safeguarding—and are creating the perfect breeding conditions for Zika mosquitoes.

Amplifying the impact, the CDC reports that the virus is spread through sexual contact and advises special precautions for pregnant women.

The Zika virus can be spread from a pregnant woman to her fetus and has been linked to a serious birth defect of the brain called microcephaly in the babies of mothers who were exposed to the Zika virus while pregnant.

Exacerbating measures, expectant mothers may not know that Zika virus mosquitoes inhabit the areas in which they live, until they see the terrible birth defects associated with the disease, plaguing the late-term-30-week ultrasound images of their unborn child's sonogram.

Other problems have been detected among fetuses and infants infected with Zika virus before birth, such as absent or poorly developed brain structures, eye defects, hearing deficits, and impaired growth.

About one in five people infected with the Zika virus become symptomatic.

Characteristic clinical findings include acute onset of fever, maculopapular rash, arthralgia, or conjunctivitis.

Today we are witnessing the spread of yet another tropical disease, threatening the health of U.S. citizens, much like Ebola did during the past few years.

The WHO confirmed that as many as four million people could be infected by the end of the year.

There is no treatment or cure for those infected by the Zika virus.

The WHO is concerned about this rapidly spreading disease due to the lack of immunity in newly affected areas, the wide geographical distribution of infected mosquitos, and the absence of any vaccines, treatments, or rapid diagnostic tests.

Given the lack of treatment available for the Zika virus, many supported the critical need for the FDA to use its Congressionally granted authority to add Zika to the list of Neglected Tropical Diseases eligible for the Priority Review Voucher program.

On February 22, 2016, President Obama asked Congress to consider an FY 2016 emergency supplemental appropriations request of approximately $1.9 billion to respond to the Zika virus, both domestically and internationally.

In conjunction with today's bill's efforts, this funding would build upon ongoing preparation efforts and provide resources for the Departments of Health and Human Services and State, as well as the U.S. Agency for International Development (USAID).

The collective goal of these efforts, as I see them, is to provide immediate responsiveness to prepare for and prevent the spread of Zika virus transmission;

Speed research, development, and procurement of vaccines, therapeutics, and diagnostics; and

Enhance the ability of Zika-affected countries to better combat mosquitoes, control transmission, and support affected populations.

The necessity presents itself to fortify our domestic health system, detect and respond to any potential Zika outbreaks at home, and to limit the spread in other countries.

S. 2512 encourages the Federal Government to take a needed step, addressing the changing circumstances and emerging needs of populations exposed to the Zika virus.

The CDC and NIH said that the previously endemic Ebola Virus created a template for Federal and State agencies that are currently attempting to address the Zika virus threat.

If nothing else, the Ebola crisis demonstrated the critical need to develop effective vaccines and treatments before an endemic outbreak begins.

This simple action by the FDA, I hope, will spur the development of an effective vaccine or treatment combating the Zika virus, and as a result save countless American lives.

This bill is a step toward providing the protections that should be guaranteed to every American.

I urge my colleagues to join me in supporting S.2512, the Adding Zika Virus to the FDA Priority Review Voucher Program Act.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from Indiana (Mrs. BROOKS) that the House suspend the rules and pass the bill, S. 2512.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

□ 1645

FINANCIAL INSTITUTION BANKRUPTCY ACT OF 2016

Mr. GOODLATTE. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2947) to amend title 11 of the United States Code in order to facilitate the resolution of an insolvent financial institution in bankruptcy, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 2947

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Financial Institution Bankruptcy Act of 2016''.

SEC. 2. GENERAL PROVISIONS RELATING TO COVERED FINANCIAL CORPORATIONS.

(a) DEFINITION.—Section 101 of title 11, United States Code, is amended by inserting the following after paragraph (9):

''(9A) The term 'covered financial corporation' means any corporation incorporated or organized under any Federal or State law, other than a stockbroker, a commodity broker, or an entity of the kind specified in paragraph (2) or (3) of section 109(b), that is—

''(A) a bank holding company, as defined in section 2(a) of the Bank Holding Company Act of 1956; or

''(B) a corporation that exists for the primary purpose of owning, controlling and financing its subsidiaries, that has total consolidated assets of $50,000,000,000 or greater, and for which, in its most recently completed fiscal year—

''(i) annual gross revenues derived by the corporation and all of its subsidiaries from activities that are financial in nature (as defined in section 4(k) of the Bank Holding Company Act of 1956) and, if applicable, from the ownership or control of one or more insured depository institutions, represents 85 percent or more of the consolidated annual gross revenues of the corporation; or

''(ii) the consolidated assets of the corporation and all of its subsidiaries related to activities that are financial in nature (as defined in section 4(k) of the Bank Holding Company Act of 1956) and, if applicable, related to the ownership or control of one or more insured depository institutions, represents 85 percent or more of the consolidated assets of the corporation.''.

(b) APPLICABILITY OF CHAPTERS.—Section 103 of title 11, United States Code, is amended by adding at the end the following:

''(l) Subchapter V of chapter 11 of this title applies only in a case under chapter 11 concerning a covered financial corporation.''.

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

(1) in subsection (b)—

(A) in paragraph (2), by striking ''or'' at the end;

(B) in paragraph (3)(B), by striking the period at the end and inserting ''; or''; and

(C) by adding at the end the following:

''(4) a covered financial corporation.''; and

(2) in subsection (d)—

(A) by striking ''and'' before ''an uninsured State member bank'';

(B) by striking ''or'' before ''a corporation''; and

(C) by inserting '', or a covered financial corporation'' after ''Federal Deposit Insurance Corporation Improvement Act of 1991''.

