

116TH CONGRESS  
1ST SESSION

# S. 2839

To amend the Bank Holding Company Act of 1956 to regulate industrial bank holding companies, and for other purposes.

---

## IN THE SENATE OF THE UNITED STATES

NOVEMBER 12, 2019

Mr. KENNEDY introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

---

## A BILL

To amend the Bank Holding Company Act of 1956 to regulate industrial bank holding companies, 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.**

4 This Act may be cited as the “Eliminating Corporate  
5 Shadow Banking Act of 2019”.

6 **SEC. 2. INDUSTRIAL BANK HOLDING COMPANY REGULA-**  
7 **TION.**

8 (a) DEFINITIONS.—Section 2 of the Bank Holding  
9 Company Act of 1956 (12 U.S.C. 1841) is amended—

1           (1) in subsection (c)(2), by redesignating sub-  
 2           paragraph (H) as subsection (r), moving that sub-  
 3           section to appear after subsection (q), and adjusting  
 4           the margins accordingly;

5           (2) in subsection (r), as so redesignated—

6                   (A) by striking “(r) An industrial” and in-  
 7                   serting the following:

8           “(r) INDUSTRIAL BANK.—The term ‘industrial bank’  
 9           means an industrial”; and

10                   (B) in the flush text following subpara-  
 11                   graph (B), by striking “subparagraph” and in-  
 12                   serting “subsection”; and

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

14           “(s) COVERED INDUSTRIAL BANK HOLDING COM-  
 15           pany.—The term ‘covered industrial bank holding com-  
 16           pany’ means any company—

17                   “(1) that, before October 1, 2019, controlled  
 18                   (as determined by the Board pursuant to subsection  
 19                   (a)), directly or indirectly, an industrial bank;

20                   “(2) that did not acquire control of any other  
 21                   depository institution after October 1, 2019;

22                   “(3) with respect to which there is no change  
 23                   in control, directly or indirectly, of any depository  
 24                   institution subsidiary after October 1, 2019, that re-  
 25                   quires a registration under this section or an appli-

1 cation under section 7(j) or 18(c) of the Federal De-  
 2 posit Insurance Act (12 U.S.C. 1817(j), 1828(c)),  
 3 section 3 of this Act, or section 10 of the Home  
 4 Owners' Loan Act (12 U.S.C. 1467a); and

5 “(4) that was not—

6 “(A) a bank holding company;

7 “(B) a savings and loan holding company;

8 “(C) a company that is subject to this Act  
 9 pursuant to section 8(a) of the International  
 10 Banking Act of 1978 (12 U.S.C. 3106(a));

11 “(D) a holding company regulated by the  
 12 Securities and Exchange Commission pursuant  
 13 to section 240.15c3–1(a)(7) of title 17, Code of  
 14 Federal Regulations, as in effect on August 1,  
 15 2019; or

16 “(E) controlled by a company described in  
 17 subparagraph (A), (B), (C), or (D).

18 “(t) CAPITAL TERMS RELATING TO COVERED INDUS-  
 19 TRIAL BANK HOLDING COMPANIES.—

20 “(1) ADEQUATELY CAPITALIZED.—With respect  
 21 to a covered industrial bank holding company, the  
 22 term ‘adequately capitalized’ means a level of cap-  
 23 italization which meets or exceeds all applicable Fed-  
 24 eral regulatory capital standards.

1           “(2) WELL CAPITALIZED.—With respect to a  
 2           covered industrial bank holding company, the term  
 3           ‘well capitalized’ means a level of capitalization  
 4           which meets or exceeds the required capital levels for  
 5           well capitalized covered industrial bank holding com-  
 6           panies established by the Board.”.

7           (b) COVERED INDUSTRIAL BANK HOLDING COMPANY  
 8           REGISTRATION AND OWNERSHIP.—The Bank Holding  
 9           Company Act of 1956 (12 U.S.C. 1841 et seq.) is amend-  
 10          ed by adding at the end the following:

11       **“SEC. 15. INDUSTRIAL BANK HOLDING COMPANY REGULA-**  
 12                               **TION.**

13           “(a) ACQUISITION OF INDUSTRIAL BANK SHARES OR  
 14           ASSETS.—Section 3 of this Act (other than section  
 15           3(c)(3)(B)) shall apply to any covered industrial bank  
 16           holding company in the same manner as that section ap-  
 17           plies to a company that is or would become a bank holding  
 18           company, except that for purposes of applying this sub-  
 19           section—

