b) and (c) as
23 subsections (c) and (d), respectively, and by insert-
24 ing after subsection (a) the following new subsection:

1 “(b) AUTHORITY TO DETERMINE PERCENTAGE BY
2 WHICH TO DISCOUNT VALUE OF SERVICING RIGHTS.—

3 “(1) IN GENERAL.—Notwithstanding subsection
4 (a)(1), the appropriate Federal banking agencies
5 may allow readily marketable purchased mortgage
6 servicing rights to be valued at more than 90 per-
7 cent of their fair market value but at not more than
8 100 percent of such value, if such agencies jointly
9 make a finding before the end of the 180-day period
10 beginning on the date of the enactment of the De-
11 pository Institution Regulatory Streamlining Act of
12 1999 that such valuation would not have an adverse
13 affect on the deposit insurance funds or the safety
14 and soundness of insured depository institutions.

15 “(2) JOINT RULEMAKING.—Any regulations
16 prescribed pursuant to paragraph (1) shall be pre-
17 scribed jointly by the Federal banking agencies.”.

18 **SEC. 304. JUDICIAL REVIEW OF RECEIVERSHIP APPOINT-**
19 **MENTS.**

20 (a) APPOINTMENT FOR NATIONAL BANK.—Section 2
21 of the National Bank Receivership Act (12 U.S.C. 191)
22 is amended—

23 (1) by inserting “(a) APPOINTMENT OF RE-
24 CEIVER.—” before “The Comptroller”; and

1 (2) by adding at the end the following new sub-
2 section:

3 “(b) JUDICIAL REVIEW.—Within 30 days after the
4 appointment under subsection (a) of a receiver for a na-
5 tional bank, the national bank may bring an action in the
6 United States district court for the judicial district in
7 which the home office of the bank is located, or in the
8 United States District Court for the District of Columbia,
9 for an order requiring the Comptroller to remove the re-
10 ceiver, and the court shall, on the merits, dismiss the ac-
11 tion or direct the Comptroller to remove the receiver.”.

12 (b) APPOINTMENT OF FEDERAL DEPOSIT INSUR-
13 ANCE CORPORATION.—Section 11(c)(7) of the Federal
14 Deposit Insurance Act (12 U.S.C. 1811(c)(7)) is amended
15 to read as follows:

16 “(7) JUDICIAL REVIEW.—Within 30 days after
17 the Corporation is appointed as conservator or re-
18 ceiver for an insured depository institution under
19 paragraph (4), (9), or (10), the institution may
20 bring an action in the United States district court
21 for the judicial district in which the home office of
22 the institution is located, or in the United States
23 District Court for the District of Columbia, for an
24 order requiring the Corporation to be removed as
25 the conservator or receiver, and the court shall, on

1 the merits, dismiss the action or direct the Corpora-
2 tion to be removed as the conservator or receiver.”.

3 **SEC. 305. ELIMINATION OF OUTDATED STATUTORY MIN-**
4 **IMUM CAPITAL REQUIREMENTS.**

5 Section 5138 of the Revised Statutes of the United
6 States (12 U.S.C. 51) is repealed.

7 **SEC. 306. ELIMINATION OF INDIVIDUAL BRANCH CAPITAL**
8 **REQUIREMENTS.**

9 Section 5155(c) of the Revised Statutes of the United
10 States (12 U.S.C. 36(c)) is amended—

11 (1) in the second sentence, by striking “, with-
12 out regard to the capital requirements of this sec-
13 tion,”; and

14 (2) by striking the third sentence.

15 **SEC. 307. AMENDMENT TO SHAREHOLDER NOTICE PROVI-**
16 **SIONS RELATING TO CONSOLIDATIONS AND**
17 **MERGERS.**

18 (a) Section 2(a) of the Act of August 17, 1950, enti-
19 tled “An Act to provide for the conversion of national
20 banking associations into and their merger or consolida-
21 tion with State banks, and for other purposes.” (12 U.S.C.
22 214a(a)) is amended by striking “registered mail or by
23 certified”.

