

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

MEMORANDUM

To: Members of the Committee on Financial Services  
From: FSC Majority Staff  
Date: April 27, 2017  
Re: May 2, 2017, Full Committee Markup

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The Committee on Financial Services will meet to mark up the following measure at 10:00 a.m. on Tuesday, May 2, 2017, and subsequent days if necessary, in room 2128 of the Rayburn House Office Building.

***H.R. 10, The Financial CHOICE Act of 2017***

The following section by section summary provides background on the Financial CHOICE Act of 2017 as introduced by Chairman Hensarling on April 26, 2017.

**—Section by Section Summary—**

Section 1. Short Title; Table of Contents

**TITLE I—ENDING “TOO BIG TO FAIL” AND BANK BAILOUTS**

**Subtitle A—Repeal of the Orderly Liquidation Authority**

Section 111. Repeal of the orderly liquidation authority. – Repeals Title II of the Dodd-Frank Act, which allows the Federal Deposit Insurance Corporation (FDIC) to bail out the creditors and counterparties of a failing non-bank financial institution. Removes the FDIC from the process of evaluating “living wills.”

**Subtitle B—Financial Institution Bankruptcy**

Section 121. General provisions relating to covered financial corporations. – Defines the term “covered financial corporation” and provides that title 11 of the United States Code applies to “covered financial corporations.”

Section 122. Liquidation, reorganization, or recapitalization of a covered financial corporation. – Adds a new subchapter V to Chapter 11 of title 11 of the United States Code that sets forth the procedures for liquidating, reorganizing, or recapitalizing “covered financial corporations” under title 11 of the United States Code.

Section 123. Amendments to title 28, United States Code. – Provides for the appointment and assignment of bankruptcy judges to hear cases brought under subchapter V.

### **Subtitle C—Ending Government Guarantees**

Section 131. Repeal of obligation guarantee program. – Repeals sections 1104, 1105, and 1106 of the Dodd-Frank Act, which allow the FDIC to guarantee the obligations of insured depository institutions.

Section 132. Repeal of systemic risk determination in resolutions. – Repeals the “systemic risk exception” to the FDIC’s obligation to use the deposit insurance fund to resolve failing banks using the least costly method.

Section 133. Restrictions on use of the Exchange Stabilization Fund. – Prohibits the use of the Exchange Stabilization to establish guaranty programs for financial institutions.

### **Subtitle D—Eliminating Financial Market Utility Designations**

Section 141. Repeal of title VIII. – Repeals Title VIII of the Dodd-Frank Act, which grants the Financial Stability Oversight Council (FSOC) the authority to designate “financial market utilities” as systemically important and authorizes the Federal Reserve to provide financial support to these designated “financial market utilities.”

### **Subtitle E—Reform of the Financial Stability Act of 2010**

Section 151. Repeal and modification of provisions of the Financial Stability Act of 2010. –

Changes the FSOC’s authority, structure, and procedures:

- Repeals the FSOC’s authority to designate non-bank financial institutions as systemically important.
- Repeals the FSOC’s authority to order a bank holding company or a non-bank financial institution to sell or transfer assets upon the recommendation of the Federal Reserve.
- Provides that the commission members of multi-member regulatory agencies (in addition to the agency heads) are members of the FSOC, and sets forth procedures for voting on matters before the FSOC.

- Authorizes FSOC members to designate agency staff to attend FSOC meetings. Allows members of the House Financial Services Committee and the Senate Banking Committee to attend FSOC meetings.
- Makes the FSOC's funding subject to Congressional appropriations.
- Makes FSOC's open meetings subject to the Sunshine Act.
- Grants chairmen of the House Financial Services Committee and Senate Banking Committee the authority to request confidential congressional briefings.

Changes the Federal Reserve's authority to supervise bank holding companies and non-bank financial institutions:

- Abolishes the Federal Reserve's authority to supervise and set regulations for non-bank financial institutions.
- Repeals the Federal Reserve's authority to continue supervising entities that cease to be bank holding companies.
- Exempts "qualifying banking organizations" as defined in Section 605 from the Federal Reserve's authority to set more stringent prudential standards for bank holding companies.
- Changes the procedure for the submission and review of the so-called "living wills":
  - Requires bank holding companies subject to the "living wills" requirement to submit them once every two years to the Federal Reserve.
  - Requires the Federal Reserve to review and provide feedback within six months of receiving a "living will."
  - Requires the Federal Reserve to disclose the framework used to assess the adequacy of "living wills," and provide a notice-and-comment period before finalizing the assessment framework.
- Improves the stress testing process for bank holding companies:
  - Requiring certain bank holding companies to conduct company-run stress tests once a year rather than semiannually.
  - Requires the Federal Reserve to issue regulations subject to notice-and-comment for conducting stress tests that set forth economic conditions and methodologies, and to assess the effect of the Federal Reserve's stress-testing models and methodologies on financial stability, credit availability, model risks, and investment cycles.
  - Requires the Federal Reserve to issue regulations subject to notice-and-comment for its Comprehensive Capital Analysis and Review (CCAR) program, provides that the Federal Reserve may not subject a bank holding company to its CCAR program more than once every two years, prohibits the Federal Reserve from objecting to a bank holding company's capital plan based on qualitative deficiencies, directs the Federal Reserve to establish procedures for responding to inquiries from bank holding companies subject to the CCAR program.

Office of Financial Research

- Abolishes the Office of Financial Research.

Section 152. Operational risk capital requirements for banking organizations. – Requires federal banking regulators to set operational risk capital requirements based on the risks

posed by an organization's current activities, using forward-looking assessments and permitting adjustments for risk mitigants.

## **TITLE II—DEMANDING ACCOUNTABILITY FROM WALL STREET**

### **Subtitle A—SEC Penalties Modernization**

Section 211. Enhancement of civil penalties for securities laws violations. – Increases the civil money penalties that may be sought in administrative and civil actions brought under the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, the Investment Advisers Act of 1940; adds a new category of monetary penalties in administrative and civil actions brought under the federal securities laws for recidivists; provides that for violations of injunctions and orders issued under the federal securities laws, each day of failure to comply is a separate offense.

Section 212. Updated civil money penalties of Public Company Accounting Oversight Board. – Increases civil money penalties that the PCAOB may impose in actions brought under the Sarbanes-Oxley Act.

Section 213. Updated civil money penalty for controlling persons in connection with insider trading. – Increases the civil money penalties that the SEC may seek against controlling persons in insider trading cases brought under Section 21A(a)(3) of the Securities Exchange Act of 1934.

Section 214. Update of certain other penalties. – Increases the civil money penalties that the SEC may seek under Section 32 of the Securities Exchange Act of 1934.

Section 215. Monetary sanctions to be used for the relief of victims. – Provides that monetary sanctions collected by the SEC for a violation of the securities laws shall be added to funds established for the benefit of the victims of the violation.

Section 216. GAO report on use of civil money penalty authority by Commission. – Directs the GAO to report on the SEC's use of its authority to impose civil money penalties.

### **Subtitle B—FIRREA Penalties Modernization**

Section 221. Increase of civil and criminal penalties originally established in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. – Increases civil and criminal penalties established in FIRREA.

## **TITLE III—DEMANDING ACCOUNTABILITY FROM FINANCIAL REGULATORS AND DEVOLVING POWER AWAY FROM WASHINGTON**

### **Subtitle A—Cost-Benefit Analyses**

Section 311. Definitions. – Defines terms used in Subtitle A.