20           “(1) any reference to a ‘bank holding company’  
 21           in such section 3 shall be deemed to be a reference  
 22           to a ‘covered industrial bank holding company’;

23           “(2) any reference to a ‘bank’ in such section  
 24           3 shall be deemed to be a reference to an ‘industrial  
 25           bank’;

1 “(3) any reference to the ‘Bank Holding Com-  
 2 pany Act Amendments of 1970’ in such section 3  
 3 shall be deemed to be a reference to the ‘Industrial  
 4 Bank Holding Company Act of 2019’;

5 “(4) any reference to a ‘home State’ in such  
 6 section 3 shall be deemed to be a reference to—

7 “(A) with respect to a covered industrial  
 8 bank holding company, the State in which the  
 9 total deposits of all banking subsidiaries of such  
 10 company were the largest on the later of—

11 “(i) October 1, 2019; or

12 “(ii) the date on which the company  
 13 becomes a covered industrial bank holding  
 14 company under this section; and

15 “(B) with respect to an industrial bank,  
 16 the home State of the bank as determined  
 17 under section 44(g) of the Federal Deposit In-  
 18 surance Act (12 U.S.C. 1831u(g));

19 “(5) any reference to a ‘host State’ in such sec-  
 20 tion 3 shall be deemed to be a reference to—

21 “(A) with respect to a covered industrial  
 22 bank holding company, a State, other than the  
 23 home State of the company, in which the com-  
 24 pany controls, or seeks to control, an industrial  
 25 bank subsidiary; and

1           “(B) with respect to an industrial bank,  
 2           the host State of the bank as determined under  
 3           section 44(g) of the Federal Deposit Insurance  
 4           Act (12 U.S.C. 1831u(g));

5           “(6) any reference to an ‘out-of-State bank  
 6           holding company’ in such section 3 shall be deemed  
 7           to be a reference to, with respect to any State, a  
 8           covered industrial bank holding company whose  
 9           home State is another State; and

10          “(7) any reference to an ‘out-of-State bank’ in  
 11          such section 3 shall be deemed to be a reference to,  
 12          with respect to any State, an industrial bank whose  
 13          home State is another State.

14          “(b) APPLICATION PROCESS.—An application filed  
 15          under subsection (a) to acquire control of an industrial  
 16          bank shall be treated as an application for a deposit facil-  
 17          ity for purposes of this Act and any other Federal law.

18          “(c) REGISTRATION.—

19               “(1) IN GENERAL.—Each covered industrial  
 20               bank holding company shall register with the Board  
 21               on forms prescribed by the Board before the end of  
 22               the 180-day period beginning on the later of—

23                       “(A) the date the company becomes a cov-  
 24                       ered industrial bank holding company; or

25                       “(B) the date of enactment of this section.

1           “(2) INFORMATION TO BE INCLUDED.—Each  
 2 registration submitted under paragraph (1) shall in-  
 3 clude such information, under oath, with respect to  
 4 the financial condition, ownership, operations, man-  
 5 agement, and intercompany relationships of the cov-  
 6 ered industrial bank holding company and subsidi-  
 7 aries of the covered industrial bank holding com-  
 8 pany, and other factors (including information de-  
 9 scribed in subsection (d)(1)(C)), as the Board may  
 10 determine to be appropriate to carry out the pur-  
 11 poses of this section.

12           “(3) EXTENSION OF TIME FOR SUBMITTING  
 13 COMPLETE INFORMATION.—Upon application by a  
 14 covered industrial bank holding company and subject  
 15 to such requirements, factors, and evidence as the  
 16 Board may require, the Board may extend the pe-  
 17 riod described in paragraph (1) within which the  
 18 covered industrial bank company shall register and  
 19 file the requisite information.

20           “(d) REPORTS AND EXAMINATIONS.—

21           “(1) REPORTS.—

22           “(A) REPORTS REQUIRED.—Each covered  
 23 industrial bank holding company and each sub-  
 24 sidiary of a covered industrial bank holding  
 25 company, other than an industrial bank, shall

1 file with the Board such reports as may be re-  
2 quired by the Board.

3 “(B) FORM AND MANNER.—Reports filed  
4 under subparagraph (A) shall be made under  
5 oath and shall be in such form and for such pe-  
6 riods as the Board may prescribe.