(d) CONVERSION TO CHAPTER 7.—Section 1112 of title 11, United States Code, is amended by adding at the end the following:

''(g) Notwithstanding section 109(b), the court may convert a case under subchapter V to a case under chapter 7 if—

''(1) a transfer approved under section 1185 has been consummated;

''(2) the court has ordered the appointment of a special trustee under section 1186; and

''(3) the court finds, after notice and a hearing, that conversion is in the best interest of the creditors and the estate.''.

(e)(1) Section 726(a)(1) of title 11, United States Code, is amended by inserting after ''first,'' the following: ''in payment of any unpaid fees, costs, and expenses of a special trustee appointed under section 1186, and then''.

(2) Section 1129(a) of title 11, United States Code, is amended by inserting after paragraph (16) the following:

''(17) In a case under subchapter V, all payable fees, costs, and expenses of the special trustee have been paid or the plan provides for the payment of all such fees, costs, and expenses on the effective date of the plan.

''(18) In a case under subchapter V, confirmation of the plan is not likely to cause serious adverse effects on financial stability in the United States.''.

(f) Section 322(b)(2) of title 11, United States Code, is amended by striking ''The'' and inserting ''In cases under subchapter V, the United States trustee shall recommend to the court, and in all other cases, the''.

SEC. 3. LIQUIDATION, REORGANIZATION, OR RECAPITALIZATION OF A COVERED FINANCIAL CORPORATION.

Chapter 11 of title 11, United States Code, is amended by adding at the end the following:

''SUBCHAPTER V—LIQUIDATION, REORGANIZATION, OR RECAPITALIZATION OF A COVERED FINANCIAL CORPORATION

''§1181. Inapplicability of other sections

''Sections 303 and 321(c) do not apply in a case under this subchapter concerning a covered financial corporation. Section 365 does not apply to a transfer under section 1185, 1187, or 1188.

''§1182. Definitions for this subchapter

''In this subchapter, the following definitions shall apply:

''(1) The term 'Board' means the Board of Governors of the Federal Reserve System.

''(2) The term 'bridge company' means a newly formed corporation to which property of

the estate may be transferred under section 1185(a) and the equity securities of which may be transferred to a special trustee under section 1186(a).

''(3) The term 'capital structure debt' means all unsecured debt of the debtor for borrowed money for which the debtor is the primary obligor, other than a qualified financial contract and other than debt secured by a lien on property of the estate that is to be transferred to a bridge company pursuant to an order of the court under section 1185(a).

''(4) The term 'contractual right' means a contractual right of a kind defined in section 555, 556, 559, 560, or 561.

''(5) The term 'qualified financial contract' means any contract of a kind defined in paragraph (25), (38A), (47), or (53B) of section 101, section 741(7), or paragraph (4), (5), (11), or (13) of section 761.

''(6) The term 'special trustee' means the trustee of a trust formed under section 1186(a)(1).

''§ 1183. Commencement of a case concerning a covered financial corporation

''(a) A case under this subchapter concerning a covered financial corporation may be commenced by the filing of a petition with the court by the debtor under section 301 only if the debtor states to the best of its knowledge under penalty of perjury in the petition that it is a covered financial corporation.

''(b) The commencement of a case under subsection (a) constitutes an order for relief under this subchapter.

''(c) The members of the board of directors (or body performing similar functions) of a covered financial company shall have no liability to shareholders, creditors, or other parties in interest for a good faith filing of a petition to commence a case under this subchapter, or for any reasonable action taken in good faith in contemplation of or in connection with such a petition or a transfer under section 1185 or section 1186, whether prior to or after commencement of the case.

''(d) Counsel to the debtor shall provide, to the greatest extent practicable without disclosing the identity of the potential debtor, sufficient confidential notice to the chief judge of the court of appeals for the circuit embracing the district in which such counsel intends to file a petition to commence a case under this subchapter regarding the potential commencement of such case. The chief judge of such court shall randomly assign to preside over such case a bankruptcy judge selected from among the bankruptcy judges designated by the Chief Justice of the United States under section 298 of title 28.

''§ 1184. Regulators

''The Board, the Securities Exchange Commission, the Office of the Comptroller of the Currency of the Department of the Treasury, the Commodity Futures Trading Commission, and the Federal Deposit Insurance Corporation may raise and may appear and be heard on any issue in any case or proceeding under this subchapter.

''§ 1185. Special transfer of property of the estate

''(a) On request of the trustee, and after notice and a hearing that shall occur not less than 24 hours after the order for relief, the court may order a transfer under this section of property of the estate, and the assignment of executory contracts, unexpired leases, and qualified financial contracts of the debtor, to a bridge company. Upon the entry of an order approving such transfer, any property transferred, and any executory contracts, unexpired leases, and qualified financial contracts assigned under such order shall no longer be property of the estate. Except as provided under this section, the provisions of section 363 shall apply to a transfer and assignment under this section.

''(b) Unless the court orders otherwise, notice of a request for an order under subsection (a) shall consist of electronic or telephonic notice of not less than 24 hours to—

''(1) the debtor;

''(2) the holders of the 20 largest secured claims against the debtor;

''(3) the holders of the 20 largest unsecured claims against the debtor;

''(4) counterparties to any debt, executory contract, unexpired lease, and qualified financial contract requested to be transferred under this section;

''(5) the Board;

''(6) the Federal Deposit Insurance Corporation;

''(7) the Secretary of the Treasury and the Office of the Comptroller of the Currency of the Treasury;

''(8) the Commodity Futures Trading Commission;

''(9) the Securities and Exchange Commission;

''(10) the United States trustee or bankruptcy administrator; and

''(11) each primary financial regulatory agency, as defined in section 2(12) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, with respect to any affiliate the equity securities of which are proposed to be transferred under this section.