Section 312. Required regulatory analysis. – Directs federal financial regulatory agencies to include in proposed rulemakings regulatory analyses that identify the need for regulation and the regulatory objective (including an identification of the market or regulatory failure that makes regulation necessary); identify alternatives to the proposed regulation and explain why private market or non-federal authorities cannot address the problem; assess the costs, benefits, and consequences of the proposed regulation; and describe the data relied upon in analyzing the proposed regulation. Prohibits federal financial regulatory agencies from issuing a notice of final rulemaking if costs are greater than benefits without a joint resolution from Congress directing the agency to issue a notice of final rulemaking.

Section 313. Rule of construction. – Provides that the collection of information in connection with the regulatory analysis mandated under Section 312 is not a “collection of information” under the Paperwork Reduction Act if the federal financial regulatory agency has issued an advance notice of proposed rulemaking and has informed the person from whom information is sought that the provision of information is voluntary.

Section 314. Public availability of data and regulatory analysis. – Directs federal financial regulatory agencies to disclose on their websites sufficient information about regulatory analyses conducted as part of their rulemakings so that the agencies’ results can be reproduced.

Section 315. Five-year regulatory impact analysis. – Directs the chief economists at federal financial regulatory agencies to report on the economic impact of regulations that the agencies have issued within five years of the final rulemaking.

Section 316. Retrospective review of existing rules. – Directs the federal financial regulatory agencies to adopt a plan for modifying, streamlining, expanding, or repealing existing regulations to make the agencies’ regulatory programs more effective or less burdensome.

Section 317. Judicial review. – Grants individuals the right to bring actions in the D.C. Circuit Court seeking review of an agency’s compliance with Section 312.

Section 318. Chief Economists Council. – Establishes a council consisting of the chief economists of the federal financial regulatory agencies and directs it to report each year on the benefits and costs of regulations that the agencies have adopted in the prior year; the regulatory actions planned by the agencies in the coming year; the cumulative effect of existing agency regulations on economic activity; the training and qualifications of the persons who conducted regulatory analyses at the agencies during the prior year and the sufficiency of resources for conducting these analyses; and recommendations for legislative or regulatory action to improve financial regulation.

Section 319. Conforming amendments. – Amends the Commodity Exchange Act to conform with the requirements of this subtitle.

Section 320. Other regulatory entities. – Directs the SEC to submit a plan for subjecting the PCAOB, the Municipal Securities Rulemaking Board, and registered national securities associations to the requirements of this subtitle.

Section 321. Avoidance of duplicative or unnecessary analyses. – Provides that regulatory analyses required by this subtitle may be performed in conjunction with analyses required by any other provision of law if the analysis satisfies the requirements of this subtitle.

### **Subtitle B—Congressional Review of Federal Financial Agency Rulemaking**

Section 331. Congressional review. – Requires federal financial agencies to report on proposed rules to Congress and the GAO before the rules take effect; requires that Congress approve rules having an annual effect on the economy of \$100 million or more through a joint resolution of approval before such rules can take effect; provides that Congress may pass a joint resolution of disapproval to prevent non-major rules from taking effect.

Section 332. Congressional approval procedure for major rules. – Sets forth the procedures for Congress to approve rules having an annual effect on the economy of \$100 million or more through a joint resolution of approval.

Section 333. Congressional disapproval procedure for non-major rules. – Sets forth the procedure for Congress to disapprove non-major rules.

Section 334. Definitions. – Defines terms used in Subtitle B.

Section 335. Judicial review. – Provides that determinations, findings, actions, or omissions under Subtitle B are not subject to judicial review.

Section 336. Effective date of certain rules. – Provides that rules relating to hunting, fishing, or camping and non-major rules for which notice and public comment are impracticable are effective on the date determined by the federal financial agency.

Section 337. Budgetary effects of rules subject to section 332 of the Financial CHOICE Act of 2017. – Amends the Balanced Budget and Emergency Deficit Control Act of 1985 to conform with the Financial Choice Act.

### **Subtitle C—Judicial Review of Agency Actions**

Section 341. Scope of judicial review of agency actions. – Directs court reviewing the actions of federal financial agencies to use a *de novo* standard of review when deciding all questions of law relating to an agency action, including the interpretation of constitutional and statutory provisions and the rules promulgated by an agency.

### **Subtitle D—Leadership of Financial Regulators**

Section 351. Federal Deposit Insurance Corporation. – Provides that the FDIC’s board of directors is to consist of 5 members appointed by the President with the advice and consent of the Senate, one of whom must have state bank supervisory experience.

Section 352. Federal Housing Finance Agency. – Provides that the President may remove the director of the Federal Housing Finance Agency (FHFA) before the end of the director’s appointed term with or without cause.

### **Subtitle E—Congressional Oversight of Appropriations**

Section 361. Bringing the Federal Deposit Insurance Corporation into the regular appropriations process. – Makes the FDIC’s funding subject to Congressional appropriations.

Section 362. Bringing the Federal Housing Finance Agency into the regular appropriations process. – Makes the FHFA’s funding subject to Congressional appropriations.

Section 363. Bringing the National Credit Union Administration into the regular appropriations process. – Makes the NCUA’s funding subject to Congressional appropriations.

Section 364. Bringing the Office of the Comptroller of the Currency into the regular appropriations process. – Makes the Officer of the Comptroller of the Currency’s (OCC) funding subject to Congressional appropriations.

Section 365. Bringing the non-monetary policy related functions of the Board of Governors of the Federal Reserve System into the regular appropriations process. – Makes the Federal Reserve’s funding for its non-monetary policy functions subject to Congressional appropriations.

### **Subtitle F—International Processes**

Section 371. Requirements for international processes. – Requires the federal financial regulatory agencies and the Treasury Department to notify Congress and the public before participating in international standard-setting processes, publicly report on international standard-setting processes in which they have participated, and notify the House Financial Services and Senate Banking Committees of agreements that may result from international processes and consult with these Committees on these agreements and their economic effects.

### **Subtitle G—Unfunded Mandates Reform**

Section 381. Definitions. – Defines terms used in Subtitle G.

Section 382. Statements to accompany significant regulatory actions. – Directs federal financial regulatory agencies to issue statements setting forth estimates for the compliance costs of federal mandates on particular regions of the nation, states, tribal and local

governments, particular communities before promulgating notices of proposed rulemaking or final rules.

Section 383. Small government agency plan. – Directs federal financial regulatory agencies to develop plans for providing small governments with notice of proposed rulemakings that affect small governments and the opportunity to provide input on such proposed rulemakings.

Section 384. State, local, and tribal government and private sector input. – Directs federal financial regulatory agencies to develop processes for state, local, and tribal governments to provide input and consult with these agencies on proposed rulemakings that affect state, local, and tribal governments.

Section 385. Least burdensome option or explanation required. – Requires federal financial regulatory agencies to identify regulatory alternatives and select the least costly alternative for rules that impose federal mandates on state, local, and tribal governments or the private sector.

Section 386. Assistance to the Office of Information and Regulatory Affairs. – Directs the Office of Information and Regulatory Affairs (OIRA) to collect the statements required under this Subtitle and forward them to the Congressional Budget Office.

Section 387. Office of Information and Regulatory Affairs responsibilities. – Directs OIRA to oversee the statements issued by federal financial regulatory agencies under this Subtitle to ensure that these statements comply with the Subtitle’s requirements.

Section 388. Judicial review. – Provides that agency compliance with the requirements of this Subtitle is subject to limited judicial review.

#### **Subtitle H—Enforcement Coordination**

Section 391. Policies to minimize duplication of enforcement efforts. – Directs federal financial regulatory agencies to implement policies that minimize duplication of enforcement actions.

#### **Subtitle I—Penalties for Unauthorized Disclosures**

Section 392. Criminal penalty for unauthorized disclosures. – Imposes criminal penalties on the employees of federal financial regulatory authorities for the unauthorized disclosure of information in “living wills” or stress tests.

