

103^D CONGRESS
1ST SESSION

H. R. 597

To institute management reforms and eliminate conflicts-of-interest on boards of directors of depository institutions and depository holding companies, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 1993

Mr. KANJORSKI introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

A BILL

To institute management reforms and eliminate conflicts-of-interest on boards of directors of depository institutions and depository holding companies, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This act may be cited as the “Management and Con-
5 flict of Interest Reform Amendments of 1993”.

6 **SEC. 2. DEFINITIONS.**

7 (a) Section 202 of the Depository Institution Man-
8 agement Interlocks Act (12 U.S.C. 3201) is amended—

1 (1) by amending paragraph (1) to read as fol-
2 lows:

3 “(1) the term ‘depository institution’ means a
4 commercial bank, a foreign bank, a savings bank, a
5 trust company, a savings association, a building and
6 loan association, a homestead association, a coopera-
7 tive bank, an industrial bank, or a credit union;”;

8 (2) in paragraph (5), by striking “and”;

9 (3) in paragraph (6), by striking the period and
10 inserting “; and”; and

11 (4) by adding at the end the following:

12 “(7) the term ‘outside counsel’ means any indi-
13 vidual who is not a full time employee of the deposit-
14 tory institution or depository holding company and
15 who receives compensation, either directly or
16 through a law firm, partnership, or corporation, for
17 legal services or advice rendered to the depository in-
18 stitution or depository holding company or any of its
19 subsidiaries, affiliates, or holding companies;

20 “(8) the term ‘outside accountant’ means any
21 individual who is not a full time employee of the de-
22 pository institution or depository holding company
23 and who receives compensation, either directly or
24 through an accounting firm, partnership, or corpora-
25 tion, for accounting services or advice rendered to

1 the depository institution or any of its subsidiaries,
2 affiliates, or holding companies;

3 “(9) the term ‘outside director’ means an indi-
4 vidual who is a member of the board of directors
5 who is not an employee or officer with management
6 functions of either the depository institution or de-
7 pository holding company, or any of its subsidiaries,
8 affiliates, or holding companies; and

9 “(10) the term ‘control’ has the meaning given
10 to such term in section 2 of the Bank Holding Com-
11 pany Act of 1956 for bank holding companies and
12 section 10(a)(2) of the Home Owners’ Loan Act for
13 savings and loan holding companies.”.

14 (b) Section 207(2) of the Depository Institution Man-
15 agement Interlocks Act (12 U.S.C. 3206(2)) is amended
16 to read as follows:

17 “(2) the Board of Governors of the Federal Re-
18 serve System with respect to State banks which are
19 members of the Federal Reserve System, foreign
20 banks, and bank holding companies,”.

1 **SEC. 3. DUAL SERVICE OF OUTSIDE COUNSEL AND AC-**
2 **COUNTANTS ON BOARD OF DIRECTORS PRO-**
3 **HIBITED.**

4 The Depository Institution Management Interlocks
5 Act (12 U.S.C. 3201 et seq.) is amended by adding at
6 the end the following new section:

7 **“SEC. 211. DUAL SERVICE OF OUTSIDE COUNSEL AND AC-**
8 **COUNTANTS ON BOARD OF DIRECTORS PRO-**
9 **HIBITED.**

10 “No individual who is an outside counsel or outside
11 accountant of a depository institution or a depository hold-
12 ing company may serve as a member of board of directors
13 of that depository institution or depository holding com-
14 pany or any of its subsidiaries, affiliates, or holding com-
15 panies.”.

16 **SEC. 4. OWNERSHIP DISCLOSURES TO BOARD OF DIREC-**
17 **TORS.**

18 The Depository Institution Management Interlocks
19 Act (12 U.S.C. 3201 et seq.) (as amended by this act)
20 is amended by adding at the end the following new section:

21 **“SEC. 212. OWNERSHIP DISCLOSURES TO BOARD OF DIREC-**
22 **TORS.**

23 “Not less than once each calendar year each deposi-
24 tory institution and depository holding company shall pro-
25 vide to each member of its board of directors, and to each
26 member of the board of directors of any depository institu-

1 tion or depository holding company it controls, a list of
2 the names and principal places of business of each individ-
3 ual or company which directly or indirectly owns, controls,
4 or has power to vote 5 per centum or more of any class
5 of voting securities of the depository institution or depository
6 holding company, and such other information as the
7 appropriate Federal depository institutions regulatory
8 agency shall prescribe by regulation.”.

9 **SEC. 5. CHANGE IN CONTROL DISCLOSURES TO BOARD OF**
10 **DIRECTORS.**

11 The Depository Institution Management Interlocks
12 Act (12 U.S.C. 3201 et seq.) (as amended by this act)
13 is amended by adding at the end the following new section:

14 **“SEC. 213. CHANGE IN CONTROL DISCLOSURES TO BOARD**
15 **OF DIRECTORS.**

16 “Each depository institution and depository holding
17 company shall provide to each member of its board of di-
18 rectors, and to each member of the board of directors of
19 any depository institution or depository holding company
20 it controls, with notice of any proposed change in control
21 of the parent depository institution or depository holding
22 company. Such notice shall contain such information as
23 the appropriate Federal depository institutions regulatory
24 agency of the parent depository institution or depository
25 holding company shall prescribe by regulation.”.

1 **SEC. 6. BOARD OF DIRECTORS CONTROL BY OUTSIDE DI-**
2 **RECTORS.**

3 The Depository Institution Management Interlocks
4 Act (12 U.S.C. 3201 et seq.) (as amended by this act)
5 is amended by adding at the end the following new section:

6 **“SEC. 214. BOARD OF DIRECTORS CONTROL BY OUTSIDE DI-**
7 **RECTORS.**

8 “A majority of the voting members of the board of
9 directors of each depository institution and each deposi-
10 tory holding company shall be outside directors.”.

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