24 (b) Sections 2(a) and 3(a)(2) of the National Bank
25 Consolidation and Merger Act (12 U.S.C. 215(a) and

1 215a(a)(2)) are each amended by striking “certified or
 2 registered” each place it appears.

3 **SEC. 308. PAYMENT OF INTEREST IN RECEIVERSHIPS WITH**
 4 **SURPLUS FUNDS.**

5 Section 11(d)(10) of the Federal Deposit Insurance
 6 Act (12 U.S.C. 1821(d)(10)) is amended by adding at the
 7 end the following new subparagraph:

8 “(C) RULEMAKING AUTHORITY OF COR-
 9 PORATION.—The Corporation may prescribe
 10 such rules, including definitions of terms, as it
 11 deems appropriate to establish the interest rate
 12 for or to make payments of postinsolvency in-
 13 terest to creditors holding proven claims against
 14 the receivership estates of insured Federal or
 15 State depository institutions following satisfac-
 16 tion by the receiver of the principal amount of
 17 all creditor claims.”.

18 **SEC. 309. REPEAL OF DEPOSIT BROKER NOTIFICATION AND**
 19 **RECORDKEEPING REQUIREMENT.**

20 Section 29A of the Federal Deposit Insurance Act
 21 (12 U.S.C. 1831f–1) is repealed.

22 **SEC. 310. ALLOWANCES FOR CERTAIN EXTENSIONS OF**
 23 **CREDIT TO EXECUTIVE OFFICERS.**

24 Section 22(g) of the Federal Reserve Act (12 U.S.C.
 25 375a) is amended—

1 (1) by redesignating paragraphs (6) through
2 (10) as paragraphs (8) through (12), respectively;

3 (2) by inserting after paragraph (5) the fol-
4 lowing new paragraphs:

5 “(6) A member bank may extend to any execu-
6 tive officer of the bank a home equity line of credit
7 which does not exceed \$100,000 and is secured by
8 a lien on the primary residence of the executive offi-
9 cer, to the extent that the aggregate amount of such
10 lien and all other outstanding extensions of credit
11 secured by liens on such primary residence does not
12 exceed the appraised value of such residence.

13 “(7) A member bank may extend credit to any
14 executive officer of the bank in an amount not to ex-
15 ceed the greater of—

16 “(A) the amount which is the lesser of 2.5
17 percent of the aggregate amount of capital and
18 unimpaired surplus of the bank or \$100,000; or

19 “(B) \$25,000,
20 if, at the time the credit is extended, the extension
21 of credit is secured by readily marketable assets that
22 have a fair market value of not less than twice the
23 amount of credit extended.”; and

1 (3) in paragraph (8) (as so redesignated by
2 paragraph (1) of this section), by striking “(3) and
3 (4)” and inserting “(3), (4), (6), and (7)”.

4 **SEC. 311. FEDERAL RESERVE ACT LENDING LIMITS.**

5 Section 11(m) of the Federal Reserve Act (12 U.S.C.
6 248(m)) is amended to read as follows:

7 “(m) [Repealed].”.

8 **SEC. 312. REPEAL OF BANK HOLDING COMPANY ACT PRO-**
9 **VISION LIMITING SAVINGS BANK LIFE INSUR-**
10 **ANCE.**

11 Section 3(f) of the Bank Holding Company Act of
12 1956 (12 U.S.C. 1842(f)) is amended to read as follows:

13 “(f) [Repealed].”.