#### **Subtitle J—Stop Settlement Slush Funds**

Section 393. Limitation on donations made pursuant to settlement agreements to which certain departments or agencies are a party. – Prohibits federal financial regulatory authorities from using settlement proceeds to make payments to persons who were not directly harmed by the wrongdoing that led to the settlement.



**TITLE IV—UNLEASHING OPPORTUNITIES FOR SMALL BUSINESSES,  
INNOVATORS, AND JOB CREATORS BY FACILITATING CAPITAL FORMATION**

**Subtitle A—Small Business Mergers, Acquisitions, Sales, and Brokerage  
Simplification**

Section 401. Registration exemption for merger and acquisition brokers. – Exempts merger-and-acquisition brokers from the registration requirements of the Securities Exchange Act of 1934.

Section 402. Effective date. – Provides that Subtitle A will become effective 90 days after the enactment of the Financial CHOICE Act of 2017.

**Subtitle B—Encouraging Employee Ownership**

Section 406. Increased threshold for disclosures relating to compensatory benefit plans. – Directs the SEC to increase the threshold exemption from the registration requirements of the Securities Act of 1933 for certain securities offered as part of compensatory benefit plans from \$5 million to \$20 million.

**Subtitle C—Small Company Disclosure Simplification**

Section 411. Exemption from XBRL requirements for emerging growth companies and other smaller companies. – Exempts Emerging Growth Companies and other smaller companies from the SEC's eXtensible Business Reporting Language (XBRL) requirements for filing financial statements with the SEC.

Section 412. Analysis by the SEC. – Directs the SEC to study the costs and benefits to smaller companies of using XBRL to file financial statements with the SEC.

Section 413. Report to Congress. – Directs the SEC to report to the House Financial Services and Senate Banking Committees on its progress in implementing XBRL reporting and the use of XBRL data by the SEC and investors.

Section 414. Definitions. – Defines terms used in Subtitle C.

**Subtitle D—Securities and Exchange Commission Overpayment Credit**

Section 416. Refunding or crediting overpayment of section 31 fees. – Directs the SEC to credit overpayments made by national securities exchanges and associations against future fees and assessments.

**Subtitle E—Fair Access to Investment Research**

Section 421. Safe harbor for investment fund research. – Directs the SEC to issue regulations providing that a covered investment fund research report is not an offer under the Securities Act of 1933.

#### **Subtitle F—Accelerating Access to Capital**

Section 426. Expanded eligibility for use of Form S-3. – Directs the SEC to revise Form S-3 to expand the eligibility of smaller companies that may use Form S-3 for offerings.

#### **Subtitle G—Enhancing the RAISE Act**

Section 431. Certain accredited investor transactions. – Amends the Securities Act of 1933 to clarify that the resale of certain restricted securities to accredited investors are exempt from prohibitions against interstate solicitation.

#### **Subtitle H—Small Business Credit Availability**

Section 436. Business development company ownership of securities of investment advisers and certain financial companies. – Amends the Investment Company Act of 1940 to allow business development companies to own shares in registered investment advisers.

Section 437. Expanding access to capital for business development companies. – Amends the asset coverage requirements in the Investment Company Act of 1940 for business development companies.

Section 438. Parity for business development companies regarding offering and proxy rules. – Directs the SEC to revise its rules to allow business development companies file offerings and proxy statements under rules available to other issuers.

#### **Subtitle I—Fostering Innovation**

Section 441. Temporary exemption for low-revenue issuers. – Grants certain low-revenue issuers a temporary exemption from Section 404(b) of the Sarbanes-Oxley Act.

#### **Subtitle J—Small Business Capital Formation Enhancement**

Section 446. Annual review of government-business forum on capital formation. – Directs the SEC to report on the findings and recommendations of the government-business forum on capital formation and the SEC's actions on these findings and recommendations.

#### **Subtitle K—Helping Angels Lead Our Startups**

Section 451. Definition of angel investor group. – Defines the term “angel investor group.”

Section 452. Clarification of general solicitation. – Directs the SEC to revise its rules to clarify that the prohibition against general solicitation does not apply to certain presentations or communications made at events sponsored by institutions of higher

education; nonprofit organizations; angel investor groups; venture forums, venture capital associations, or trade associations; or other groups determined by the SEC.

### **Subtitle L—Main Street Growth**

Section 456. Venture exchanges. – Amends the Securities Exchange Act of 1934 to allow a national securities exchange to register as a venture exchange and exempts venture exchanges from certain national security exchange regulations; amends the Securities Exchange Act of 1933 to provide that “venture securities” are exempt from state regulation of securities offerings.

### **Subtitle M—Micro Offering Safe Harbor**

Section 461. Exemptions for micro-offerings. – Amends the Securities Act of 1933 to provide that certain micro-offerings are exempt from prohibitions against interstate solicitation; amends the Securities Exchange Act of 1933 to provide that micro-offerings are exempt from state regulation of securities offerings.

### **Subtitle N—Private Placement Improvement**

Section 466. Revisions to SEC Regulation D. – Directs the SEC to revise Regulation D to streamline and improve its filing requirements and procedures for issuers offering securities under Regulation D.

### **Subtitle O—Supporting America’s Innovators**

Section 471. Investor limitation for qualifying venture capital funds. – Amends the Investment Company Act of 1940 to exempt qualifying venture capital funds from Investment Company’s Act definition of “investment company.”

### **Subtitle P—Fix Crowdfunding**

Section 476. Crowdfunding exemption. – Amends the Securities Exchange Act of 1933 to exempt from the Act’s registration requirements securities offerings involving certain small transactions.

Section 477. Exclusion of crowdfunding investors from shareholder cap. – Amends the Securities Exchange Act of 1934 to provide that securities purchased under Section 476 are not “held of record” under the Securities Exchange Act of 1934.

Section 478. Preemption of State law. – Clarifies that the Subtitle P pre-empts only state registration, documentation and offering requirements for securities offered under Section 476, and that Subtitle P does not affect the states’ enforcement authorities.

Section 479. Treatment of funding portals. – Excludes funding portals from the definition of “financial institution” required to submit records and report on monetary instruments transactions.

### **Subtitle Q—Corporate Governance Reform and Transparency**

Section 481. Definitions. – Defines terms used in Subtitle Q.

Section 482. Registration of proxy advisory firms. – Requires proxy advisory firms to register with the SEC and sets forth the procedure for registration.

Section 483. Commission annual report. – Directs the SEC to report annually on proxy advisory firms.

### **Subtitle R—Senior Safe**

Section 491. Immunity. – Grants immunity from suit to certain individuals and financial institutions for disclosing the possible exploitation of a senior citizen to a financial regulatory agency.

Section 492. Training required. – Provides that financial institutions may train certain employees on identifying and reporting the possible exploitation of senior citizens.

Section 493. Relationship to State law. – Provides that Subtitle R does not pre-empt state law, except to the extent that it provides greater protection against liability to certain individuals and financial institutions for disclosing the possible exploitation of a senior citizen to a financial regulatory agency.

### **Subtitle S—National Securities Exchange Regulatory Parity**

Section 496. Application of exemption. – Amends the Securities Act of 1933 to strike references to specific exchanges in defining “covered securities” exempt from regulation of securities offerings.

### **Subtitle T—Private Company Flexibility and Growth**

Section 497. Shareholder threshold for registration. – Amends the Securities Exchange Act of 1934 to raise the registration threshold for assets and shareholders.

### **Subtitle U—Small Company Capital Formation Enhancements**

Section 498. JOBS Act-related exemption. – Amends the Securities Act of 1933 to raise the amount of securities that may be offered and sold within a 12-month period under the exemption for additional issues authorized by the JOBS Act.