''(c) The court may not order a transfer under this section unless the court determines, based upon a preponderance of the evidence, that—

''(1) the transfer under this section is necessary to prevent serious adverse effects on financial stability in the United States;

''(2) the transfer does not provide for the assumption of any capital structure debt by the bridge company;

''(3) the transfer does not provide for the transfer to the bridge company of any property of the estate that is subject to a lien securing a debt, executory contract, unexpired lease or agreement (including a qualified financial contract) of the debtor unless—

''(A)(i) the bridge company assumes such debt, executory contract, unexpired lease or agreement (including a qualified financial contract), including any claims arising in respect thereof that would not be allowed secured claims under section 506(a)(1) and after giving effect to such transfer, such property remains subject to the lien securing such debt, executory contract, unexpired lease or agreement (including a qualified financial contract); and

''(ii) the court has determined that assumption of such debt, executory contract, unexpired lease or agreement (including a qualified financial contract) by the bridge company is in the best interests of the estate; or

''(B) such property is being transferred to the bridge company in accordance with the provisions of section 363;

''(4) the transfer does not provide for the assumption by the bridge company of any debt, executory contract, unexpired lease or agreement (including a qualified financial contract) of the debtor secured by a lien on property of the estate unless the transfer provides for such property to be transferred to the bridge company in accordance with paragraph (3)(A) of this subsection;

''(5) the transfer does not provide for the transfer of the equity of the debtor;

''(6) the trustee has demonstrated that the bridge company is not likely to fail to meet the obligations of any debt, executory contract, qualified financial contract, or unexpired lease assumed and assigned to the bridge company;

''(7) the transfer provides for the transfer to a special trustee all of the equity securities in the bridge company and appointment of a special trustee in accordance with section 1186;

''(8) after giving effect to the transfer, adequate provision has been made for the fees, costs, and expenses of the estate and special trustee; and

''(9) the bridge company will have governing documents, and initial directors and senior officers, that are in the best interest of creditors and the estate.

''(d) Immediately before a transfer under this section, the bridge company that is the recipient of the transfer shall—

''(1) not have any property, executory contracts, unexpired leases, qualified financial contracts, or debts, other than any property acquired or executory contracts, unexpired leases, or debts assumed when acting as a transferee of a transfer under this section; and

''(2) have equity securities that are property of the estate, which may be sold or distributed in accordance with this title.

''§ 1186. Special trustee

''(a)(1) An order approving a transfer under section 1185 shall require the trustee to transfer to a qualified and independent special trustee, who is appointed by the court, all of the equity securities in the bridge company that is the recipient of a transfer under section 1185 to hold in trust for the sole benefit of the estate, subject to satisfaction of the special trustee's fees, costs, and expenses. The trust of which the special trustee is the trustee shall be a newly formed trust governed by a trust agreement approved by the court as in the best interests of the estate, and shall exist for the sole purpose of holding and administering, and shall be permitted to dispose of, the equity securities of the bridge company in accordance with the trust agreement.

''(2) In connection with the hearing to approve a transfer under section 1185, the trustee shall confirm to the court that the Board has been consulted regarding the identity of the proposed special trustee and advise the court of the results of such consultation.

''(b) The trust agreement governing the trust shall provide—

''(1) for the payment of the fees, costs, expenses, and indemnities of the special trustee from the assets of the debtor's estate;

''(2) that the special trustee provide—

''(A) quarterly reporting to the estate, which shall be filed with the court; and

''(B) information about the bridge company reasonably requested by a party in interest to prepare a disclosure statement for a plan providing for distribution of any securities of the bridge company if such information is necessary to prepare such disclosure statement;

''(3) that for as long as the equity securities of the bridge company are held by the trust, the special trustee shall file a notice with the court in connection with—

''(A) any change in a director or senior officer of the bridge company;

''(B) any modification to the governing documents of the bridge company; and

''(C) any material corporate action of the bridge company, including—

''(i) recapitalization;

''(ii) a material borrowing;

''(iii) termination of an intercompany debt or guarantee;

''(iv) a transfer of a substantial portion of the assets of the bridge company; or

''(v) the issuance or sale of any securities of the bridge company;

''(4) that any sale of any equity securities of the bridge company shall not be consummated until the special trustee consults with the Federal Deposit Insurance Corporation and the Board regarding such sale and discloses the results of such consultation with the court;

''(5) that, subject to reserves for payments permitted under paragraph (1) provided for in the trust agreement, the proceeds of the sale of any equity securities of the bridge company by the special trustee be held in trust for the benefit of or transferred to the estate;

''(6) the process and guidelines for the replacement of the special trustee; and

''(7) that the property held in trust by the special trustee is subject to distribution in accordance with subsection (c).

''(c)(1) The special trustee shall distribute the assets held in trust—

''(A) if the court confirms a plan in the case, in accordance with the plan on the effective date of the plan; or

''(B) if the case is converted to a case under chapter 7, as ordered by the court.

''(2) As soon as practicable after a final distribution under paragraph (1), the office of the special trustee shall terminate, except as may be necessary to wind up and conclude the business and financial affairs of the trust.

''(d) After a transfer to the special trustee under this section, the special trustee shall be subject only to applicable nonbankruptcy law, and the actions and conduct of the special trustee shall no longer be subject to approval by the court in the case under this subchapter.