14 **SEC. 313. AMENDMENT TO SECTION 5137 OF THE REVISED**
15 **STATUTES OF THE UNITED STATES.**

16 (a) IN GENERAL.—Section 5137 of the Revised Stat-
17 utes of the United States (12 U.S.C. 29) is amended by
18 adding at the end the following new subsection:

19 “(d) ADDITIONAL EXTENSION FOR PASSIVE INVEST-
20 MENTS IN SUBSURFACE RIGHTS AND INTERESTS.—

21 “(1) IN GENERAL.—With respect to subsurface rights
22 of real estate, and interests in such rights, which a na-
23 tional bank holds pursuant to the prior approval of the
24 Comptroller of the Currency under subsection (b), the na-
25 tional bank may apply for, and the Comptroller of the Cur-

1 rency may approve, possession by the bank of such rights
2 and interests for an additional period not to exceed 5 years
3 if—

4 “(A) the national bank acquired the prop-
5 erty pursuant to the paragraphs designated the
6 ‘Second’, ‘Third’, and ‘Fourth’ of subsection
7 (a);

8 “(B) the national bank—

9 “(i) holds the rights or interest pas-
10 sively; and

11 “(ii) is not engaged in production, ex-
12 traction, exploration, or other active use of
13 the rights or interests;

14 “(C) the national bank—

15 “(i) values the subsurface rights and
16 interests in such rights on the books of the
17 bank for no more than a nominal amount;
18 and

19 “(i) separately discloses the aggregate
20 amount of earnings from the rights and in-
21 terests in the annual financial statements
22 of the bank; and

23 “(D) the Comptroller of the Currency de-
24 termines that the possession of such rights and

1 interests is not inconsistent with the safety and
2 soundness of the national bank.

3 “(2) AUTHORITY OF COMPTROLLER OF THE
4 CURRENCY TO REQUIRE DIVESTITURE.—The Comptroller of the Currency may order, at any time, a national bank which holds subsurface rights of real estate, and interests in such rights, pursuant to paragraph (1) to divest such rights and interests if the
5 Comptroller determines that continued ownership of
6 such rights or interests is detrimental to the national bank.”.

12 (b) TECHNICAL AMENDMENTS TO REDESIGNATE
13 UNDESIGNATED PARAGRAPHS AS SUBSECTIONS.—Section
14 5137 of the Revised Statutes of the United States (12
15 U.S.C. 29) is amended—

16 (1) in the 1st undesignated paragraph by striking
17 “5137. A national banking association may purchase” and inserting the following:

19 **“SEC. 5137. POWER TO HOLD REAL ESTATE.**

20 “(a) IN GENERAL.—A national banking association
21 may purchase”;

22 (2) in the 3d undesignated paragraph, by striking
23 “For real estate in the possession of a national
24 banking association upon application” and inserting
25 the following:

1 “(b) EXTENSION OF DIVESTMENT PERIOD AUTHOR-
 2 IZED FOR INELIGIBLE REAL ESTATE.—For real estate in
 3 the possession of a national banking association upon ap-
 4 plication”; and

5 (3) in the 4th undesignated paragraph, by
 6 striking “Notwithstanding the five-year holding limi-
 7 tation of this section” and inserting the following:

8 “(c) EXTENSION OF HOLDING PERIOD UNDER CER-
 9 TAIN CIRCUMSTANCES.—Notwithstanding the 5-year hold-
 10 ing period limitation contained in subsection (a)”.

11 **TITLE IV—DISCLOSURE** 12 **SIMPLIFICATION**

13 **SEC. 401. ALTERNATIVE DISCLOSURE FOR VARIABLE RATE,** 14 **OPEN-ENDED HOME SECURED CREDIT.**

15 Section 127A(a)(2)(G) of the Truth in Lending Act
 16 (15 U.S.C. 1637a) is amended by inserting “or, at the
 17 option of the creditor, a statement that periodic payments
 18 may substantially increase or decrease” before the semi-
 19 colon.

1 **TITLE V—BANK EXAMINATION**
2 **REPORT PRIVILEGE ACT**

3 **SEC. 501. AMENDMENT TO THE FEDERAL DEPOSIT INSUR-**
4 **ANCE ACT.**

5 The Federal Deposit Insurance Act (12 U.S.C. 1811
6 et seq.) is amended by adding at the end the following
7 new section:

8 **“SEC. 45. BANK SUPERVISORY PRIVILEGE.**

9 “(a) DEFINITIONS.—For purposes of this section, the
10 following definitions shall apply:

11 “(1) DEPOSITORY INSTITUTION.—The term ‘de-
12 pository institution’ includes—

13 “(A) any institution which is treated in the
14 same manner as an insured depository institu-
15 tion under paragraph (3), (4), (5), or (9) of
16 section 8(b); and

17 “(B) any subsidiary or other affiliate of an
18 insured depository institution or an institution
19 described in subparagraph (A).