### **Subtitle V—Encouraging Public Offerings**

Section 499. Expanding testing the waters and confidential submissions. – Amends the Securities Act of 1933 to allow issuers to submit draft registration statements to the SEC for confidential, nonpublic review before an initial public offering.

## **TITLE V—REGULATORY RELIEF FOR MAIN STREET AND COMMUNITY FINANCIAL INSTITUTIONS**

### **Subtitle A—Preserving Access to Manufactured Housing**

Section 501. Mortgage originator definition. – Amends the definition of “mortgage originator” in the Truth in Lending Act to specify that, subject to certain exceptions, a retailer of manufactured housing or its employee is not a “mortgage originator.”

Section 502. High-Cost mortgage definition. – Amends the definition of “High-Cost Mortgage” in the Truth in Lending Act to provide that a credit transaction secured by a consumer’s dwelling is a “high-cost mortgage” if the dwelling is personal property, the annual percentage rate exceeds the average prime offer rate by more than 10 percentage points, and the transaction is for less than \$75,000.

### **Subtitle B—Mortgage Choice**

Section 506. Definition of points and fees. – Amends the definition of “points and fees” in the Truth in Lending Act to exclude fees paid for affiliated business arrangements.

### **Subtitle C—Financial Institution Customer Protection**

Section 511. Requirements for deposit account termination requests and orders. – Requires federal banking regulators to have a material reason not based solely on reputation risk for requesting or ordering a depository institution to terminate a customer’s account.

Section 512. Amendments to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. – Amends FIRREA to provide that FIRREA’s civil penalties provisions apply to violations by a depository institution against an unaffiliated third person; requires the Attorney General for investigations of possible violations of FIRREA to request a court order to summon witnesses or compel the production of documents, or to personally or through delegation to at least a Deputy Attorney General, issue a subpoena to summon witnesses or compel the production of documents.

### **Subtitle D—Portfolio Lending and Mortgage Access**

Section 516. Safe harbor for certain loans held on portfolio. – Amends the Truth in Lending Act to provide a safe harbor against litigation for depository institutions and mortgage originators for residential mortgage loans held on the creditor’s balance sheet since the origination of the loan if the loan fails to comply with TILA’s ability-to-repay requirements.

### **Subtitle E—Application of the Expedited Funds Availability Act**

Section 521. Application of the Expedited Funds Availability Act. – Amends the Expedited Funds Availability Act to clarify that the time periods under the Act apply to institutions located in American Samoa and the Northern Marian Islands.

### **Subtitle F—Small Bank Holding Company Policy Statement**

Section 526. Changes required to small bank holding company policy statement on assessment of financial and managerial factors. – Directs the Federal Reserve to raise the threshold for its Small Bank Holding Company Policy Statement from \$1 billion to \$10 billion.

### **Subtitle G—Community Institution Mortgage Relief**

Section 531. Community financial institution mortgage relief. – Amends the Truth in Lending Act to exempt smaller creditors from TILA's escrow requirements.

### **Subtitle H—Financial Institutions Examination Fairness and Reform**

Section 536. Timeliness of examination reports. – Amends the Federal Financial Institutions Examination Council Act of 1978 to require federal financial regulatory agencies to provide examined institutions with a final examination report within 60 days of an examination's exit interview; sets examination standards for agencies; creates an Office of Independent Examination Review to investigate complaints about examinations; grants financial institutions the right to seek review of supervisory determinations.

### **Subtitle I—National Credit Union Administration Budget Transparency**

Section 541. Budget transparency for the NCUA. – Amends the Federal Credit Union Act to require the National Credit Union Administration (NCUA) to annually hold public hearings on its budget.

### **Subtitle J—Taking Account of Institutions with Low Operation Risk**

Section 546. Regulations appropriate to business models. – Directs federal financial regulatory agencies tailor regulatory actions to an institution's risk profile and business model.

### **Subtitle K—Federal Savings Association Charter Flexibility**

Section 551. Option for Federal savings associations to operate as a covered savings association. – Amends the Home Owners' Loan Act to allow certain federal savings associations to operate with the same rights and privileges as a national bank supervised by the OCC.

### **Subtitle L—SAFE Transitional Licensing**

Section 556. Eliminating barriers to jobs for loan originators. – Amends the S.A.F.E. Mortgage Licensing Act of 2008 to temporarily allow loan originators to continue to act as loan originators if they move from a depository institution to a non-depository institution or

if they move from one state to another while their applications to be state-licensed loan originators are pending.

### **Subtitle M—Right to Lend**

Section 561. Small business loan data collection requirement. – Repeals Sections 704B of the Equal Credit Opportunity Act, which requires financial institutions to collect information from small businesses regarding their ownership.

### **Subtitle N—Community Bank Reporting Relief**

Section 566. Short-form call report. – Amends the Federal Deposit Insurance Act to direct federal banking regulators to issue regulations that would allow well-capitalized depository institutions to file short-form call reports in the first and third quarters of each year.

### **Subtitle O—Homeowner Information Privacy Protection**

Section 571. Study regarding privacy of information collected under the Home Mortgage Disclosure Act of 1975. – Directs the Government Accountability Office (GAO) to study and report on whether the collection of data mandated by the Home Mortgage Disclosure Act puts mortgage borrowers at risk of identity theft or of losing sensitive personal financial information.

### **Subtitle P—Home Mortgage Disclosure Adjustment**

Section 576. Depository institutions subject to maintenance of records and disclosure requirements. – Amends the Home Mortgage Disclosure Act of 1975 to exempt from the Act's reporting and recordkeeping requirements those depository institutions that originate fewer than 100 closed-end mortgage loans and fewer than 200 open-end mortgage loans over two years.

### **Subtitle Q—Protecting Consumers Access to Credit**

Section 581. Rate of interest after transfer of loan. – Amends various federal statutes to provide that a loan that is valid as to its maximum rate of interest when made remains valid if the loan is sold, assigned, or otherwise transferred to a third party.

### **Subtitle R—NCUA Overhead Transparency**

Section 586. Fund transparency. – Amends the Federal Credit Union Act to require the NCUA to report annually on how it allocates expenses between its prudential and insurance-related activities, whether these expenses are paid from operating fees assessed by the NCUA or from the NCUA Share Insurance Fund, and the NCUA's rationale for using amounts in the Share Insurance Fund in its annual budget.

## **TITLE VI—REGULATORY RELIEF FOR STRONGLY CAPITALIZED, WELL MANAGED BANKING ORGANIZATIONS**

Section 601. Capital election. – Provides that a banking organization may elect to be treated as a “qualifying banking organization” if it maintains an average leverage ratio of at least 10 percent; sets the process for banking organizations to make such an election; sets forth consequences of failure to maintain minimum average leverage ratio.

Section 602. Regulatory relief. – Exempts qualifying banking organizations from federal laws and regulations that set capital and liquidity requirements and federal laws and regulations that permit federal banking agencies to object to capital distributions; prohibits federal banking agencies from considering a qualifying banking organization’s effect on systemic risk or financial stability.

Section 603. Contingent capital study. – Directs the Federal Reserve, the FDIC, and the OCC to study requiring banking organizations to issue contingent capital with a market-based conversion trigger and to report their findings to Congress.

Section 604. Study on altering the current prompt corrective action rules. – Directs the OCC to study the feasibility of replacing the current prompt corrective action rules and Basel capital ratios with a nonperforming asset coverage ratio and to report its findings to Congress.

Section 605. Definitions. – Defines terms used in Title VI.