''§1187. Temporary and supplemental automatic stay; assumed debt

''(a)(1) A petition filed under section 1183 operates as a stay, applicable to all entities, of the termination, acceleration, or modification of any debt, contract, lease, or agreement of the kind described in paragraph (2), or of any right or obligation under any such debt, contract, lease, or agreement, solely because of—

''(A) a default by the debtor under any such debt, contract, lease, or agreement; or

''(B) a provision in such debt, contract, lease, or agreement, or in applicable nonbankruptcy law, that is conditioned on—

''(i) the insolvency or financial condition of the debtor at any time before the closing of the case;

''(ii) the commencement of a case under this title concerning the debtor;

''(iii) the appointment of or taking possession by a trustee in a case under this title concerning the debtor or by a custodian before the commencement of the case; or

''(iv) a credit rating agency rating, or absence or withdrawal of a credit rating agency rating—

''(I) of the debtor at any time after the commencement of the case;

''(II) of an affiliate during the period from the commencement of the case until 48 hours after such order is entered;

''(III) of the bridge company while the trustee or the special trustee is a direct or indirect beneficial holder of more than 50 percent of the equity securities of—

''(aa) the bridge company; or

''(bb) the affiliate, if all of the direct or indirect interests in the affiliate that are property of the estate are transferred under section 1185; or

''(IV) of an affiliate while the trustee or the special trustee is a direct or indirect beneficial holder of more than 50 percent of the equity securities of—

''(aa) the bridge company; or

''(bb) the affiliate, if all of the direct or indirect interests in the affiliate that are property of the estate are transferred under section 1185.

''(2) A debt, contract, lease, or agreement described in this paragraph is—

''(A) any debt (other than capital structure debt), executory contract, or unexpired lease of the debtor (other than a qualified financial contract);

''(B) any agreement under which the debtor issued or is obligated for debt (other than capital structure debt);

''(C) any debt, executory contract, or unexpired lease of an affiliate (other than a qualified financial contract); or

''(D) any agreement under which an affiliate issued or is obligated for debt.

''(3) The stay under this subsection terminates—

''(A) for the benefit of the debtor, upon the earliest of—

''(i) 48 hours after the commencement of the case;

''(ii) assumption of the debt, contract, lease, or agreement by the bridge company under an order authorizing a transfer under section 1185;

''(iii) a final order of the court denying the request for a transfer under section 1185; or

''(iv) the time the case is dismissed; and

''(B) for the benefit of an affiliate, upon the earliest of—

''(i) the entry of an order authorizing a transfer under section 1185 in which the direct or indirect interests in the affiliate that are property of the estate are not transferred under section 1185;

''(ii) a final order by the court denying the request for a transfer under section 1185;

''(iii) 48 hours after the commencement of the case if the court has not ordered a transfer under section 1185; or

''(iv) the time the case is dismissed.

''(4) Subsections (d), (e), (f), and (g) of section 362 apply to a stay under this subsection.

''(b) A debt, executory contract (other than a qualified financial contract), or unexpired lease of the debtor, or an agreement under which the debtor has issued or is obligated for any debt, may be assumed by a bridge company in a transfer under section 1185 notwithstanding any provision in an agreement or in applicable nonbankruptcy law that—

''(1) prohibits, restricts, or conditions the assignment of the debt, contract, lease, or agreement; or

''(2) accelerates, terminates, or modifies, or permits a party other than the debtor to terminate or modify, the debt, contract, lease, or agreement on account of—

''(A) the assignment of the debt, contract, lease, or agreement; or

''(B) a change in control of any party to the debt, contract, lease, or agreement.

''(c)(1) A debt, contract, lease, or agreement of the kind described in subparagraph (A) or (B) of subsection (a)(2) may not be accelerated, terminated, or modified, and any right or obligation under such debt, contract, lease, or agreement may not be accelerated, terminated, or modified, as to the bridge company solely because of a provision in the debt, contract, lease, or agreement or in applicable nonbankruptcy law—

''(A) of the kind described in subsection (a)(1)(B) as applied to the debtor;

''(B) that prohibits, restricts, or conditions the assignment of the debt, contract, lease, or agreement; or

''(C) that accelerates, terminates, or modifies, or permits a party other than the debtor to terminate or modify, the debt, contract, lease or agreement on account of—

''(i) the assignment of the debt, contract, lease, or agreement; or

''(ii) a change in control of any party to the debt, contract, lease, or agreement.

''(2) If there is a default by the debtor under a provision other than the kind described in paragraph (1) in a debt, contract, lease or agreement of the kind described in subparagraph (A) or (B) of subsection (a)(2), the bridge company may assume such debt, contract, lease, or agreement only if the bridge company—

''(A) shall cure the default;

''(B) compensates, or provides adequate assurance in connection with a transfer under section 1185 that the bridge company will promptly compensate, a party other than the debtor to the debt, contract, lease, or agreement, for any actual pecuniary loss to the party resulting from the default; and

''(C) provides adequate assurance in connection with a transfer under section 1185 of future performance under the debt, contract, lease, or agreement, as determined by the court under section 1185(c)(4).

''§1188. Treatment of qualified financial contracts and affiliate contracts

''(a) Notwithstanding sections 362(b)(6), 362(b)(7), 362(b)(17), 362(b)(27), 362(o), 555, 556, 559, 560, and 561, a petition filed under section 1183 operates as a stay, during the period specified in section 1187(a)(3)(A), applicable to all entities, of the exercise of a contractual right—

''(1) to cause the modification, liquidation, termination, or acceleration of a qualified financial contract of the debtor or an affiliate;

''(2) to offset or net out any termination value, payment amount, or other transfer obligation arising under or in connection with a qualified financial contract of the debtor or an affiliate; or

''(3) under any security agreement or arrangement or other credit enhancement forming a part of or related to a qualified financial contract of the debtor or an affiliate.

''(b)(1) During the period specified in section 1187(a)(3)(A), the trustee or the affiliate shall perform all payment and delivery obligations under such qualified financial contract of the debtor or the affiliate, as the case may be, that become due after the commencement of the case. The stay provided under subsection (a) terminates as to a qualified financial contract of the debtor or an affiliate immediately upon the failure of the trustee or the affiliate, as the case may be, to perform any such obligation during such period.