20 “(2) SUPERVISORY PROCESS.—The term ‘su-
21 pervisory process’ means any activity engaged in by
22 a Federal banking agency to carry out the official
23 responsibilities of the agency with regard to the reg-
24 ulation or supervision of depository institutions.

1 “(3) CONFIDENTIAL SUPERVISORY INFORMA-
2 TION.—Subject to paragraph (4), the term ‘con-
3 fidential supervisory information’ means any of the
4 following information, or any portion of any such in-
5 formation, which is treated as, or considered to be,
6 confidential information by a Federal banking agen-
7 cy, regardless of the medium in which the informa-
8 tion is conveyed or stored:

9 “(A) Any report of examination, inspec-
10 tion, visitation, or investigation, and informa-
11 tion prepared or collected by a Federal banking
12 agency in connection with the supervisory proc-
13 ess, including any computer file, work paper, or
14 similar document.

15 “(B) Any correspondence of communica-
16 tion from a Federal banking agency to a deposi-
17 tory institution as part of an examination, in-
18 spection, visitation, or investigation by a Fed-
19 eral banking agency.

20 “(C) Any correspondence, communication,
21 or document, including any compliance and
22 other reports, created by a depository institu-
23 tion in response to any request, inquiry, or di-
24 rective from a Federal banking agency in con-
25 nection with any examination, inspection, visita-

tion, or investigation and provided to a Federal banking agency.

“(D) Any record of a Federal banking agency to the extent it contains information derived from any report, correspondence, communication or other information described in subparagraph (A), (B), or (C).

(4) ORDINARY BUSINESS RECORDS EXCLUDED.—The term ‘confidential supervisory information’ shall not include any book or record in the possession of the depository institution routinely prepared by the depository institution and maintained in the ordinary course of business or any information required to be made publicly available by any Federal law or regulation.

“(b) BANK SUPERVISORY PRIVILEGE.—

“(1) PRIVILEGE ESTABLISHED.—

“(A) IN GENERAL.—All confidential supervisory information shall be the property of the Federal banking agency that created or requested the information and shall be privileged from disclosure to any other person.

“(B) PROHIBITION ON UNAUTHORIZED DISCLOSURES.—No person in possession of confidential supervisory information may disclose

1 such information, in whole or in part, without
2 the prior authorization of the Federal banking
3 agency that created or requested the informa-
4 tion, except for a disclosure made in published
5 statistical material that does not disclose, either
6 directly or when used in conjunction with pub-
7 licly available information, the affairs of any
8 person.

9 “(C) AGENCY WAIVER.—The Federal
10 banking agency may waive, in whole or in part,
11 in the discretion of the agency, any privilege es-
12 tablished under this paragraph.

13 “(2) EXCEPTION.—No provision of paragraph
14 (1) shall be construed as preventing access to con-
15 fidential supervisory information by duly authorized
16 committees of the United States Congress or the
17 Comptroller General of the United States.

18 “(c) TREATMENT OF STATE AND FOREIGN SUPER-
19 VISORY INFORMATION.—In any proceeding before a court
20 of the United States, in which a person seeks to compel
21 production or disclosure by a State bank supervisor, for-
22 eign bank regulatory or supervisory authority, Federal
23 banking agency, or other person, of information or a docu-
24 ment prepared or collected by a State bank supervisor or
25 foreign bank regulatory or supervisory authority that

1 would, had they been prepared or collected by a Federal
2 banking agency, be confidential supervisory information
3 for purposes of this section, the information or document
4 shall be privileged to the same extent that the information
5 and documents of Federal banking agencies are privileged
6 under this Act.