## **TITLE VII—EMPOWERING AMERICANS TO ACHIEVE FINANCIAL INDEPENDENCE**

### **Subtitle A—Separation of Powers and Liberty Enhancements**

Section 711. Consumer Law Enforcement Agency. – Renames the “Bureau of Consumer Financial Protection” as the “Consumer Law Enforcement Agency”; makes conforming amendments to various federal statutes to reflect the new name; provides that the Deputy Director of the Consumer Law Enforcement Agency is to be appointed by the president; and strikes paragraph (3) of subsection 1101(c), which provided that the Director could only be removed by the president for cause.

Section 712. Authority of the Office of Information and Regulatory Affairs. – Provides that OIRA has the same duties and authorities regarding the Consumer Law Enforcement Agency as it does for any other non-independent regulatory agency.

Section 713. Bringing the Agency into the regular appropriations process. – Makes the Consumer Law Enforcement Agency subject to Congressional appropriations.

Section 714. Consumer Law Enforcement Agency Inspector General Reform. – Provides for the appointment of an independent Inspector General for the Consumer Law Enforcement Agency and requires the Inspector General to testify at semi-annual hearings before the House Financial Services and Senate Banking Committees.



Section 715. Private parties authorized to compel the Agency to seek sanctions by filing civil actions; Adjudications deemed actions. – Authorizes private parties that are parties to administrative proceedings brought by the Consumer Law Enforcement Agency to compel the Agency to terminate the administrative proceeding; authorizes the Agency to bring a civil action seeking the same remedy if the Agency is required to terminate an administrative proceeding.

Section 716. Civil investigative demands to be appealed to courts. – Authorizes the recipients of a civil investigate demand issued by the Consumer Law Enforcement Agency to seek an order from a federal district court modifying or setting aside the demand.

Section 717. Agency dual mandate and economic analysis. – Amends the Consumer Financial Protection Act to provide that the purpose of the Consumer Law Enforcement Agency also includes strengthening consumer participation in financial markets, increasing competition, and enhancing consumer choice; establishes an Office of Economic Analysis within the Agency and directs it to review and assess regulations and administrative enforcement and civil actions.

Section 718. No deference to Agency interpretation. – Amends the Consumer Financial Protection Act to repeal the Act's provision requiring courts to defer to the determinations of the Consumer Law Enforcement Agency regarding the meaning of federal consumer financial law.

### **Subtitle B—Administrative Enhancements**

Section 721. Advisory opinions. – Directs the Consumer Law Enforcement Agency to establish a procedure for responding to requests for advisory opinions regarding whether specific conduct conforms with federal consumer financial law.

Section 722. Reform of Consumer Financial Civil Penalty Fund. – Directs the Consumer Law Enforcement Agency to establish segregated accounts for each civil penalty collected by the Agency, to use those accounts to compensate victims of the violation for which the penalty was collected, and to credit as general revenue to the Treasury any amounts remaining in the segregated account after two years.

Section 723. Agency pay fairness. – Puts employees of the Consumer Law Enforcement Agency on the General Schedule pay scale for federal employees.

Section 724. Elimination of market monitoring functions. – Repeals the Consumer Law Enforcement Agency's responsibility for monitoring markets for consumer financial products and services.

Section 725. Reforms to mandatory functional units. – Provides that the Consumer Law Enforcement Agency may—but is not required to—establish certain offices within the Agency. Prohibits publication of information gathered for the consumer complaint database, while retaining the requirement the database be shared with other federal and state agencies.

Section 726. Repeal of mandatory advisory board. – Abolishes the mandatory Consumer Advisory Board. Does not limit the Director’s discretion to establish advisory boards pursuant to the Federal Advisory Committee Act.

Section 727. Elimination of supervision authority. – Abolishes the Consumer Law Enforcement Agency’s authority to supervise and examine financial institutions.

Section 728. Transfer of old OTS building from OCC to GSA. – Directs the OCC to transfer administrative jurisdiction over the former OTS headquarters at 1700 G Street, NW to the GSA.

Section 729. Limitation on Agency authority. – Provides that Consumer Law Enforcement Agency may not exercise any rulemaking, enforcement, or other authority relating to employee benefit compensation plans or persons regulated by the SEC or the CFTC.

### **Subtitle C—Policy Enhancements**

Section 731. Consumer right to financial privacy. – Requires the Consumer Law Enforcement Agency to obtain a consumer’s consent before collecting a consumer’s nonpublic personal information.

Section 732. Repeal of Council authority to set aside Agency rules and requirement of safety and soundness considerations when issuing rules. – Repeals the FSOC’s authority to set aside for safety and soundness reasons rules promulgated by the Consumer Law Enforcement Agency.

Section 733. Removal of authority to regulate small-dollar credit. – Prohibits the Consumer Law Enforcement Agency from exercising rulemaking or enforcement authority over small-dollar loans.

Section 734. Reforming indirect auto financing guidance. – Nullifies the March 2013 Auto Lending Guidance issued by the Consumer Financial Protection Bureau and sets forth procedural requirements that the Consumer Law Enforcement Agency must follow in issuing guidance relating to indirect auto financing.

Section 735. Prohibition of Government price controls for payment card transactions. – Repeals the Federal Reserve’s authority to issue regulations setting interchange transaction fees and network fees.

Section 736. Removal of Agency UDAAP authority. – Repeals the Consumer Law Enforcement Agency’s rulemaking and enforcement authority over unfair, deceptive, or abusive acts and practices.

Section 737. Preservation of UDAP authority for Federal banking regulators. – Directs federal banking regulators to promulgate regulations to prevent unfair or deceptive acts or practices and to enforce those regulations.

Section 738. Repeal of authority to restrict arbitration. – Repeals the Consumer Law Enforcement Agency’s authority to restrict agreements requiring pre-dispute arbitration in connection with the offering or providing of consumer financial products or services.

## **TITLE VIII—CAPITAL MARKETS IMPROVEMENTS**

### **Subtitle A—SEC Reform, Restructuring, and Accountability**

Section 801. Authorization of appropriations. – Authorizes appropriations for the Securities and Exchange Commission (SEC) for fiscal years 2017 through 2022.

Section 802. Report on unobligated appropriations. – Directs the SEC to report to the House Financial Services and Senate Banking Committees on unobligated funds appropriated to the SEC.

Section 803. SEC Reserve Fund abolished. – Abolishes the SEC’s Reserve Fund.

Section 804. Fees to offset appropriations. – Directs the SEC to collect fees and assessments to offset Congressional appropriations; provides that fees collected in excess of amounts appropriated by Congress shall be credited as general revenue to the Treasury.

Section 805. Commission relocation funding prohibition. – Prohibits the SEC from obligating funds for constructing a new headquarters.

Section 806. Implementation of recommendations. – Directs the SEC finish implementing the recommendations contained in the independent consultant’s report issued on March 10, 2011.

Section 807. Office of Credit Ratings to report to the Division of Trading and Markets. – Restructures the SEC’s Office of Credit Ratings to place it within the SEC’s Division of Trading and Markets.

Section 808. Office of Municipal Securities to report to the Division of Trading and Markets. – Restructures the SEC’s Office of Municipal Securities to place it within the SEC’s Division of Trading and Markets.

Section 809. Independence of Commission Ombudsman. – Provides that the Ombudsman will be appointed by the SEC’s Commissioners and reports to the Commission.

Section 810. Investor Advisory Committee improvements. – Requires the SEC’s Investor Advisory Committee to consult with the SEC’s Small Business Capital Formation Advisory Committee in submitting findings and recommendations to the SEC; requires the Investor Advisory Committee to include as a non-voting member a member of the Small Business Capital Formation Advisory Committee; sets term lengths for members of the Investor Advisory Committee.

Section 811. Duties of Investor Advocate. – Prohibits the Investor Advocate from taking a position on pending legislation other than legislative changes proposed by the Investor Advocate relating to retail investors; requires the Investor Advocate to consult with the Advocate for Small Business Capital formation in proposing recommendations relating to retail investors; and directs the Investor Advocate to advise the Advocate for Small Business Capital Formation on issues related to small business investors.