''(2) Any failure by a counterparty to any qualified financial contract of the debtor or any affiliate to perform any payment or delivery obligation under such qualified financial contract, including during the pendency of the stay provided under subsection (a), shall constitute a breach of such qualified financial contract by the counterparty.

''(c) Subject to the court's approval, a qualified financial contract between an entity and the debtor may be assigned to or assumed by the bridge company in a transfer under, and in accordance with, section 1185 if and only if—

''(1) all qualified financial contracts between the entity and the debtor are assigned to and assumed by the bridge company in the transfer under section 1185;

''(2) all claims of the entity against the debtor in respect of any qualified financial contract between the entity and the debtor (other than any claim that, under the terms of the qualified financial contract, is subordinated to the claims of general unsecured creditors) are assigned to and assumed by the bridge company;

''(3) all claims of the debtor against the entity under any qualified financial contract between the entity and the debtor are assigned to and assumed by the bridge company; and

''(4) all property securing or any other credit enhancement furnished by the debtor for any qualified financial contract described in paragraph (1) or any claim described in paragraph (2) or (3) under any qualified financial contract between the entity and the debtor is assigned to and assumed by the bridge company.

''(d) Notwithstanding any provision of a qualified financial contract or of applicable nonbankruptcy law, a qualified financial contract of the debtor that is assumed or assigned in a transfer under section 1185 may not be accelerated, terminated, or modified, after the entry of the order approving a transfer under section 1185, and any right or obligation under the qualified financial contract may not be accelerated, terminated, or modified, after the entry of the order approving a transfer under section 1185 solely because of a condition described in section 1187(c)(1), other than a condition of the kind specified in section 1187(b) that occurs after property of the estate no longer includes a direct beneficial interest or an indirect beneficial interest through the special trustee, in more than 50 percent of the equity securities of the bridge company.

''(e) Notwithstanding any provision of any agreement or in applicable nonbankruptcy law, an agreement of an affiliate (including an executory contract, an unexpired lease, qualified financial contract, or an agreement under which the affiliate issued or is obligated for debt) and any right or obligation under such agreement may not be accelerated, terminated, or modified, solely because of a condition described in section 1187(c)(1), other than a condition of the

kind specified in section 1187(b) that occurs after the bridge company is no longer a direct or indirect beneficial holder of more than 50 percent of the equity securities of the affiliate, at any time after the commencement of the case if—

''(1) all direct or indirect interests in the affiliate that are property of the estate are transferred under section 1185 to the bridge company within the period specified in subsection (a);

''(2) the bridge company assumes—

''(A) any guarantee or other credit enhancement issued by the debtor relating to the agreement of the affiliate; and

''(B) any obligations in respect of rights of setoff, netting arrangement, or debt of the debtor that directly arises out of or directly relates to the guarantee or credit enhancement; and

''(3) any property of the estate that directly serves as collateral for the guarantee or credit enhancement is transferred to the bridge company.

''§1189. Licenses, permits, and registrations

''(a) Notwithstanding any otherwise applicable nonbankruptcy law, if a request is made under section 1185 for a transfer of property of the estate, any Federal, State, or local license, permit, or registration that the debtor or an affiliate had immediately before the commencement of the case and that is proposed to be transferred under section 1185 may not be accelerated, terminated, or modified at any time after the request solely on account of—

''(1) the insolvency or financial condition of the debtor at any time before the closing of the case;

''(2) the commencement of a case under this title concerning the debtor;

''(3) the appointment of or taking possession by a trustee in a case under this title concerning the debtor or by a custodian before the commencement of the case; or

''(4) a transfer under section 1185.

''(b) Notwithstanding any otherwise applicable nonbankruptcy law, any Federal, State, or local license, permit, or registration that the debtor had immediately before the commencement of the case that is included in a transfer under section 1185 shall be valid and all rights and obligations thereunder shall vest in the bridge company.

''§1190. Exemption from securities laws

''For purposes of section 1145, a security of the bridge company shall be deemed to be a security of a successor to the debtor under a plan if the court approves the disclosure statement for the plan as providing adequate information (as defined in section 1125(a)) about the bridge company and the security.

''§1191. Inapplicability of certain avoiding powers

''A transfer made or an obligation incurred by the debtor to an affiliate prior to or after the commencement of the case, including any obligation released by the debtor or the estate to or for the benefit of an affiliate, in contemplation of or in connection with a transfer under section 1185 is not avoidable under section 544, 547, 548(a)(1)(B), or 549, or under any similar nonbankruptcy law.

''§1192. Consideration of financial stability

''The court may consider the effect that any decision in connection with this subchapter may have on financial stability in the United States.''.

SEC. 4. AMENDMENTS TO TITLE 28, UNITED STATES CODE.

(a) AMENDMENT TO CHAPTER 13.—Chapter 13 of title 28, United States Code, is amended by adding at the end the following:

''§298. Judge for a case under subchapter V of chapter 11 of title 11

''(a)(1) Notwithstanding section 295, the Chief Justice of the United States shall designate not fewer than 10 bankruptcy judges to be available to hear a case under subchapter V of chapter 11 of title 11. Bankruptcy judges may request to be considered by the Chief Justice of the United States for such designation.

''(2) Notwithstanding section 155, a case under subchapter V of chapter 11 of title 11 shall be heard under section 157 by a bankruptcy judge designated under paragraph (1), who shall be randomly assigned to hear such case by the chief judge of the court of appeals for the circuit embracing the district in which the case is pending. To the greatest extent practicable, the approvals required under section 155 should be obtained.

''(3) If the bankruptcy judge assigned to hear a case under paragraph (2) is not assigned to the district in which the case is pending, the bankruptcy judge shall be temporarily assigned to the district.