7 “(d) OTHER PRIVILEGES NOT WAIVED BY DISCLO-
8 SURE TO BANKING AGENCY.—The submission by a depos-
9 itory institution of any information to a Federal banking
10 agency, a State bank supervisor, or a foreign banking au-
11 thority for any purpose in the course of the supervisory
12 process of such agency or supervisor shall not be construed
13 as waiving, destroying, or otherwise affecting any privilege
14 such institution may claim with respect to such informa-
15 tion under Federal or State law.

16 “(e) DISCOVERY AND DISCLOSURE OF INFORMA-
17 TION.—

18 “(1) INFORMATION AVAILABLE ONLY FROM
19 BANKING AGENCY.—

20 “(A) IN GENERAL.—A person seeking dis-
21 covery or disclosure, in whole or in part, of con-
22 fidential supervisory information may not seek
23 to obtain such information through subpoena,
24 discovery procedures, or other process from any
25 person, except that such information may be

1 sought in accordance with this section from the
2 Federal banking agency that created or re-
3 quested the information.

4 “(B) REQUESTS SUBMITTED TO BANKING
5 AGENCY.—Any request for discovery or disclo-
6 sure of confidential supervisory information
7 shall be made to the Federal banking agency
8 that created or requested the information,
9 which shall determine within a reasonable time
10 period whether to disclose such information
11 pursuant to procedures and criteria established
12 in regulations.

13 “(2) EXCLUSIVE FEDERAL COURT JURISDIC-
14 TION OVER DISPUTES.—

15 “(A) IN GENERAL.—Federal courts shall
16 have exclusive jurisdiction over actions or pro-
17 ceedings in which any party seeks to compel
18 disclosure of confidential supervisory informa-
19 tion.

20 “(B) JUDICIAL REVIEW.—Judicial review
21 of the final action of a Federal banking agency
22 with regard to the disposition of a request for
23 confidential supervisory information shall be be-
24 fore a district court of the United States of

1 competent jurisdiction, subject to chapter 7 of
2 part I of title 5, United States Code.

3 “(C) RIGHT TO APPEAL.—Any court order
4 that compels production of confidential super-
5 visory information may be immediately appealed
6 by the Federal banking agency and the order
7 compelling production shall be automatically
8 stayed, pending the outcome of such appeal.

9 “(f) SUBPOENAS.—

10 “(1) AUTHORITY TO INTERVENE.—In the case
11 of any action or proceeding to compel compliance
12 with a subpoena, order, discovery request, or other
13 judicial or administrative process with respect to any
14 confidential supervisory information relating to any
15 depository institution, a Federal banking agency and
16 the depository institution may intervene in such ac-
17 tion or proceeding for the purpose of—

18 “(A) enforcing the limitations established
19 in paragraph (1) of subsections (b) and (e);

20 “(B) seeking the withdrawal of any com-
21 pulsory process with respect to such informa-
22 tion; and

23 “(C) registering appropriate objections
24 with respect to the action or proceeding to the

1 extent the action or proceeding relates to or in-
2 volves such information.

3 “(2) RIGHT TO APPEAL.—Any court order that
4 compels production of confidential supervisory infor-
5 mation may be immediately appealed by the Federal
6 banking agency and the order compelling production
7 shall be automatically stayed, pending the outcome
8 of such appeal.

9 “(g) REGULATIONS.—

10 “(1) AUTHORITY TO PRESCRIBE.—Each Fed-
11 eral banking agency may prescribe such regulations
12 as the agency considers to be appropriate, after con-
13 sultation with the other Federal banking agencies
14 and the National Credit Union Administration
15 Board, to carry out the purposes of this section.

16 “(2) AUTHORITY TO REQUIRE NOTICE.—Any
17 regulations prescribed by a Federal banking agency
18 under paragraph (1) may require any person in pos-
19 session of confidential supervisory information to no-
20 tify the Federal banking agency whenever the person
21 is served with a subpoena, order, discovery request,
22 or other judicial or administrative process requiring
23 the personal attendance of such person as a witness
24 or requiring the production of such information in
25 any proceeding.