Section 812. Elimination of exemption of Small Business Capital Formation Advisory Committee from Federal Advisory Committee Act. – Repeals the Small Business Capital Formation Advisory Committee’s exemption from the Federal Advisory Committee Act.

Section 813. Internal risk controls. – Directs the SEC and registered national security associations, in consultation with the SEC’s chief economist, to develop internal risk controls to safeguard market data; requires the operator of the Consolidated Audit Trail, in consultation with the SEC’s chief economist, to develop internal risk controls to safeguard market data before the SEC approves a national market system plan governing the implementation of the Consolidated Audit Trail.

Section 814. Applicability of notice and comment requirements of the Administrative Procedure Act to guidance voted on by the Commission. – Subjects SEC statements and guidance that implement, interpret, or prescribe law or policy to the notice-and-comment requirements of the Administrative Procedure Act.

Section 815. Limitation on pilot programs. – Provides that pilot programs established by self-regulatory organizations expire five years after they are approved by the SEC, unless the SEC issues a rule to permanently continue the pilot program or approves the program on a permanent basis.

Section 816. Procedure for obtaining certain intellectual property. – Requires the SEC to obtain a subpoena in order to compel the production of source code.

Section 817. Process for closing investigations. – Directs the SEC to establish procedures for closing investigations in a timely manner.

Section 818. Enforcement Ombudsman. – Directs the SEC to appoint an Enforcement Ombudsman who reports to the SEC and acts as a liaison between the SEC and any person who is the subject of an SEC investigation or an administrative or judicial action brought by the SEC.

Section 819. Adequate notice. – Provides that no person can be subject to an SEC enforcement action if that person did not have adequate notice of the law, rule, or regulation on which the action is based; provides that publication of an SEC statement or guidance constitutes adequate notice.

Section 820. Advisory committee on Commission’s enforcement policies and practices. – Directs the SEC Chair to establish an advisory committee to analyze and make recommendations regarding the SEC’s enforcement policies and practices.

Section 821. Process to permit recipient of Wells notification to appear before Commission staff in-person. – Directs the SEC to establish a process in which the recipient of a Wells notice can make a presentation to SEC staff regarding the staff's preliminary recommendation that the SEC bring an enforcement action against the recipient of the notice.

Section 822. Publication of enforcement manual. – Directs the SEC to publish a manual setting forth the policies and procedures the SEC follows in enforcing the securities laws; directs the SEC to publish annually an enforcement plan and report that sets forth the SEC's enforcement priorities and reports on the SEC's enforcement and examination activities for the previous year.

Section 823. Private parties authorized to compel the Securities and Exchange Commission to seek sanctions by filing civil actions. – Authorizes defendants in administrative proceedings brought by the SEC to require the SEC to terminate the administrative proceeding; authorizes the SEC to bring a civil action seeking the same remedy that it sought in the terminated administrative proceeding.

Section 824. Certain findings required to approve civil money penalties against issuers. – Requires the SEC, when imposing civil money penalties against issuers, to determine whether the violation resulted in direct economic benefit to the issuer and whether the penalty will harm the issuer's shareholders; requires that such a finding be supported by an analysis by the division of Economic and Risk Analysis and be certified by the Chief Economist.

Section 825. Repeal of authority of the Commission to prohibit persons from serving as officers or directors. – Repeals the SEC's authority to prohibit certain persons from serving as officers and directors through administrative proceedings.

Section 826. Subpoena duration and renewal. – Prohibits the SEC from issuing omnibus orders of investigation of indefinite duration; requires SEC action to renew such an order.

Section 827. Elimination of automatic disqualifications. – Provides that entities and individuals may not be automatically disqualified from using exemptions or registration provisions as a result of having been the subject of an order, judgment, or decree arising from a governmental action.

Section 828. Denial of award to culpable whistleblowers. – Prohibits the SEC from awarding compensation to whistleblowers who are complicit in the wrongdoing for which they provided information.

Section 829. Confidentiality of records obtained from foreign securities and law enforcement authorities. – Provides that the SEC cannot be compelled to produce records obtained from foreign securities regulators or foreign law enforcement authorities.

Section 830. Clarification of authority to impose sanctions on persons associated with a broker or dealer. – Clarifies that the SEC may impose sanctions on persons associated with a broker or dealer.

Section 831. Complaint and burden of proof requirements for certain actions for breach of fiduciary duty. – Provides that in derivative actions brought under the Investment Company Act alleging a breach of fiduciary duty, the plaintiff must state with particularity all the facts establishing a breach of fiduciary duty, and that the plaintiff must prove the breach of fiduciary duty by clear and convincing evidence.

Section 832. Congressional access to information held by the Public Company Accounting Oversight Board. – Directs the PCAOB to make information the PCAOB received in connection with an inspection or an investigation available to the House Financial Services and Senate Banking Committees.

Section 833. Abolishing Investor Advisory Group. – Directs the PCAOB to abolish the Investor Advisory Group.

Section 834. Repeal of requirement for Public Company Accounting Oversight Board to use certain funds for merit scholarship program. – Repeals the requirement that the PCAOB fund a merit scholarship program and instead remit the funds to the Treasury.

Section 835. Reallocation of fines for violations of rules of municipal securities rulemaking board. – Provides that fines collected for MSRB rule violations be credited as general revenue to the Treasury.

### **Subtitle B—Eliminating Excessive Government Intrusion in the Capital Markets**

Section 841. Repeal of Department of Labor fiduciary rule and requirements prior to rulemaking relating to standards of conduct for brokers and dealers. – Repeals the Department of Labor’s final rule titled “Definition of the Term ‘Fiduciary’; Conflict of Interest Rule—Retirement Investment Advice”; provides that the Department of Labor may not issue a rule defining a “fiduciary” until 60 days after the SEC issues a rule relating to standards of conduct for brokers and dealers; provides that if the Department of Labor issues a rule defining a “fiduciary,” that the Department of Labor’s rule must prescribe a definition substantially similar to the SEC’s and that the Department of Labor’s rule must impose substantially identical standards of care as the SEC has imposed on brokers, dealers, and investment advisers; directs the SEC to report to the House Financial Services and Senate Banking Committees on the costs and benefits of proposed rules relating to standards of conduct for brokers and dealers before promulgating such a rule.

Section 842. Exemption from risk retention requirements for nonresidential mortgage. – Exempts asset-backed securities made up of non-residential mortgages from the Dodd-Frank Act’s risk-retention requirements.

Section 843. Frequency of shareholder approval of executive compensation. – Provides that shareholders be given the opportunity to approve executive compensation in those years in

which the executive compensation of an issuer has materially changed from the previous year.

Section 844. Shareholder Proposals. – Directs the SEC to adjust the resubmission thresholds for shareholder proposals; directs the SEC to revise the holding requirements for a shareholder to submit a proposal by eliminating the option to satisfy the holding requirement by holding a certain dollar amount and by requiring a shareholder to hold 1 percent of the issuer's voting securities, and adjusting the holding period to 3 years; prohibits an issuer from including shareholder proposals by proxies in the issuer's proxy materials.

Section 845. Prohibition on requiring a single ballot. – Prohibits the SEC from requiring proxy solicitations to use a single ballot for director elections.

Section 846. Requirement for municipal advisor for issuers of municipal securities. – Provides that an issuer of municipal securities is not required to retain a municipal advisor before issuing securities.

Section 847. Small issuer exemption from internal control evaluation. – Exempts issuers with market capitalizations of less than \$500 million and depository institutions with assets of less than \$1 billion from having to comply with internal control evaluation requirement of the Sarbanes-Oxley Act.