''(b) A case under subchapter V of chapter 11 of title 11, and all proceedings in the case, shall take place in the district in which the case is pending.

''(c) In this section, the term 'covered financial corporation' has the meaning given that term in section 101(9A) of title 11.''.

(b) AMENDMENT TO SECTION 1334 OF TITLE 28.—Section 1334 of title 28, United States Code, is amended by adding at the end the following:

''(f) This section does not grant jurisdiction to the district court after a transfer pursuant to an order under section 1185 of title 11 of any proceeding related to a special trustee appointed, or to a bridge company formed, in connection with a case under subchapter V of chapter 11 of title 11.''.

(c) TECHNICAL AND CONFORMING AMENDMENT.—The table of sections for chapter 13 of title 28, United States Code, is amended by adding at the end the following:

''298. Judge for a case under subchapter V of chapter 11 of title 11.''.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Virginia (Mr. GOODLATTE) and the gentleman from Georgia (Mr. JOHNSON) each will control 20 minutes.

The Chair recognizes the gentleman from Virginia.

GENERAL LEAVE

Mr. GOODLATTE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and to include extraneous materials on H.R. 2947, currently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. GOODLATTE. Mr. Speaker, I yield myself such time as I may consume.

In 2008, our economy suffered one of the most significant financial crises in history. In the midst of the crisis and in response to a fear that some financial firms' failures could cause severe harm to the overall economy, the Federal Government provided extraordinary taxpayer-funded assistance in order to prevent certain financial firms' failures. In the ensuing years, experts from the financial, regulatory, legal, and academic communities examined how best to prevent another similar crisis from occurring and how to eliminate the possibility of using taxpayer moneys to bail out failing firms.

The Judiciary Committee has advanced the review of this issue with the aim of crafting a solution that will better equip our bankruptcy laws to resolve failing firms while also encouraging greater private counterparty diligence in order to reduce the likelihood of another financial crisis. Among other things, this responded to provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which called for an examination of how to improve the Bankruptcy Code in this area.

Last Congress, after three hearings, the Judiciary Committee favorably reported the Financial Institution Bankruptcy Act, which is legislation that improved the Bankruptcy Code to better facilitate the resolution of a financial firm. That legislation was the culmination of a bipartisan process that solicited and incorporated the views of a wide range of leading experts and relevant regulators. The bill ultimately passed the House by a voice vote under a suspension of the rules.

This Congress, Representative TROTT reintroduced the Financial Institution Bankruptcy Act as H.R. 2947. Following its introduction, the Subcommittee on Regulatory Reform, Commercial and Antitrust Law conducted a hearing on the bill. The hearing witnesses all supported the legislation while providing recommendations for further refinements to the bill. Those recommendations were incorporated, and the Judiciary Committee approved the legislation by a unanimous vote of 25–0.

The bill under consideration today is the product of a careful, deliberate, and thorough process, and it reflects a diverse range of views from a variety of interested parties. The Financial Institution Bankruptcy Act makes several improvements to the Bankruptcy Code in order to enhance the prospect of the efficient resolution of a financial firm through the bankruptcy process.

The bill allows for the speedy transfer of a financial firm's operating assets over the course of a weekend. This quick transfer allows the financial firm to continue to operate in the normal course, which preserves the value of the enterprise for the creditors of the bankruptcy without there being any significant impact on the firm's employees, suppliers, and customers.

The bill also requires expedited judicial review by a bankruptcy judge who has been randomly chosen from a pool of judges, who has been designated in advance, and who has been selected by the chief justice for his experience, expertise, and willingness to preside over these complex cases. Furthermore, the legislation provides for key regulatory input throughout the process.

The Financial Institution Bankruptcy Act is a bipartisan, balanced approach that increases transparency and predictability in the resolution of a financial firm. Furthermore, it ensures that shareholders and creditors, not taxpayers, bear the losses related to the failure of a financial company.

I am pleased that Ranking Member CONYERS is a lead sponsor of this important legislation, and I thank him

and his staff for their efforts in developing this bill. I thank Representative TROTT for introducing this important legislation, and I thank Chairman MARINO of the Subcommittee on Regulatory Reform, Commercial and Antitrust Law, who is one of the original sponsors of the bill and who helped to usher the bill through the Judiciary Committee. I also commend my colleague from Georgia, who is also involved in this work and who is the ranking member of that same subcommittee.

I urge my colleagues to vote in favor of this important legislation.

I reserve the balance of my time.

Mr. JOHNSON of Georgia. Mr. Speaker, I yield myself such time as I may consume.

H.R. 2947, the Financial Institution Bankruptcy Act of 2016, amends the Bankruptcy Code to establish a process for the expedited judicial resolution of large financial institutions in order to soften the disruptive effects of their collapse.

As we all know, the Great Recession was triggered by the widespread issuance and limited regulation of high-risk and, possibly, fraudulent mortgage-backed securities. Fueled by adjustable rate and predatory subprime mortgages, these securities were issued without regard to careful underwriting standards, caused a housing bubble that trapped countless homeowners in unaffordable mortgages, and led to a massive wave of foreclosures that resulted in the worst financial crisis since the Great Depression. In the wake of this crisis, the President signed the Dodd-Frank Act into law so as to provide comprehensive measures to reduce systemic risk through heightened financial stability requirements for large financial institutions.

Among many other requirements, title I of Dodd-Frank requires that certain large financial institutions have living wills to ensure a rapid and orderly resolution in the event of material distress or failure. Title II of the law provides for an administrative process to wind down these institutions so as to avoid adverse effects on the entire financial system; but there is no such process under the current bankruptcy law.