7 “(C) INFORMATION.—Each report filed  
8 under subparagraph (A) shall contain such in-  
9 formation as the Board may require con-  
10 cerning—

11 “(i) the operations of the covered in-  
12 dustrial bank holding company and the  
13 subsidiaries of the covered industrial bank  
14 holding company;

15 “(ii) the financial condition of the cov-  
16 ered industrial bank holding company and  
17 the subsidiaries of the covered industrial  
18 bank holding company, together with infor-  
19 mation on systems maintained within the  
20 covered industrial bank holding company  
21 or within any subsidiary of the covered in-  
22 dustrial bank holding company for moni-  
23 toring and controlling financial and oper-  
24 ating risks, and transactions with insured



depository institution subsidiaries of the covered industrial bank holding company;

“(iii) compliance by the covered industrial bank holding company and the subsidiaries of the covered industrial bank holding company with all applicable Federal and State laws; and

“(iv) such other information as the Board may require.

“(D) ACCEPTANCE OF EXISTING REPORTS.—For purposes of this paragraph, the Board may accept reports that a covered industrial bank holding company or any subsidiary of a covered industrial bank holding company has provided or has been required to provide to any other Federal or State supervisor or to any appropriate self-regulatory organization.

“(2) EXAMINATIONS.—

“(A) IN GENERAL.—Each covered industrial bank holding company and each subsidiary of each covered industrial bank holding company (other than an industrial bank) shall be subject to such examinations by the Board as the Board may prescribe for purposes of this section.

1           “(B) FURNISHING REPORTS TO OTHER  
2 AGENCIES.—Examination and other reports  
3 made or received under this section may be fur-  
4 nished by the Board to any other appropriate  
5 Federal agency or any appropriate State bank  
6 supervisor or other State financial supervisory  
7 agency.

8           “(C) USE OF REPORTS FROM OTHER  
9 AGENCIES.—The Board may use, for purposes  
10 of this subsection, reports of examination made  
11 by any other appropriate Federal agency, any  
12 appropriate State bank supervisor, or any other  
13 State financial supervisory authority with re-  
14 spect to any covered industrial bank holding  
15 company or subsidiary of the covered industrial  
16 bank holding company, to the extent the Board  
17 may determine such use to be feasible for such  
18 purposes.

19           “(3) CAPITAL.—

20           “(A) IN GENERAL.—The Board may not,  
21 by regulation, guideline, order, or otherwise,  
22 prescribe or impose any capital or capital ade-  
23 quacy rules, guidelines, standards, or require-  
24 ments on any functionally regulated affiliate (as  
25 defined in section 45 of the Federal Deposit In-

1 insurance Act (12 U.S.C. 1831v)) of any deposi-  
2 tory institution that is controlled by a covered  
3 industrial bank holding company that—

4 “(i) is not a depository institution;  
5 and

6 “(ii) is—

7 “(I) in compliance with the appli-  
8 cable capital requirements of the ap-  
9 propriate Federal or State supervisory  
10 agency of the affiliate (including the  
11 Securities and Exchange Commission  
12 or State insurance authority);

13 “(II) properly registered as an  
14 investment adviser—

15 “(aa) under the Investment  
16 Advisers Act of 1940 (15 U.S.C.  
17 80b–1 et seq.); or

18 “(bb) with any State; or

19 “(III) is licensed as an insurance  
20 agent with the appropriate State in-  
21 surance authority.

22 “(B) RULE OF CONSTRUCTION.—Subpara-  
23 graph (A) shall not be construed as preventing  
24 the Board from imposing capital or capital ade-

quacy rules, guidelines, standards, or requirements with respect to—

“(i) activities of a registered investment adviser other than with respect to investment advisory activities or activities incidental to investment advisory activities; or

“(ii) activities of a licensed insurance agent other than insurance agency activities or activities incidental to insurance agency activities.

“(e) ACCESS TO INFORMATION.—

“(1) INFORMATION PROVIDED BY BOARD.—Any confidential supervisory information, including examination or other reports, pertaining to a covered industrial bank holding company furnished by the Board to any other Federal agency or any appropriate State supervisory agency shall remain confidential unless the Board, in writing, otherwise consents.

“(2) DEFERENCE TO DEPOSITORY INSTITUTION EXAMINATIONS.—Any appropriate Federal supervisory agency of a covered industrial bank holding company shall, to the fullest extent possible, rely on examination reports made by the appropriate Fed-

1       eral banking agency and the appropriate State bank  
2       supervisor relating to any depository institution sub-  
3       sidiary of the covered industrial bank holding com-  
4       pany in lieu of a direct examination.

