H. R. ______

To require the Federal banking agencies to design a strategic plan to hold megabanks and large financial institutions accountable when they engage in a pattern of compliance failures that results in extensive consumer harm, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. ______ introduced the following bill; which was referred to the Committee on ______

A BILL

To require the Federal banking agencies to design a strategic plan to hold megabanks and large financial institutions accountable when they engage in a pattern of compliance failures that results in extensive consumer harm, 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
4 SECTION 1. SHORT TITLE.
5 (a) SHORT TITLE.—This Act may be cited as the
6 “Repeat Offenders and Megabank Accountability Act”.

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April 22, 2022 (9:29 a.m.)
(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec.  1. Short title.
Sec.  2. Megabank defined.

TITLE I—STRATEGIC PLAN TO HOLD REPEAT OFFENDERS ACCOUNTABLE

Sec. 101. Strategic plan.

TITLE II—CONSUMER ABUSE REMEDIATION ENHANCEMENT

Sec. 201. Disclosure and remediation of extensive consumer abuse.

TITLE III—DISCLOSE MEGABANK RATINGS ACT

Sec. 301. Public disclosure of supervisory ratings.

TITLE IV—MEGABANK BOARD STANDARDS ACT

Sec. 401. Definitions.
Sec. 402. Qualifications for directors.
Sec. 403. Limitations on outside commitments of directors.

SEC. 2. MEGABANK DEFINED.

(a) IN GENERAL.—In this Act, the term “megabank” means—

(1) a bank holding company that has been identified by the Board of Governors of the Federal Reserve System as a global systemically important bank holding company pursuant to section 217.402 of title 12, Code of Federal Regulations; and

(2) a global systemically important foreign banking organization, as defined under section 252.2 of title 12, Code of Federal Regulations.

(b) TREATMENT OF EXISTING GSIBS.—A company or organization described under clause (i) or (ii) of sub-
paragraph (A) on the date of the enactment of this Act shall be deemed a megabank.

TITLE I—STRATEGIC PLAN TO HOLD REPEAT OFFENDERS ACCOUNTABLE

SEC. 101. STRATEGIC PLAN.

(a) IN GENERAL.—The Federal banking agencies, in consultation with the Secretary of the Treasury, shall design a strategic plan describing how the agencies will utilize the full extent of the agencies’ authorities to hold a large financial institution (including a megabank) and the directors and officers of such institution accountable when such institution engages in a pattern of compliance failures, including when such failures result in extensive consumer harm.

(b) AUTHORITIES DESCRIBED.—The authorities of the Federal banking agencies described in subsection (a) include the authority to—

(1) restrict the growth of a large financial institution;

(2) restrict certain lines of business of a large financial institution;

(3) require the disposition of assets of a large financial institution;
(4) remove certain directors or officers of a large financial institution; or

(5) permanently ban certain directors or officers of a large financial institution from working in the financial services industry.

(c) Penalties.—The plan described in subsection (a) shall include an outline of penalties for multiple compliance failures by a large financial institution that increase in severity based on the number and type of failure.

(d) Public Feedback.—The Federal banking agencies shall make a draft of the strategic plan described in subsection (a) publicly available and invite public feedback on the plan.

(e) Report.—Not later than 1 year after the date of enactment of this Act, the Federal banking agencies shall—

(1) issue a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate containing the strategic plan designed under subsection (a); and

(2) make such report publicly available on a website of each Federal banking agency.

(f) Periodic Updates.—The Federal banking agencies, in consultation with the Secretary of the Treasury,
may periodically update the strategic plan required under subsection (a) if the agencies comply with the requirement of subsection (d) with respect to any update.

(g) DEFINITIONS.—In this section:

(1) FEDERAL BANKING AGENCIES.—The term “Federal banking agencies” means the Board of Governors of the Federal Reserve System, the Bureau of Consumer Financial Protection, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the National Credit Union Administration.

(2) LARGE FINANCIAL INSTITUTION.—The term “large financial institution” means a large entity regulated by a Federal banking agency, as determined jointly by the Federal banking agencies.

TITLE II—CONSUMER ABUSE REMEDIATION ENHANCEMENT

SEC. 201. DISCLOSURE AND REMEDIATION OF EXTENSIVE CONSUMER ABUSE.