I applaud Congressman TROTT and the chairman of the full committee, Chairman GOODLATTE, for addressing this concern by offering this legislation to revise the Bankruptcy Code in order to establish a specialized form of bankruptcy relief that would facilitate the expeditious resolution of large financial institutions and would minimize the disruptive impact of a company's collapse on the financial system. The legislation largely accomplishes this goal by establishing a resolution process that authorizes a court to provide relief by transferring a debtor's assets to a bridge company, under an expedited timeline, while minimizing the adverse effects of the bankruptcy on the financial system.

While these aspects of the bill are commendable, I remain concerned, however, that this legislation lacks a funding mechanism that would allow the Federal Government to provide liquidity to the company, which is a key difference between an orderly resolution under Dodd-Frank and the resolution contemplated by H.R. 2947.

In a typical bankruptcy case, the debtor's reorganization may be funded by private parties or by the Federal Government, as illustrated by the General Motors bankruptcy. In many instances, liquidity provided by the U.S. Government to prevent the collapse of a financial institution has either returned a profit to the taxpayers or is likely to be repaid.

Leading bankruptcy experts have found that providing liquidity to distressed financial institutions ''is essential to successfully resolving the firm without creating undue systemic risk.'' This critical mechanism has prevented the collapses of several major financial institutions without cost to the taxpayer.

Lastly, I would caution against efforts to combine H.R. 2947 with legislation that would strike title II of the Dodd-Frank Act. As the National Bankruptcy Conference has observed, laws that are currently in place, such as title II of the Dodd-Frank Act, should remain in effect because the ability of U.S. regulators to assume full control of the resolution process to elicit the cooperation from non-U.S. regulators is an essential insurance policy against systemic risk and potential conflict and dysfunction among the multinational components of these institutions. I would also note that title II of the Dodd-Frank Act will serve as a valuable backstop to the bankruptcy process should this bill become law.

Notwithstanding these concerns, I thank, once again, the gentleman from Virginia, the gentleman from Michigan, and also my friend and chair of the relevant subcommittee, TOM MARINO from Pennsylvania, for their leadership on this issue and for the bipartisan process in developing this legislation. I also thank the Democratic and Republican counsel of the Judiciary Committee, Susan Jensen and Anthony Grossi, for their tireless work and substantive expertise in developing this legislation.

I reserve the balance of my time.

Mr. GOODLATTE. Mr. Speaker, it is my pleasure to yield such time as he may consume to the gentleman from Michigan (Mr. TROTT), the chief sponsor of the legislation.

Mr. TROTT. I thank my colleagues Chairman GOODLATTE, Ranking Member CONYERS, and my friend from Georgia for their support of this important legislation. I also thank the other Members and the staff who have helped shape this bipartisan bill.

Mr. Speaker, the American people are frustrated with their government. While families are working hard, are paying their taxes, and are doing their best to keep the American Dream alive, Washington decides to spend money it doesn't have on problems it shouldn't solve. Suffice it to say, both parties have proven to be bad stewards of our Nation's finances.

Many of us were disappointed to see $700 billion in taxpayer money spent on bailing out failed financial institutions in 2008. The American people should not be on the hook for the failures of bad business practices. The American people entrusted us with their tax dollars, and Washington used the money to bail out banks. We cannot let this happen again. The legislation we are considering today is aimed at protecting American taxpayers and at reducing the risk of another taxpayer-funded bailout.

The Financial Institution Bankruptcy Act protects taxpayers by reforming the process of how failing banks go through bankruptcy proceedings. We have incorporated the recommendations of hearing witnesses, regulators, and experts from four Judiciary Committee hearings over the past 2 years. This effort is, truly, the product of bipartisan work and compromise.

Under this bill, the process will be handled by an experienced judge—a judge who knows how to handle the complex reorganizations of financial institutions. It will also result in a transparent judicial process instead of there being a group of bank CEOs and regulators that meets in a back room in order to decide how to save a failing bank. It will ensure that shareholders and creditors are at risk when a financial institution fails, not the American taxpayer. Further, decades of case law and precedent will ensure a fair result.

This bill is the kind of commonsense legislation that, I believe, offers important solutions, that protects the American people, and that is deserving of strong bipartisan support. I encourage all of my colleagues to support this effort. Let's pass this bill and move it to the Senate for consideration.

□ 1700

Mr. GOODLATTE. Mr. Speaker, I only have one speaker remaining, myself, to close. So I am prepared to do that once the gentleman from Georgia yields back.

I reserve the balance of my time.

Mr. JOHNSON of Georgia. Mr. Speaker, I ask that my colleagues pass this measure.

I yield back the remainder of my time.

Mr. GOODLATTE. Mr. Speaker, the Financial Institution Bankruptcy Act is a necessary reform to ensure that taxpayers will not be called on to rescue the next failing financial firm. The legislation relies on longstanding bankruptcy principles that will be applied in a predictable and transparent manner.

The Financial Institution Bankruptcy Act is a bipartisan measure

that enjoys broad support from outside experts. I urge my colleagues to vote in favor of this important reform. I thank my colleagues on the Judiciary Committee for their bipartisan effort to produce this legislation.

I yield back the balance of my time.

Mr. CONYERS. Mr. Speaker, I rise in support of H.R. 2947, the "Financial Institution Bankruptcy Act of 2016." for several reasons.

To begin with, the bill addresses a real need—recognized by regulatory agencies, bankruptcy experts, and the private sector—that the bankruptcy law must be amended so that it can expeditiously restore trust in the financial marketplace as soon as possible after the collapse of a major financial institution.

As many of you may recall, the failure of Lehman Brothers in 2008 caused a worldwide freeze on the availability of credit, which not only affected Wall Street, but Main Street as well.

Even after Lehman sought bankruptcy relief, the filing did not prevent the near collapse of our Nation's economy. The Lehman case revealed that current bankruptcy law is ill-equipped to deal with complex financial institutions in economic distress.