5           “(3) INFORMATION TO BE PROVIDED TO  
6       BOARD.—

7           “(A) REQUEST TO AGENCY.—Upon request  
8       by the Board, an appropriate Federal super-  
9       visory agency may provide to the Board infor-  
10      mation regarding the condition of an industrial  
11      bank, any covered industrial bank holding com-  
12      pany of the industrial bank, or any other affil-  
13      iate of any such covered industrial bank holding  
14      company that is necessary to assess risk to the  
15      industrial bank.

16          “(B) AVAILABILITY FROM HOLDING COM-  
17      PANY DIRECTLY.—Notwithstanding section 45  
18      of the Federal Deposit Insurance Act (12  
19      U.S.C. 1825), section 115 of the Gramm-  
20      Leach-Bliley Act (12 U.S.C. 1820a), or any  
21      other provision of law (including any regula-  
22      tion), if the information requested under sub-  
23      paragraph (A) is not provided to the Board,  
24      and the information is necessary to assess risk  
25      to the industrial bank, the Board may require

1 the covered industrial bank holding company or  
2 affiliate thereof referred to in such subpara-  
3 graph with respect to such industrial bank to  
4 provide such information to the Board.

5 “(4) EXAMINATIONS BY BOARD.—

6 “(A) IN GENERAL.—Subject to subpara-  
7 graph (B) and notwithstanding section 45 of  
8 the Federal Deposit Insurance Act (12 U.S.C.  
9 1831v), section 115 of the Gramm-Leach-Bliley  
10 Act (12 U.S.C. 1820a), or any other provision  
11 of law (including any regulation), no law shall  
12 be construed as preventing the Board from ex-  
13 amining an affiliate of an industrial bank as  
14 may be necessary to disclose fully the relation-  
15 ship between the industrial bank and the affil-  
16 iate, and the effect of such relationship on the  
17 industrial bank, if the Board finds such exam-  
18 ination necessary to determine the condition of  
19 an industrial bank.

20 “(B) FUNCTIONALLY REGULATED AFFILI-  
21 ATES.—Before the Board may examine any af-  
22 filiate of an industrial bank that is a broker, a  
23 dealer, an investment company, an investment  
24 advisor, or an entity that is subject to consoli-  
25 dated supervision by the Securities and Ex-

1 change Commission, other than a depository in-  
2 stitution, the Board—

3 “(i) shall request the Commission to  
4 provide the information that the Board is  
5 seeking to obtain through examination;  
6 and

7 “(ii) may proceed with the examina-  
8 tion only if the requested information is  
9 not provided by the Commission in a time-  
10 ly manner.

11 “(f) LIMITATION ON CONTROL.—

12 “(1) IN GENERAL.—Except as provided in para-  
13 graph (3) or (4), no industrial bank may be con-  
14 trolled, directly or indirectly, by a commercial firm.

15 “(2) COMMERCIAL FIRM DEFINED.—For pur-  
16 poses of this section, the term ‘commercial firm’  
17 means any entity that derives any amount of rev-  
18 enue from activities that are not financial in nature,  
19 or incidental to a financial activity as defined in sec-  
20 tion 4(k).

21 “(3) PRE-2019 EXCLUSIONS FOR CERTAIN IN-  
22 DUSTRIAL BANKS.—

23 “(A) GRANDFATHERED INSTITUTIONS.—

24 Paragraph (1) shall not apply with respect to  
25 any industrial bank—

1 “(i) that became an insured deposi-  
2 tory institution before October 1, 2019, or  
3 pursuant to an application for deposit in-  
4 surance that was approved by the Federal  
5 Deposit Insurance Corporation before such  
6 date; and

7 “(ii) with respect to which there is no  
8 change in control, directly or indirectly, of  
9 the bank after September 30, 2019, that  
10 requires a registration under this section  
11 or an application under section 7(j) or  
12 18(c) of the Federal Deposit Insurance Act  
13 (12 U.S.C. 1817(j), 1828(c)), section 3 of  
14 this Act, or section 10 of the Home Own-  
15 ers’ Loan Act (12 U.S.C. 1467a), except a  
16 direct or indirect change of control in  
17 which—

18 “(I) immediately prior to such  
19 change in control the acquiring com-  
20 pany is a bank holding company, a fi-  
21 nancial holding company, a savings  
22 and loan holding company, or a hold-  
23 ing company regulated by the Securi-  
24 ties and Exchange Commission pursu-  
25 ant to section 240.15c3–1(a)(7) of



1 title 17, Code of Federal Regulations,  
2 as in effect on August 1, 2019;