(a) IN GENERAL.—Any megabank or affiliated banking organization that has engaged or is engaging in extensive consumer abuse described under subsection (b) shall—

(1) not later than the end of the 72-hour period beginning on the hour on which the megabank or af-
filiated banking organization determines the existence of extensive consumer abuse, notify the appropriate Federal banking agency, the Consumer Bureau, the Congress, and the public of such extensive consumer abuse, including on the website of the megabank or affiliated banking organization;

(2) not later than the end of the 15-day period beginning on the date on which the megabank or affiliated banking organization determines the existence of extensive consumer abuse, submit a remediation plan to the Consumer Bureau under which the megabank or affiliated banking organization will—

(A) pay each customer of the megabank or affiliated banking organization affected by the extensive consumer abuse an amount equal to the damages suffered by such customer because of the extensive consumer abuse; and

(B) correct any incorrect information furnished to a consumer reporting agency in connection with such extensive consumer abuse; and

(3) not later than the end of the 30-day period beginning on the date the Consumer Bureau approves the remediation plan submitted pursuant to paragraph (2), complete such remediation plan in a
satisfactory manner that is certified by the Consumer Bureau.

(b) Extensive Consumer Abuse.—For purposes of a megabank or affiliated banking organization, extensive consumer abuse described under this subsection is any individual violation or series of violations of Federal law by the megabank or affiliated banking organization that—

(1) in the aggregate, affects more than 50,000 customers or customer accounts of the megabank or affiliated banking organization;

(2) in the aggregate, results in the loss to customers of the megabank or affiliated banking organization of more than $10,000,000; or

(3) the Consumer Bureau determines to be extensive consumer abuse, including if such abuse results in significant reputational risk or raises other supervisory concerns.

(c) Penalties.—Any megabank or affiliated banking organization that violates subsection (a) or fails to receive a certification from the Consumer Bureau for a completed remediation plan submitted under such subsection shall be fined in an amount equal to—

(1) 3 times the aggregate amount of fines applicable to such megabank or organization for the extensive consumer abuse; or
(2) in the case of an extensive consumer abuse identified by the Consumer Bureau or a Federal banking agency before the applicable megabank or affiliated banking organization, 6 times the aggregate amount of fines applicable to such megabank or organization for the extensive consumer abuse.

(d) Rulemaking.—The Consumer Bureau and the Federal banking agencies shall issue such rules as may be necessary to carry out this section.

(e) Definitions.—For purposes of this section:

(1) Affiliated Banking Organization.—The term “affiliated banking organization” means any depository institution subsidiary or affiliate of a megabank that has an appropriate Federal banking agency.

(2) Appropriate Federal Banking Agency.—The term “appropriate Federal banking agency”—

(A) has the meaning given that term under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); and

(B) includes the Consumer Bureau, with respect to an insured depository institution described under section 1025(a) of the Consumer
Financial Protection Act of 2010 (12 U.S.C. 5515(a)).

(3) **CONSUMER BUREAU.**—The term “Consumer Bureau” means the Bureau of Consumer Financial Protection.

(4) **CONSUMER REPORTING AGENCY.**—The term “consumer reporting agency” has the meaning given that term under section 603 of the Fair Credit Reporting Act (15 U.S.C. 1681a).

(5) **CUSTOMER.**—With respect to megabank or affiliated banking organization, the term “customer” includes an individual who, but for extensive consumer abuse, would be a customer of the megabank or affiliated banking organization.

(6) **OTHER BANKING DEFINITIONS.**—The terms “affiliate”, “depository institution”, “Federal banking agency”, and “subsidiary” have the meaning given those terms, respectively, under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

**TITLE III—DISCLOSE MEGABANK RATINGS ACT**

**SEC. 301. PUBLIC DISCLOSURE OF SUPERVISORY RATINGS.**

(a) **CONSUMER COMPLIANCE RATINGS.**—With respect to a depository institution that is a subsidiary or
affiliate of a megabank, the appropriate Federal banking agency shall, after each evaluation of the depository institution under the Consumer Compliance Rating System, make the results of such evaluation available to the public (including on the website of the agency) along with a brief overview of the results that includes key findings made by the agency in carrying out such evaluation.