H.R. 2947 addresses these shortcomings by establishing a specialized form of bankruptcy relief whereby the holding company of a large financial institution could expeditiously obtain such relief, while allowing its operating subsidiaries to function outside of bankruptcy.

Through this mechanism, the debtor's principal assets, such as its secured property, financial contracts, and the stock of its subsidiaries, would be transferred to a temporary "bridge company," that, in turn, would liquidate these assets for the benefit of creditors under the supervision of a trustee.

This process should reduce the likelihood of disruption to the financial marketplace and avoid any worldwide freeze on the availability of credit.

Another reason why I support this bill is that it appropriately recognizes the important role the Dodd-Frank Act has in the regulation of large financial institutions.

Without doubt, the Great Recession was a direct result of the regulatory equivalent of the Wild West.

In the absence of any meaningful regulation of the mortgage industry, lenders developed high risk subprime mortgages and used predatory marketing tactics targeting the most vulnerable.

These doomed-to-fail mortgages were then securitized and sold to unsuspecting investors, including pension funds and school districts.

Millions of Americans were trapped in mortgages they could no longer afford. This resulted in causing vast waves of foreclosures, massive unemployment, and international economic upheaval.

The Dodd-Frank Act goes a long way toward reinvigorating a regulatory system that makes the financial marketplace more accountable, more transparent, and more resilient.

And, H.R. 2947 will make the Dodd-Frank Act even more effective by ensuring the bankruptcy law is better equipped to resolve these companies.

Finally, I am pleased that H.R. 2947 is the product of a very collaborative, inclusive, and deliberative process.

A collaborative process—particularly with respect to complex legislation with wide-ranging consequences—is essential. It should be the norm, not the exception.

Accordingly, I commend Judiciary Committee Chairman GOODLATTE for his leadership in ensuring this collaborative process for H.R. 2947.

Nevertheless, while the bill is an excellent measure, it unfortunately does not include any provision allowing the federal government to be a lender of last resort, a critical element that nearly every expert recognizes is necessary to ensure financial stability. This is a matter that at some point must be addressed.

Again, I want to acknowledge the excellent level of cooperation on both sides of the aisle in producing the legislation that is pending before us today.

In closing, I appreciate that my Judiciary Committee colleagues on both sides of the aisle have come together to support H.R. 2947.

Nevertheless, I strongly encourage Chairman GOODLATTE to consider other bankruptcy-related measures that my colleagues and I have introduced this Congress dealing with equally important matters.

These measures include H.R. 97, the "Protecting Employees and Retirees in Business Bankruptcies Act," which I introduced to help level the playing field for employees and pensioners in corporate bankruptcy cases.

I also would urge consideration of legislation, such as H.R. 1674, the "Private Student Loan Bankruptcy Fairness Act," a bill sponsored by my colleague, the gentleman from Tennessee STEVE COHEN, that would help relieve those who—through no fault of their own—become entrapped in unaffordable, predatory student loan obligations.

These measures also deserve to be considered prior to the close of this Congress.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Virginia (Mr. GOODLATTE) that the House suspend the rules and pass the bill, H.R. 2947, as amended.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

PREVENTING CRIMES AGAINST VETERANS ACT OF 2016

Mr. GOODLATTE. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4676) to amend title 18, United States Code, to provide an additional tool to prevent certain frauds against veterans, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 4676

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Preventing Crimes Against Veterans Act of 2016".

SEC. 2. ADDITIONAL TOOL TO PREVENT CERTAIN FRAUDS AGAINST VETERANS.

(a) IN GENERAL.—Chapter 47 of title 18, United States Code, is amended by adding at the end the following:

"§ 1041. Fraud regarding veterans' benefits

"(a) Whoever knowingly engages in any scheme or artifice to defraud an individual of veterans' benefits, or in connection with obtaining veteran's benefits for that individual, shall be fined under this title, imprisoned not more than five years, or both.

"(b) In this section—

"(1) the term 'veteran' has the meaning given that term in section 101 of title 38; and

"(2) the term 'veterans' benefits' means any benefit provided by Federal law for a veteran or a dependent or survivor of a veteran.".

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 47 of title 18, United States Code, is amended by adding at the end the following new item:

"1041. Fraud regarding veterans' benefits.".

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Virginia (Mr. GOODLATTE) and the gentleman from Georgia (Mr. JOHNSON) each will control 20 minutes.

The Chair recognizes the gentleman from Virginia.

GENERAL LEAVE

Mr. GOODLATTE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous materials on H.R. 4676, as amended, currently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. GOODLATTE. Mr. Speaker, I yield myself such time as I may consume.

H.R. 4676, the Preventing Crimes Against Veterans Act of 2016, was introduced by Congressman TOM ROONEY of Florida, a former member of the Judiciary Committee, and Congressman TED DEUTCH of Florida, a current member of the Judiciary Committee.

This legislation fixes a loophole in Federal law and provides Federal prosecutors with an additional tool to go after criminals who seek to defraud veterans.

In recent years, financial predators have increasingly targeted veterans, particularly elderly veterans in low-income housing, in an effort to defraud the veterans out of their Veterans Affairs benefits.

These criminals offer to help veterans with their cases, claim to get their benefits approved in record time, charge fees that are often in the thousands of dollars, and then provide them with little or no assistance.

Under current law, many of these fraudsters would be vulnerable to prosecution under the mail or wire fraud statutes if they engage in this sort of fraudulent scheme by calling a veteran on the phone, sending them an email, mailing them a letter, or otherwise using the instrumentalities of interstate commerce to commit fraud.

However, increasingly these criminals are taking advantage of a loophole in Federal law by conducting in-person seminars or meeting in person at a veteran's home or assisted living facility.