3 “(II) the resulting holding com-  
4 pany is a bank holding company, a fi-  
5 nancial holding company, a savings  
6 and loan holding company, or a hold-  
7 ing company regulated by the Securi-  
8 ties and Exchange Commission pursu-  
9 ant to section 240.15c3–1(a)(7) of  
10 title 17, Code of Federal Regulations,  
11 as in effect on October 1, 2019; and

12 “(III) the resulting ultimate  
13 holding company is subject to consoli-  
14 dated supervision by the Board or a  
15 holding company regulated by the Se-  
16 curities and Exchange Commission  
17 pursuant to section 240.15c3–1(a)(7)  
18 of title 17, Code of Federal Regula-  
19 tions, as in effect on October 1, 2019.

20 “(B) CORPORATE REORGANIZATIONS PER-  
21 MITTED.—The acquisition of direct or indirect  
22 control of an industrial bank referred to in sub-  
23 paragraph (A)(ii) shall not be treated as a  
24 ‘change in control’ for purposes of that sub-  
25 paragraph if—

1 “(i) the company acquiring control is  
 2 itself directly or indirectly controlled by a  
 3 company that was an affiliate of the indus-  
 4 trial bank on the date referred to in that  
 5 subparagraph, and remains an affiliate at  
 6 all times after that date; and

7 “(ii) the transaction through which  
 8 the company acquired control of the indus-  
 9 trial bank constituted solely a corporate re-  
 10 organization of a company that controlled  
 11 the industrial bank on the date referred to  
 12 in that subparagraph.

13 “(4) PRE-2019 EXCLUSIONS FOR COMMERCIAL  
 14 FIRMS.—

15 “(A) GRANDFATHERED COMMERCIAL  
 16 FIRMS.—Paragraph (1) shall not apply to any  
 17 commercial firm—

18 “(i) that became a covered industrial  
 19 bank holding company by virtue of acquir-  
 20 ing control of an industrial bank before  
 21 October 1, 2019;

22 “(ii) that did not acquire control of  
 23 any other depository institution after Octo-  
 24 ber 1, 2019;

1 “(iii) with respect to which there is no  
 2 change in control, directly or indirectly, of  
 3 any depository institution subsidiary after  
 4 October 1, 2019, that requires a registra-  
 5 tion under this section or an application  
 6 under section 7(j) or 18(c) of the Federal  
 7 Deposit Insurance Act (12 U.S.C. 1817(j),  
 8 1828(c)), section 3 of this Act, or section  
 9 10 of the Home Owners’ Loan Act (12  
 10 U.S.C. 1467a); and

11 “(iv) each industrial bank subsidiary  
 12 of which remains in compliance with the  
 13 limitations contained in subparagraph (B).

14 “(B) ACTIVITY AND BRANCHING LIMITA-  
 15 TIONS.—An industrial bank subsidiary of a  
 16 commercial firm described in clauses (i), (ii),  
 17 and (iii) of subparagraph (A) is in compliance  
 18 with the requirements of this subparagraph for  
 19 purposes of subparagraph (A)(iv) if the indus-  
 20 trial bank—

21 “(i) engages only in activities in which  
 22 the industrial bank was engaged on Octo-  
 23 ber 1, 2019; and

24 “(ii) does not acquire, establish, or  
 25 operate any branch, deposit production of-

1            fice, loan production office, automated tell-  
 2            er machine, or remote service unit in any  
 3            State other than the home State of the  
 4            bank or any host State in which such bank  
 5            operated branches on October 1, 2019.

6            “(C) CORPORATE REORGANIZATIONS PER-  
 7            MITTED.—The acquisition of direct or indirect  
 8            control of a depository institution subsidiary re-  
 9            ferred to in subparagraph (A)(iii) shall not be  
 10           treated as a ‘change in control’ for purposes of  
 11           that subparagraph if—

12                    “(i) the company acquiring control is  
 13                    itself directly or indirectly controlled by a  
 14                    company that was an affiliate of such sub-  
 15                    sidiary on the date referred to in that sub-  
 16                    paragraph, and remains an affiliate at all  
 17                    times after that date; and

18                    “(ii) the transaction through which  
 19                    the company acquired control of the depos-  
 20                    itory institution constituted solely a cor-  
 21                    porate reorganization of a company that  
 22                    controlled the depository institution on the  
 23                    date referred to in that subparagraph.