(b) Bank Ratings.—

(1) In general.—With respect to a megabank and each depository institution that is a subsidiary or an affiliate of the megabank, the appropriate Federal banking agency shall, after the end of the 2-year period beginning on the date of an evaluation of the megabank or a depository institution under a Bank Ratings System, make the results of such evaluation (including the composite score and component scores, if applicable) available to the public (including on the website of the agency) along with a brief overview of the results that includes key findings made by the agency in carrying out such evaluation.

(2) Earlier disclosure permitted.—An appropriate Federal banking agency may disclose the results of an evaluation described under paragraph (1) before the end of the 2-year period described in such paragraph if the appropriate Federal banking
agency determines that such disclosure is in the public interest and would not negatively affect the safety and soundness of the megabank or the depository institution evaluated.

(c) INCLUSION OF PRIOR EVALUATIONS.—The requirements under subsections (a) and (b) shall also apply to each evaluation of a megabank or a depository institution that is a subsidiary or an affiliate of the megabank under the Consumer Compliance Rating System or a Bank Ratings System that was completed after January 1, 2000.

(d) DEFINITIONS.—For purposes of this section:

(1) APPROPRIATE FEDERAL BANKING AGENCY.—The term “appropriate Federal banking agency”—

(A) has the meaning given that term under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); and

(B) includes the Bureau of Consumer Financial Protection, with respect to an evaluation under the Consumer Compliance Rating System of an insured depository institution described under section 1025(a) of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5515(a)).
(2) BANK RATINGS SYSTEM.—The term “Bank Ratings System” means—

(A) with respect to a depository institution, the Uniform Financial Institutions Rating System (or a comparable rating system); and

(B) with respect to a megabank, the large financial institution (LFI) rating system (or a comparable rating system).

(3) OTHER BANKING DEFINITIONS.—The terms “affiliate”, “depository institution”, and “sub-sidiary” have the meaning given those terms, respectively, under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

TITLE IV—MEGABANK BOARD STANDARDS ACT

SEC. 401. DEFINITIONS.

For purposes of this title:

(1) AFFILIATED BANKING ORGANIZATION.—With respect to a megabank, the term “affiliated banking organization” means any subsidiary or affiliate of the megabank that has an appropriate Federal banking agency.

(2) OTHER BANKING DEFINITIONS.—The terms “affiliate”, “appropriate Federal banking agency”, “depository institution”, “depository institution
holding company”, and “subsidiary” have the meaning given those terms, respectively, under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

SEC. 402. QUALIFICATIONS FOR DIRECTORS.

(a) IN GENERAL.—Each megabank and affiliated banking organization shall ensure that—

(1) a majority of the members of the board of directors of an affiliated banking organization of a megabank do not also serve on the board of directors of—

(A) that megabank; or

(B) any affiliate of that megabank, if such affiliate engages in any activities listed in section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)); and

(2) the board of directors of the megabank or organization includes members with relevant and current banking or regulatory experience.

(b) PENALTIES.—A violation of subsection (a) by any megabank or affiliated banking organization shall be deemed an unsafe and unsound practice by such megabank or organization.
SEC. 403. LIMITATIONS ON OUTSIDE COMMITMENTS OF DIRECTORS.

(a) In General.—A member of the board of directors of a megabank or an affiliated banking organization may not—

(1) serve on the board of more than 3 public companies (including such megabank or organization); or

(2) serve on the board of more than 2 public companies (including such megabank or organization), if the member—

(A) is an executive of a public company; or

(B) serves as the lead independent member, risk committee chair, or audit committee chair of the board of directors of the megabank or organization.

(b) Prohibitions on Positions of Executives.—An executive of a megabank or an affiliated banking organization may not also serve as the lead independent member, risk committee chair, or audit committee chair of the board of directors of such megabank or organization.

(c) Penalties.—Any individual who violates subsection (a) or (b) shall—

(1) be removed from any position as an executive, employee, or member of the board of directors
of the megabank or affiliated banking organization;

and

(2) be prohibited from taking any position as an executive, employee, or member of the board of directors of any depository institution, depository institution holding company, or subsidiary or affiliate of a depository institution holding company.

(d) RULEMAKING.—The appropriate Federal banking agencies shall issue such rules as may be necessary to carry out this section.

(e) EFFECTIVE DATE.—This section shall apply after the end of the 1-year period beginning on the date of enactment of this section.