1 “(h) ACCESS IN ACCORDANCE WITH REGULATIONS
 2 AND ORDERS.—Notwithstanding any other provision of
 3 this section, the Federal banking agency may, without
 4 waiving any privilege, authorize access to confidential su-
 5 pervisory information for any appropriate governmental,
 6 law enforcement, or public purpose in accordance with
 7 agency regulations or orders.”.

8 **SEC. 502. AMENDMENT TO THE FEDERAL CREDIT UNION**
 9 **ACT.**

10 Title II of the Federal Credit Union Act (12 U.S.C.
 11 1781 et seq.) is amended by adding at the end the fol-
 12 lowing new section:

13 **“SEC. 215. CREDIT UNION SUPERVISORY PRIVILEGE.**

14 “(a) DEFINITIONS.—For purposes of this section, the
 15 following definitions shall apply:

16 “(1) SUPERVISORY PROCESS.—The term ‘su-
 17 pervisory process’ means any activity engaged in by
 18 the Administration to carry out the official respon-
 19 sibilities of the Administration with regard to the
 20 regulation or supervision of credit unions.

21 “(2) CONFIDENTIAL SUPERVISORY INFORMA-
 22 TION.—The term ‘confidential supervisory informa-
 23 tion’ means any of the following information, or any
 24 portion of any such information, which is treated as,
 25 or considered to be, confidential information by the

1 Administration, regardless of the medium in which
2 the information is conveyed or stored:

3 “(A) Any report of examination, inspec-
4 tion, visitation, or investigation, and informa-
5 tion prepared or collected by the Administration
6 in connection with the supervisory process, in-
7 cluding any computer file, work paper, or simi-
8 lar document.

9 “(B) Any correspondence or communica-
10 tion from the Administration to a credit union
11 arising from or relating to an examination, in-
12 spection, visitation, or investigation by the Ad-
13 ministration.

14 “(C) Any correspondence, communication,
15 or document, including any compliance and
16 other reports, created by a credit union in re-
17 sponse to any request, inquiry, or directive from
18 the Administration in connection with any ex-
19 amination, inspection, visitation, or investiga-
20 tion and provided to the Administration, other
21 than any book or record in the possession of the
22 credit union routinely prepared by the credit
23 union and maintained in the ordinary course of
24 business or any information required to be

1 made publicly available by any Federal law or
2 regulation.

3 “(D) Any record of the Administration to
4 the extent it contains information derived from
5 any report, correspondence, communication or
6 other information described in subparagraph
7 (A), (B), or (C).

8 “(b) CREDIT UNION SUPERVISORY PRIVILEGE.—

9 “(1) PRIVILEGE ESTABLISHED.—

10 “(A) IN GENERAL.—All confidential super-
11 visory information shall be the property of the
12 Administration and shall be privileged from dis-
13 closure to any other person.

14 “(B) PROHIBITION ON UNAUTHORIZED
15 DISCLOSURES.—No person in possession of con-
16 fidential supervisory information may disclose
17 such information, in whole or in part, without
18 the prior authorization of the Administration,
19 except for a disclosure made in published statis-
20 tical material that does not disclose, either di-
21 rectly or when used in conjunction with publicly
22 available information, the affairs of any person.

23 “(C) AGENCY WAIVERS.—The Board may
24 waive, in whole or in part, in the discretion of

1 the Board, any privilege established under this
2 paragraph.

3 “(2) EXCEPTION.—No provision of paragraph
4 (1) shall be construed as preventing access to con-
5 fidential supervisory information by duly authorized
6 committees of the United States Congress or the
7 Comptroller General of the United States.

8 “(c) OTHER PRIVILEGES NOT WAIVED BY DISCLO-
9 SURE TO ADMINISTRATION.—The submission by a credit
10 union of any information to the Administration or a State
11 credit union supervisor for any purpose in the course of
12 the supervisory process of the Administration or such su-
13 pervisor shall not be construed as waiving, destroying, or
14 otherwise affecting any privilege such institution may
15 claim with respect to such information under Federal or
16 State law.