24            “(g) PROCEDURES AND TIMING FOR TERMINATION  
 25            OF ACTIVITIES OR DIVESTITURE.—

1 “(1) TRANSITION PROVISION.—

2 “(A) IN GENERAL.—Any covered industrial  
3 bank holding company that fails to comply with  
4 the provisions of subsection (f) shall divest its  
5 ownership or control of each industrial bank  
6 subsidiary of the covered industrial bank hold-  
7 ing company not later than the end of the 2-  
8 year period beginning on the first date that the  
9 covered industrial bank holding company ceased  
10 to comply with subsection (f).

11 “(B) EXTENSION OF TIME PERIOD.—

12 “(i) IN GENERAL.—Upon application  
13 by a covered industrial bank holding com-  
14 pany, the appropriate Federal supervisory  
15 agency of the covered industrial bank hold-  
16 ing company may extend the 2-year period  
17 referred to in subparagraph (A) with re-  
18 spect to the covered industrial bank hold-  
19 ing company for not more than 1 year if,  
20 in the judgment of the Federal supervisory  
21 agency, the extension would not be detri-  
22 mental to the public interest.

23 “(ii) FACTORS.—In making any deci-  
24 sion to grant an extension under clause (i)  
25 to a covered industrial bank holding com-

pany, the appropriate Federal supervisory agency of the covered industrial bank holding company shall consider whether—

“(I) the covered industrial bank holding company has made a good faith effort to divest those interests; and

“(II) such extension is necessary to avert substantial loss to the covered industrial bank holding company.

“(2) CONDITIONS BEFORE DIVESTITURE.—During the 2-year period referred to in paragraph (1)(A) with respect to any covered industrial bank holding company and any extension of that period, the appropriate Federal supervisory agency may impose any conditions or restrictions on the covered industrial bank holding company or any subsidiary of the covered industrial bank holding company (other than a bank), including restricting or prohibiting transactions between the covered industrial bank holding company or subsidiary and any depository institution subsidiary of the covered industrial bank holding company, as are appropriate under the circumstances.

1           “(3) TERMINATION OF ACTIVITIES OR DIVESTI-  
2           TURE OF NONBANK SUBSIDIARIES CONSTITUTING  
3           SERIOUS RISK.—

4           “(A) IN GENERAL.—Notwithstanding any  
5           other provision of this section, the appropriate  
6           Federal supervisory agency may, whenever such  
7           agency has reasonable cause to believe that the  
8           continuation by a covered industrial bank hold-  
9           ing company of any activity or of ownership or  
10          control of any nonbank subsidiary of the cov-  
11          ered industrial bank holding company, other  
12          than a nonbank subsidiary of a depository insti-  
13          tution, constitutes a serious risk to the financial  
14          safety, soundness, or stability of a depository  
15          institution subsidiary of the covered industrial  
16          bank holding company and is inconsistent with  
17          sound banking principles or with the purposes  
18          of this section, at the election of the covered in-  
19          dustrial bank holding company—

20               “(i) order the covered industrial bank  
21               holding company or any nonbank sub-  
22               sidiary of the covered industrial bank hold-  
23               ing company, after due notice and oppor-  
24               tunity for hearing, and after considering  
25               the views of the appropriate Federal bank-

1 ing agency and, if applicable, appropriate  
2 State bank supervisor, to terminate those  
3 activities or to terminate (within 120 days  
4 or such longer period as the appropriate  
5 Federal supervisory agency may direct in  
6 unusual circumstances) the ownership or  
7 control by the covered industrial bank  
8 holding company or nonbank subsidiary of  
9 the depository institution subsidiary either  
10 by sale or by distribution of the shares of  
11 the depository institution subsidiary, in ac-  
12 cordance with subparagraph (B), to the  
13 shareholders of the covered industrial bank  
14 holding company; or

15 “(ii) order the covered industrial bank  
16 holding company, after due notice and op-  
17 portunity for hearing, and after consulta-  
18 tion with the appropriate State bank su-  
19 pervisor for the industrial bank controlled  
20 by the covered industrial bank holding  
21 company, to terminate (within 120 days or  
22 such longer period as the appropriate Fed-  
23 eral supervisory agency may direct) the  
24 ownership or control of any such industrial



1 bank by the covered industrial bank hold-  
 2 ing company.

3 “(B) PRO RATA DISTRIBUTION.—Any dis-  
 4 tribution to shareholders referred to in clause  
 5 (i) shall be pro rata with respect to all of the  
 6 shareholders of the distributing covered indus-  
 7 trial bank holding company, and the distrib-  
 8 uting covered industrial bank holding company  
 9 shall not make any charge to any shareholder  
 10 in connection with that distribution.