Section 848. Streamlining of applications for an exemption from the Investment Company Act of 1940. – Sets forth the application process for the SEC to grant exemptions from the requirements of the Investment Company Act under the SEC's general exemptive authority.

Section 849. Restriction on recovery of erroneously awarded compensation. – Provides that the SEC's rules requiring issuers to develop policies providing for the recovery of erroneously awarded compensation to an executive officer under an accounting restatement apply only when the officer had control or authority over the financial reporting that resulted in the accounting restatement.

Section 850. Exemptive authority for certain provisions relating to registration of nationally recognized statistical rating organizations. – Grants the SEC the authority to exempt a person from provisions relating to the registration of NRSROs if the SEC finds that registration creates a barrier to entry, impedes competition, or that such an exemption is in the public interest.

Section 851. Risk-based examinations of Nationally Recognized Statistical Rating Organizations. – Directs the SEC to conduct risk-based examinations of NRSROs.

Section 852. Transparency of credit rating methodologies. – Prohibits the SEC from requiring NRSROs to include in their disclosures of rating methodologies references to statutory or regulatory requirements; prohibits the SEC from mandating the specific format of an NRSRO's disclosure of its rating methodology.

Section 853. Repeal of certain attestation requirements relating to credit ratings. – Repeals the requirement that the chief executive officer of an NRSRO attest to its internal controls over processes for determining credit ratings; repeals the requirement that an NRSRO include in its disclosures an attestation that the rating was not influenced by business activities, that the rating was based solely on the merits of the instruments being rated, and that the rating was an independent evaluation of the risks and merits of the instrument.

Section 854. Look-back review by NRSRO. – Amends the look-back requirement for NRSROs to apply only to the lead underwriter in reviewing whether conflicts of interests between employees of the NRSRO and employees of the person subject to the rating or an employee of an issuer, underwriter, or sponsor of a security subject to the rating influenced the rating.

Section 855. Approval of credit rating procedures and methodologies. – Provides that an NRSRO's Chief Credit Officer may approve an NRSRO's procedures and methodologies.

Section 856. Exception for providing certain material information relating to a credit rating. – Provides that a person who markets or sells an NRSRO's products and services may provide information to a person who determines or monitors a credit rating or who develops and approves methodologies for determining a rating as long as the information provided is not intended to influence the determination of a credit rating or the methodologies used to determine credit ratings.

Section 857. Repeals. – Repeals certain provisions of title IX of the Dodd-Frank Act. In particular:

- In Subtitle A (Increasing Investor Protection), repeals the section granting the SEC the authority to engage in investor testing; repeals the sections mandating studies on investment adviser examinations, financial literacy among investors, mutual fund advertising, conflicts of interest, access to information on investment advisers and broker-dealers, and on financial planners and the use of financial designations.
- In Subtitle B (Increasing Regulatory Enforcement and Remedies), repeals the section granting the SEC the authority to restrict mandatory pre-dispute arbitration; providing for equal treatment of self-regulatory organization rules; providing for short sale reforms; and the section mandating studies on extraterritorial private rights of action and securities litigation.
- In Subtitle C (Improvements to the Regulation of Credit Rating Agencies), repeals the sections on Congress's findings on credit ratings and NRSROs, the pleading requirements for state of mind in private actions against NRSROs, timing of regulations, the elimination of the exemption of NRSROs from the fair disclosure rule, and repeals the sections mandating studies on credit rating agency independence, alternative business models, and the creation of an independent professional analyst organization; repeals the section mandating a study and rulemaking on assigned credit ratings; repeals the section rescinding the exemption from expert liability afforded to credit rating agencies under SEC Rule 436(g);



repeals the section setting forth the sense of Congress regarding the SEC's rulemaking authority over NRSROs.

- In Subtitle D (Improvements to the Asset-Backed Securitization Process), repeals the section mandating a study on the macroeconomic effects of risk retention requirements.
- In Subtitle E (Accountability and Executive Compensation), repeals the subsection requiring issuers to disclose the ratio of the median annual compensation of all employees and the compensation of the chief executive officer; repeals the sections mandating disclosure by issuers regarding employee and director hedging, enhanced disclosure by financial institutions of compensation arrangements for executives, and prohibiting certain compensation arrangements.
- In Subtitle F (Improvements to the Management of the Securities and Exchange Commission), repeals the sections mandating studies on the oversight of national securities associations and former SEC employees subsequently employed by financial institutions regulated by the SEC; repeals the section directing the SEC's Division of Trading and Markets and its Division of Investment Management to maintain a staff of compliance examiners.
- In Subtitle G (Strengthening Corporate Governance), repeals sections permitting the SEC to issue rules regarding proxy access and directing the SEC to issue rules requiring issuers to explain their chairman and chief executive officer structures.
- In Subtitle H (Municipal Securities), repeals sections mandating studies of increased disclosure to investors in municipal securities and on municipal securities markets; repeals the section permitting the SEC to require national securities associations to fund the Governmental Accounting Standards Board.
- In Subtitle I (Public Company Accounting Oversight Board, Portfolio Margining, and Other Matters), repealing sections directing the SEC to issue regulations regarding the disclosure of securities lending; creating a program for making grants to states for the purpose of investigating and prosecuting persons selling financial products to senior citizens who are not specifically credentialed as having special training in advising senior citizens; and directing federal financial regulatory agencies to address deficiencies identified by their respective inspector general. Also repeals sections mandating studies on proprietary trading, person-to-person lending, the exemption for small issuers from Section 404(b) of the Sarbanes-Oxley Act, and the subsection mandating a study on compliance burdens from Section 404(b) of the Sarbanes-Oxley Act on companies with a market capitalization between \$75 million and \$250 million.

Section 858. Exemption of and reporting by private equity fund advisers. – Exempts the advisers to private equity funds from the registration and reporting requirements of the Investment Advisers Act of 1940.

Section 859. Records and reports of private funds. – Removes references to the Financial Stability Oversight Council and systemic risk from the statutory rationale for requiring registered investment advisers to maintain and produce records and reports.

Section 860. Definition of accredited investor. – Amends the definition of “accredited investor” to include natural persons whose individual or joint net worth with a spouse

exceeds \$1 million; a natural person having an individual income greater than \$200,000 or joint income with a spouse greater than \$300,000 in the two years prior; a natural person licensed as a broker or investment adviser; and any natural person the SEC determines has the education or job experience to qualify as having professional knowledge related to investment.

Section 861. Repeal of certain provisions requiring a study and report to Congress. – Repeals certain provisions of title IX of the Dodd-Frank Act. In particular, repeals sections mandating a study on custody rule costs, a study on the criteria for determining “accredited investors,” a study on the feasibility of a self-regulatory organization to oversee private funds, and a study on short selling.

Section 862. Repeal. – Repeals certain provisions of title XV of the Dodd-Frank Act. In particular, repeals sections directing the SEC to promulgate regulations regarding the following: disclosures relating to conflict minerals originating in the Democratic Republic of the Congo; disclosures regarding coal or other mine safety; disclosures of payments to foreign governments by resource extraction issuers. Also repeals sections mandating studies on the effectiveness of inspectors general and on core deposits and brokered deposits.

### **Subtitle C—Harmonization of Derivatives Rules**

Section 871. Commissions review and harmonization of rules relating to the regulation of over-the-counter swaps markets. – Directs the SEC and CFTC to review rules, orders, and guidance issued pursuant to Title VII of the Dodd-Frank Act and to resolve inconsistencies.

Section 872. Treatment of transactions between affiliates. – Exempts swap transactions between affiliated entities from the swaps rules issued by the SEC and the CFTC.