17 “(d) DISCOVERY AND DISCLOSURE OF INFORMA-
18 TION.—

19 “(1) INFORMATION AVAILABLE ONLY FROM AD-
20 MINISTRATION.—

21 “(A) IN GENERAL.—A person seeking dis-
22 covery or disclosure, in whole or in part, of con-
23 fidential supervisory information may not seek
24 to obtain such information through subpoena,
25 discovery procedures, or other process from any

1 person, except that such information may be
2 sought in accordance with this section from the
3 Administration.

4 “(B) REQUEST SUBMITTED TO ADMINIS-
5 TRATION.—Any request for discovery or disclo-
6 sure of confidential supervisory information
7 shall be made in the Administration, which
8 shall determine within a reasonable time period
9 whether to disclose such information pursuant
10 to procedures and criteria established in regula-
11 tions.

12 “(2) EXCLUSIVE FEDERAL COURT JURISDIC-
13 TION OVER DISPUTES.—

14 “(A) IN GENERAL.—Federal courts shall
15 have exclusive jurisdiction over actions or pro-
16 ceedings in which any party seeks to compel
17 disclosure of confidential supervisory informa-
18 tion.

19 “(B) JUDICIAL REVIEW.—Judicial review
20 of the final action of the Administration with
21 regard to the disposition of a request for con-
22 fidential supervisory information shall be before
23 a district court of the United States of com-
24 petent jurisdiction, subject to chapter 7 of part
25 I of title 5, United States Code.

1 “(C) RIGHT TO APPEAL.—Any court order
2 that compels production of confidential super-
3 visory information may be immediately appealed
4 by the Administration and the order compelling
5 production shall be automatically stayed, pend-
6 ing the outcome of such appeal.

7 “(e) SUBPOENAS.—

8 “(1) AUTHORITY TO INTERVENE.—In the case
9 of any action or proceeding to compel compliance
10 with a subpoena, order, discover request, or other ju-
11 dicial or administrative process with respect to any
12 confidential supervisory information relating to any
13 credit union, the Administration and the credit
14 union may intervene in such action or proceeding for
15 the purpose of—

16 “(A) enforcing the limitations established
17 in paragraph (1) of subsections (b) and (d);

18 “(B) seeking the withdrawal of any com-
19 pulsory process with respect to such informa-
20 tion; and

21 “(C) registering appropriate objections
22 with respect to the action or proceeding to the
23 extent the action or proceeding relates to or in-
24 volves such information.

1 “(2) RIGHT TO APPEAL.—Any court order that
2 compels production of confidential supervisory infor-
3 mation may be immediately appealed by the Admin-
4 istration and the order compelling production shall
5 be automatically stayed, pending the outcome of
6 such appeal.

7 “(f) REGULATIONS.—

8 “(1) AUTHORITY TO PRESCRIBE.—The Board
9 may prescribe such regulations as the Board con-
10 siders to be appropriate, after consultation with the
11 Federal banking agencies (as defined in section 3 of
12 the Federal Deposit Insurance Act), to carry out the
13 purposes of this section.

14 “(2) AUTHORITY TO REQUIRE NOTICE.—Any
15 regulations prescribed by the Administration under
16 paragraph (1) may require any person in possession
17 of confidential supervisory information to notify the
18 Administration whenever the person is served with a
19 subpoena, order, discovery request, or other judicial
20 or administrative process requiring the personal at-
21 tendance of such person as a witness or requiring
22 the production of such information in any pro-
23 ceeding.

24 “(g) ACCESS IN ACCORDANCE WITH REGULATIONS
25 AND ORDERS.—Notwithstanding any other provision of

1 this section, the Administration may, without waiving any
 2 privilege, authorize access to confidential supervisory in-
 3 formation for any appropriate governmental, law enforce-
 4 ment, or public purpose in accordance with agency regula-
 5 tions or orders.”.