11 “(4) HOLDING COMPANY RESPONSIBILITY.—

12 “(A) SOURCE OF STRENGTH.—Notwith-  
 13 standing section 45 of the Federal Deposit In-  
 14 surance Act (12 U.S.C. 1831v), a covered in-  
 15 dustrial bank holding company—

16 “(i) shall serve as a source of finan-  
 17 cial and managerial strength to the sub-  
 18 sidiary banks of the covered industrial  
 19 bank holding company in the same manner  
 20 as required under section 38A of the Fed-  
 21 eral Deposit Insurance Act (12 U.S.C.  
 22 1831o–1); and

23 “(ii) shall not conduct the operations  
 24 of the covered industrial bank holding com-  
 25 pany in an unsafe or unsound manner.

1                   “(B) IMPLEMENTATION.—The appropriate  
 2                   Federal supervisory agency of a covered indus-  
 3                   trial bank holding company shall implement the  
 4                   requirements under subparagraph (A) with re-  
 5                   spect to that industrial bank holding company.

6                   “(h) FOREIGN BANK OWNERSHIP.—After October 1,  
 7                   2019, no foreign bank may acquire, directly or indirectly,  
 8                   control of an industrial bank.

9                   “(i) ADMINISTRATIVE PROVISIONS.—

10                   “(1) AGENT FOR SERVICE OF PROCESS.—The  
 11                   Board may require any covered industrial bank hold-  
 12                   ing company, or persons connected with the covered  
 13                   industrial bank holding company if it is not a cor-  
 14                   poration, to execute and file a prescribed form of ir-  
 15                   revocable appointment of agent for service of proc-  
 16                   ess.

17                   “(2) RELEASE FROM REGISTRATION.—The  
 18                   Board may at any time, upon a motion by the Board  
 19                   or upon application, release a registered covered in-  
 20                   dustrial bank holding company from any registration  
 21                   previously made by the covered industrial bank hold-  
 22                   ing company, if the Board determines that the cov-  
 23                   ered industrial bank holding company no longer con-  
 24                   trols any industrial bank.

25                   “(j) DEFINITION.—In this section:

1           “(1) APPROPRIATE FEDERAL SUPERVISORY  
2 AGENCY.—The term ‘appropriate Federal super-  
3 visory agency’ means, with respect to a company  
4 that controls an industrial bank—

5           “(A) the Board, in the case of a company  
6 that is a bank holding company, a company  
7 that is a covered industrial bank holding com-  
8 pany, a company that is a savings and loan  
9 holding company, or a company that is subject  
10 to this Act pursuant to section 8(a) of the  
11 International Banking Act of 1978 (12 U.S.C.  
12 3106(a)); or

13           “(B) the Securities and Exchange Commis-  
14 sion, in the case of a company that is regulated  
15 by the Commission pursuant to section  
16 240.15c3–1(a)(7) of title 17, Code of Federal  
17 Regulations, as in effect on August 1, 2019.

18           “(2) RULE OF CONSTRUCTION.—Under the def-  
19 inition of the term ‘appropriate Federal supervisory  
20 agency’ in paragraph (1), more than 1 agency may  
21 be an appropriate Federal supervisory agency with  
22 respect to any given company that controls an indus-  
23 trial bank.”.

24           (c) ENFORCEMENT.—Section 8 of the Federal De-  
25 posit Insurance Act (12 U.S.C. 1818) is amended—

1 (1) in subsection (b), by adding at the end the  
2 following:

3 “(11) INDUSTRIAL BANK HOLDING COMPA-  
4 NIES.—This subsection and subsections (c) through  
5 (s) and subsection (u) of this section shall apply to  
6 any covered industrial bank holding company and to  
7 any subsidiary (other than a depository institution)  
8 of a covered industrial bank holding company in the  
9 same manner as those subsections apply to State  
10 nonmember insured banks.”;

11 (2) in subsection (h)(2), by striking “Any party  
12 to” and inserting “Any party aggrieved by an order  
13 of any appropriate Federal supervisory agency under  
14 section 15 of the Bank Holding Company Act of  
15 1956 or any party to”; and

16 (3) in subsection (i), by striking “or 39” each  
17 place that term appears and inserting “, 39, or sec-  
18 tion 15 of the Bank Holding Company Act of  
19 1956”.