### **TITLE IX—REPEAL OF THE VOLCKER RULE AND OTHER PROVISIONS**

Section 901. Repeals. – Repeals certain provisions of title VI of the Dodd-Frank Act, including Section 619, also known as the Volcker Rule. In particular, repeals sections imposing a moratorium on the provision of deposit insurance by the FDIC to industrial banks, credit card banks, and trust banks owned or controlled by a commercial firm; granting the Federal Reserve supervisory authority over securities holding companies; prohibiting banking entities from engaging in proprietary trading or maintaining certain relationships with hedge funds and private equity funds; and prohibiting underwriters, placement agents, initial purchasers and sponsors of an asset-backed security engaging in transactions that give rise to a conflict of interest with an investor in the security for a one-year period. Also repeals the section mandating a study on bank investment activities.

### **TITLE X—FED OVERSIGHT REFORM AND MODERNIZATION**

Section 1001. Requirements for policy rules of the Federal Open Market Committee. – Requires the Federal Reserve to adopt a “directive policy rule” for open market operations; directs the GAO to monitor the Federal Reserve’s compliance with the directive policy rule

that the Federal Reserve has adopted and report instances of non-compliance to the House Financial Services and Senate Banking Committees; authorizes the chairs of the House Financial Services and Senate Banking Committees to request the Federal Reserve Chair to testify on the Federal Reserve's failure to comply with its directive policy rule.

Section 1002. Federal Open Market Committee blackout period. – Defines the term “blackout period”; specifies the public communications that may be made by members of the Federal Open Market Committee during the blackout period; exempts the Federal Reserve Chair from the blackout period.

Section 1003. Public transcripts of FOMC meetings. – Requires the Federal Open Market Committee to record its meetings and make full transcripts of its meetings available to the public.

Section 1004. Membership of Federal Open Market Committee. – Changes the composition of the Federal Open Market Committee by adding a sixth representative from the regional Federal Reserve Banks to the Committee; changes the rotation of membership on the Federal Open Market Committee among the representatives of the regional Federal Reserve Banks so that representatives from the Federal Reserve Banks of Boston, Philadelphia, Richmond, Chicago, Minneapolis, and Dallas serve in odd-numbered calendar years, and representatives from the Federal Reserve Banks of New York, Cleveland, Atlanta, St. Louis, Kansas City, and San Francisco serve in even-numbered calendar years.

Section 1005. Frequency of testimony of the Chairman of the Board of Governors of the Federal Reserve System to Congress. – Requires the Federal Reserve Chair to testify quarterly before the House Financial Services and Senate Banking Committees on the conduct of monetary policy and economic developments and future prospects for the economy.

Section 1006. Vice Chairman for Supervision report requirement. – Requires the Federal Reserve Vice Chair for Supervision to report in the Vice Chair's written testimony on the status of pending and anticipated rulemakings by the Federal Reserve; provides that the Federal Reserve Vice Chair or the Federal Reserve Chair shall testify if the position of Vice Chair for Supervision is vacant.

Section 1007. Salaries, financial disclosures, and office staff of the Board of Governors of the Federal Reserve System. – Subjects members and employees of the Federal Reserve to the same prohibitions and restrictions on financial interests, transactions, and outside employment that employees of the SEC are subject to; requires members and employees of the Federal Reserve to disclose all brokerage accounts and authorize the sending of duplicate account statements to the Federal Reserve; requires the Federal Reserve to publicly disclose the names, salaries, and required financial disclosures of Federal Reserve members, officers, and employees whose annual salary exceeds the annual rate of pay for GS-15 on the General Schedule; and permits each member of the Federal Reserve Board to employ at least 2 individuals as office staff.

Section 1008. Amendments to powers of the Board of Governors of the Federal

Reserve System. – Amends section 13(3) of the Federal Reserve Act to provide that the Federal Reserve may exercise its emergency lending authority only if the “unusual and exigent circumstances” identified as the basis for the exercise of such authority also “pose a threat to the financial stability of the United States”; to require the affirmative vote of at least nine presidents of the regional Federal Reserve Banks in addition to the affirmative vote of five members of the Federal Reserve Board to exercise the emergency lending authority. Directs the Federal Reserve to issue rules regarding the sufficiency and acceptability of, discounts on, and methods for appraising collateral required to secure loans made under the Federal Reserve’s emergency lending authority. Provides federal banking regulators must certify that an institution is solvent before it is eligible to borrow under the Federal Reserve’s emergency lending authority. Directs the Federal Reserve to issue rules regarding minimum interest rates to be charged for loans made under its emergency lending authority, and defines the minimum interest rate.

Section 1009. Interest rates on balances maintained at a Federal Reserve bank by depository institutions established by Federal Open Market Committee. – Provides that the Federal Open Market Committee establishes the rate of earnings paid on balances maintained at Federal Reserve Banks by depository institutions.

Section 1010. Audit reform and transparency for the Board of Governors of the Federal Reserve System. – Directs the GAO to annually audit the Federal Reserve Board and Federal Reserve Banks and report to Congress on the results of its audit.

Section 1011. Establishment of a Centennial Monetary Commission. – Establishes a Centennial Monetary Commission to examine the effect of monetary policy since the creation of the Federal Reserve on the U.S. economy and to evaluate the effectiveness of the regimes under which the Federal Reserve has conducted monetary policy in achieving the maximum sustainable level of output and price stability.

## **TITLE XI—IMPROVING INSURANCE COORDINATION THROUGH AN INDEPENDENT ADVOCATE**

Section 1101. Repeal of the Federal Insurance Office; Creation of the Office of the Independent Insurance Advocate. – Abolishes the Federal Insurance Office and establishes the Office of the Independent Insurance Advocate to act as an independent advocate on behalf of U.S. policyholders on prudential aspects of insurance matters; grants the Office of the Independent Insurance Advocate the authority to coordinate federal efforts on prudential aspects of international insurance matters, consult with states regarding insurance matters of national importance, to assist the Treasury Secretary in administering the Terrorism Reinsurance Program, and to observe all aspects of the insurance industry and identify issues that could contribute to systemic crises in the insurance industry or the U.S. financial system; provides that the Independent Insurance Advocate is a voting member of the FSOC.

Section 1102. Treatment of covered agreements. – Requires the Treasury Secretary and the U.S. Trade Representative to publish in the Federal Register and make available for public

comment the proposed text of a bilateral or multilateral agreement regarding prudential measures relating to insurance or reinsurance before the agreement can become effective.

## **TITLE XII—TECHNICAL CORRECTIONS**

Section 1201. Table of contents; Definitional corrections. – Makes technical corrections to the Table of Contents and Section 2 of the Dodd-Frank Act.

Section 1202. Antitrust savings clause corrections. – Makes technical corrections to Section 6 of the Dodd-Frank Act.

Section 1203. Title I corrections. – Makes technical corrections to Title I of the Dodd-Frank Act.

Section 1204. Title III corrections. – Makes technical corrections to Title III of the Dodd-Frank Act.

Section 1205. Title IV correction. Makes technical corrections to Title IV of the Dodd-Frank Act.

Section 1206. Title VI corrections. – Makes technical corrections to Title VI of the Dodd-Frank Act.

Section 1207. Title VII corrections. – Makes technical corrections to Title VII of the Dodd-Frank Act.

Section 1208. Title IX corrections. Makes technical corrections to Title IX of the Dodd-Frank Act.

Section 1209. Title X corrections. Makes technical corrections to Title X of the Dodd-Frank Act.

Section 1210. Title XII correction. Makes technical corrections to Title XII of the Dodd-Frank Act.

Section 1211. Title XIV correction. – Makes technical corrections to Title XIV of the Dodd-Frank Act.

Section 1212. Technical corrections to other statutes. – Makes technical corrections to various federal statutes.

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