6 **TITLE VI—TECHNICAL** 7 **CORRECTIONS**

8 **SEC. 601. TECHNICAL CORRECTION RELATING TO DEPOSIT** 9 **INSURANCE FUNDS.**

10 (a) IN GENERAL.—Section 2707 of the Deposit In-
 11 surance Funds Act of 1996 (12 U.S.C. 1821 note; Public
 12 Law 104–208; 110 Stat. 3009–496) is amended by strik-
 13 ing “7(b)(2)(C)” and inserting “7(b)(2)(E)”.

14 (b) EFFECTIVE DATE.—The amendment made by
 15 subsection (a) shall be deemed to have the same effective
 16 date as section 2707 of the Deposit Insurance Funds Act
 17 of 1996.

18 **SEC. 602. RULES FOR CONTINUATION OF DEPOSIT INSUR-** 19 **ANCE FOR MEMBER BANKS CONVERTING** 20 **CHARTERS.**

21 Section 8(o) of the Federal Deposit Insurance Act
 22 (12 U.S.C. 1818(o)) is amended in the second sentence,
 23 by striking “subsection (d) of section 4” and inserting
 24 “subsection (c) or (d) of section 4”.

1 **SEC. 603. WAIVER OF CITIZENSHIP REQUIREMENT FOR NA-**
 2 **TIONAL BANK DIRECTORS.**

3 Section 5146 of the Revised Statutes of the United
 4 States (12 U.S.C. 72) is amended in the 1st sentence, by
 5 inserting before the period “, and waive the requirement
 6 of citizenship in the case of not more than a minority of
 7 the total number of directors of a national bank which
 8 is an affiliate (as defined in section 3(w)(6) of the Federal
 9 Deposit Insurance Act) of a foreign bank”.

10 **SEC. 604. TECHNICAL AMENDMENT TO PROHIBITION ON**
 11 **COMPTROLLER INTERESTS IN NATIONAL**
 12 **BANKS.**

13 Section 329 of the Revised Statutes of the United
 14 States (12 U.S.C. 11) is amended by striking “to be inter-
 15 ested in any association issuing national currency under
 16 the laws of the United States” and inserting “to hold an
 17 interest in any national bank”.

18 **SEC. 605. APPLICABILITY OF LIMITATION TO PRIOR IN-**
 19 **VESTMENTS.**

20 (a) IN GENERAL.—Section 18(s) of the Federal De-
 21 posit Insurance Act (12 U.S.C. 1828(s)) is amended by
 22 adding at the end the following new paragraph:

23 “(5) CERTAIN INVESTMENTS.—Paragraph (1)
 24 shall not apply to investments lawfully made before
 25 April 11, 1996, by a depository institution in a Gov-
 26 ernment-sponsored enterprise.”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall apply as if such amendment had been
 3 included in the amendment made by section 2615(b) of
 4 the Economic Growth and Regulatory Paperwork Reduc-
 5 tion Act of 1996 as of the effective date of such section.

6 **TITLE VII—SPECIAL RESERVE** 7 **FUNDS**

8 **SEC. 701. ABOLITION OF SPECIAL RESERVE FUNDS.**

9 (a) SAIF SPECIAL RESERVE.—Section 11(a)(6) of
 10 the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(6))
 11 is amended by striking subparagraph (L).

12 (b) SPECIAL RESERVE OF THE DEPOSIT INSURANCE
 13 FUND.—Section 2704 of the Deposit Insurance Funds
 14 Act of 1996 is amended—

- 15 (1) by striking subsection (b);
- 16 (2) by striking paragraph (4) of subsection (d);
- 17 (3) in subsection (d)(6)(C)(i), by striking “(6)
 18 and (7)” and inserting “(5), (6), and (7)”; and
- 19 (4) in subsection (d)(6)(C)(ii), by striking “(6)”
 20 and inserting “(5)”.

21 (c) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply as if such amendments had been
 23 included in the Deposit Insurance Funds Act of 1996 as
 24 of the date of the enactment of such Act.

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