20 (d) PROMPT CORRECTIVE ACTION.—Section  
21 38(f)(2)(H) of the Federal Deposit Insurance Act (12  
22 U.S.C. 1831o(f)(2)(H)) is amended—

23 (1) in the subparagraph heading, by inserting  
24 “OR INDUSTRIAL BANK HOLDING COMPANY” after  
25 “COMPANY”;

(2) by striking “Prohibiting any bank” and inserting the following:

“(i) BANK HOLDING COMPANY.—Prohibiting any bank”; and

(3) by adding at the end the following:

“(ii) INDUSTRIAL BANK HOLDING COMPANY.—Prohibiting any covered industrial bank holding company having control of the insured depository institution from making any capital distribution without the prior approval of the Board.”.

(e) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) BANK HOLDING COMPANY ACT OF 1956.—Section 14(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1852(a)(2)) is amended—

(A) in subparagraph (E), by striking “and” at the end; and

(B) by inserting after subparagraph (F) the following:

“(G) a covered industrial bank holding company; and”.

(2) FEDERAL DEPOSIT INSURANCE ACT.—Section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) is amended—

1 (A) in subsection (a), by adding at the end  
 2 the following:

3 “(4) INDUSTRIAL BANK.—The term ‘industrial  
 4 bank’ has the meaning given the term in section 2  
 5 of the Bank Holding Company Act of 1956 (12  
 6 U.S.C. 1841).”;

7 (B) in subsection (q)(3)—

8 (i) in subparagraph (F), by striking  
 9 “and” at the end;

10 (ii) in subparagraph (G), by striking  
 11 the period and inserting “; and”; and

12 (iii) by inserting after subparagraph  
 13 (G) the following:

14 “(H) any covered industrial bank holding  
 15 company, and any subsidiary of an industrial  
 16 bank holding company (other than a depository  
 17 institution).”; and

18 (C) in subsection (w)—

19 (i) in paragraph (1), by striking “or a  
 20 savings and loan holding company” and in-  
 21 serting “, a savings and loan holding com-  
 22 pany, or a covered industrial bank holding  
 23 company”; and

24 (ii) by adding at the end the fol-  
 25 lowing:

1           “(8) COVERED INDUSTRIAL BANK HOLDING  
2           COMPANY.—The term ‘covered industrial bank hold-  
3           ing company’ has the meaning given the term in sec-  
4           tion 2 of the Bank Holding Company Act of 1956  
5           (12 U.S.C. 1841).”.

6           (3) GRAMM-LEACH BLILEY ACT.—Section 115  
7           of the Gramm-Leach-Bliley Act (12 U.S.C. 1820a)  
8           is amended—

9                   (A) in subsection (a), by striking “or”  
10                  after “bank holding company” and inserting “,  
11                  covered industrial bank holding company, or”;  
12                  and

13                  (B) in subsection (d)—

14                   (i) by redesignating paragraphs (5),  
15                  (6), and (7) as paragraphs (6), (7), and  
16                  (8), respectively; and

17                   (ii) by inserting after paragraph (4)  
18                  the following:

19           “(5) COVERED INDUSTRIAL BANK HOLDING  
20           COMPANY.—The term ‘covered industrial bank hold-  
21           ing company’ has the meaning given the term in sec-  
22           tion 2 of the Bank Holding Company Act of 1956  
23           (12 U.S.C. 1841).”.

24           (4) HOME MORTGAGE DISCLOSURE ACT OF  
25           1975.—Section 304(g)(1) of the Home Mortgage

1 Disclosure Act of 1975 (12 U.S.C. 2803(g)(1)) is  
 2 amended by inserting “, covered industrial bank  
 3 holding company (as defined in section 2 of the  
 4 Bank Holding Company Act of 1956 (12 U.S.C.  
 5 1841),” after “bank holding company”.

6 (5) RIGHT TO FINANCIAL PRIVACY ACT OF  
 7 1978.—Section 1101(6) of the Right to Financial  
 8 Privacy Act of 1978 (12 U.S.C. 3401(6)) is amend-  
 9 ed—

10 (A) in subparagraph (A), by striking  
 11 “and” at the end; and

12 (B) by adding at the end the following:

13 “(C) any covered industrial bank holding  
 14 company (as defined in section 2 of the Bank  
 15 Holding Company Act of 1956 (12 U.S.C.  
 16 1841)); and”.

17 **SEC. 3. REGULATIONS.**

18 The Board of Governors of the Federal Reserve Sys-  
 19 tem shall prescribe such regulations as the Board deter-  
 20 mines to be appropriate to carry out the amendments  
 21 made by this Act.

○