To require the Federal banking agencies to design a strategic plan to hold megabanks 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 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 Representatives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

4 (a) SHORT TITLE.—This Act may be cited as the “Holding Megabanks Accountable Act”.

6 (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 MEGABANKS 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.

1 SEC. 2. MEGABANK DEFINED.

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

4 (1) a bank holding company that has been iden-
5 tified by the Board of Governors of the Federal Re-
6 serve System as a global systemically important
7 bank holding company pursuant to section 217.402
8 of title 12, Code of Federal Regulations; and

9 (2) a global systemically important foreign
10 banking organization, as defined under section 252.2

12 (b) TREATMENT OF EXISTING GSIBs.—A company
13 or organization described under clause (i) or (ii) of sub-
14 paragraph (A) on the date of the enactment of this Act
15 shall be deemed a megabank.
TITLE I—STRATEGIC PLAN TO HOLD MEGABANKS 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 megabank (including the directors and officers of the megabank) accountable when the megabank 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 megabank;
(2) restrict certain lines of business of a megabank;
(3) require the disposition of assets of a megabank;
(4) remove certain directors or officers of a megabank; or
(5) permanently ban certain directors or officers of a megabank 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 megabank 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) Federal Banking Agencies Defined.—In this section, 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, and the Office of the
Comptroller of the Currency.

TITLE II—CONSUMER ABUSE
REMEDIAION 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 exten-
sive 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 exist-
ence of extensive consumer abuse, notify the appro-
priate Federal banking agency, the Consumer Bu-
reau, 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 af-
filiated banking organization determines the exist-
ence of extensive consumer abuse, submit a remedi-
ation plan to the Consumer Bureau under which the
tmegabank 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 fur-
nished to a consumer reporting agency in con-
nection with such extensive consumer abuse;

and

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

(b) EXTENSIVE CONSUMER ABUSE.—For purposes of
a megabank or affiliated banking organization, extensive
consumer abuse described under this subsection is any in-
dividual 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 cus-
tomers of the megabank or affiliated banking organi-
ization of more than $10,000,000; or

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

(c) PENALTIES.—Any megabank or affiliated bank-
ing organization that violates subsection (a) or fails to re-
ceive a certification from the Consumer Bureau for a com-
pleted remediation plan submitted under such subsection
shall be fined in an amount equal to—

(1) 3 times the aggregate amount of fines appli-
cable to such megabank or organization for the ex-
tensive 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 aggre-
gate 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 “subsidiary” have the meaning given those terms, respec-

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.