

110TH CONGRESS
1ST SESSION

H. R. 698

AN ACT

To amend the Federal Deposit Insurance Act to establish industrial bank holding company regulation, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Industrial Bank Hold-
3 ing Company Act of 2007”.

4 **SEC. 2. INDUSTRIAL BANK HOLDING COMPANY REGULA-**
5 **TION.**

6 (a) DEFINITIONS.—

7 (1) INDUSTRIAL BANK.—Section 3(a) of the
8 Federal Deposit Insurance Act (12 U.S.C. 1813(a))
9 is amended by adding at the end the following new
10 paragraph:

11 “(4) INDUSTRIAL BANK.—The term ‘industrial
12 bank’ means any insured State bank that is an in-
13 dustrial bank, industrial loan company, or other in-
14 stitution that is excluded, pursuant to section
15 2(c)(2)(H) of the Bank Holding Company Act of
16 1956, from the definition of the term ‘bank’ for pur-
17 poses of such Act.”.

18 (2) INDUSTRIAL BANK HOLDING COMPANY.—
19 Section 3(w) of the Federal Deposit Insurance Act
20 (12 U.S.C. 1813(w)) is amended by adding at the
21 end the following new paragraphs:

22 “(8) INDUSTRIAL BANK HOLDING COMPANY.—
23 The term ‘industrial bank holding company’ means
24 any company that—

25 “(A) controls (as determined by the Cor-
26 poration pursuant to section 2(a) of the Bank

1 Holding Company Act of 1956), directly or in-
2 directly, any industrial bank; and

3 “(B) is not—

4 “(i) 1 or more of the following: a bank
5 holding company, a savings and loan hold-
6 ing company, a company that is subject to
7 the Bank Holding Company Act of 1956
8 pursuant to section 8(a) of the Inter-
9 national Banking Act of 1978, or a holding
10 company regulated by the Securities and
11 Exchange Commission pursuant to section
12 240.15c3–1(a)(7) of title 17 of the Code of
13 Federal Regulations (as in effect on Janu-
14 ary 29, 2007); or

15 “(ii) controlled by a company de-
16 scribed in clause (i).

17 “(9) CAPITAL TERMS RELATING TO INDUSTRIAL
18 BANK HOLDING COMPANIES.—

19 “(A) ADEQUATELY CAPITALIZED.—With
20 respect to an industrial bank holding company,
21 the term ‘adequately capitalized’ means a level
22 of capitalization which meets or exceeds all ap-
23 plicable Federal regulatory capital standards.

24 “(B) WELL CAPITALIZED.—With respect
25 to an industrial bank holding company, the

1 term ‘well capitalized’ means a level of capital-
2 ization which meets or exceeds the required
3 capital levels for well capitalized industrial bank
4 holding companies established by the Corpora-
5 tion.”.

6 (3) TECHNICAL AND CONFORMING AMEND-
7 MENTS TO OTHER DEFINITIONS.—

8 (A) APPROPRIATE FEDERAL BANKING
9 AGENCY.—Section 3(q)(3) of the Federal De-
10 posit Insurance Act (12 U.S.C. 1813(q)(3)) is
11 amended—

12 (i) by striking “or a foreign” and in-
13 serting “, any foreign”; and

14 (ii) by inserting “, and any industrial
15 bank holding company and any subsidiary
16 of an industrial bank holding company
17 (other than a bank)” after “insured
18 branch”.

19 (B) DEPOSITORY INSTITUTION HOLDING
20 COMPANY.—Section 3(w)(1) of the Federal De-
21 posit Insurance Act (12 U.S.C. 1813(w)(1)) is
22 amended—

23 (i) by striking “or a savings” and in-
24 serting “, any savings”; and

1 (ii) by inserting “, and any industrial
2 bank holding company” before the period
3 at the end.

4 (b) INDUSTRIAL BANK HOLDING COMPANY REG-
5 ISTRATION AND OWNERSHIP.—The Federal Deposit In-
6 surance Act (12 U.S.C. 1811 et seq.) is amended by add-
7 ing at the end the following new section:

8 **“SEC. 51. INDUSTRIAL BANK HOLDING COMPANY REGULA-**
9 **TION.**

10 “(a) ACQUISITION OF INDUSTRIAL BANK SHARES OR
11 ASSETS.—Section 3 of the Bank Holding Company Act
12 of 1956 (other than section 3(c)(3)(B) of that Act) shall
13 apply to any company that is or would become an indus-
14 trial bank holding company in the same manner as such
15 section applies to a company that is or would become a
16 bank holding company, except that for purposes of apply-
17 ing this subsection—

18 “(1) any reference to a ‘bank holding company’
19 in such section 3 shall be deemed to be a reference
20 to an ‘industrial bank holding company’;

21 “(2) any reference to a ‘bank’ in such section
22 3 shall be deemed to be a reference to an ‘industrial
23 bank’;

1 “(3) any reference to the ‘Board’ in such sec-
2 tion 3 shall be deemed to be a reference to the Cor-
3 poration;

4 “(4) any reference to the ‘Bank Holding Com-
5 pany Act Amendments of 1970’ in such section 3
6 shall be deemed to be a reference to the ‘Industrial
7 Bank Holding Company Act of 2007’;

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

10 “(A) with respect to an industrial bank
11 holding company, the State in which the total
12 deposits of all banking subsidiaries of such
13 company were the largest on the later of—

14 “(i) January 28, 2007; or

15 “(ii) the date on which the company
16 becomes an industrial bank holding com-
17 pany under this section; and

18 “(B) with respect to an industrial bank,
19 the home State of the bank as determined
20 under section 44(g);

21 “(6) any reference to a ‘host State’ in such sec-
22 tion 3 shall be deemed to be a reference to—

23 “(A) with respect to an industrial bank
24 holding company, a State, other than the home
25 State of the company, in which the company

1 controls, or seeks to control, an industrial bank
2 subsidiary; and

3 “(B) with respect to an industrial bank,
4 the host State of the bank as determined under
5 section 44(g);

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

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

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

19 “(c) REGISTRATION.—

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

24 “(A) the date the company becomes an in-
25 dustrial bank holding company; or

1 “(B) the date of the enactment of the In-
2 dustrial Bank Holding Company Act of 2007.

3 “(2) INFORMATION TO BE INCLUDED.—Each
4 registration submitted under paragraph (1) shall in-
5 clude such information, under oath, with respect to
6 the financial condition, ownership, operations, man-
7 agement, and intercompany relationships of the in-
8 dustrial bank holding company and subsidiaries of
9 such holding company, and other factors (including
10 information described in subsection (d)(1)(C)), as
11 the Corporation may determine to be appropriate to
12 carry out the purposes of this section.

13 “(3) EXTENSION OF TIME FOR SUBMITTING
14 COMPLETE INFORMATION.—Upon application by an
15 industrial bank holding company and subject to such
16 requirements, factors, and evidence as the Corpora-
17 tion may require, the Corporation may extend the
18 period described in paragraph (1) within which such
19 company shall register and file the requisite infor-
20 mation.

21 “(d) REPORTS AND EXAMINATIONS.—

22 “(1) REPORTS.—

23 “(A) REPORTS REQUIRED.—Each indus-
24 trial bank holding company and each subsidiary
25 of an industrial bank holding company, other

1 than an industrial bank, shall file with the Cor-
2 poration such reports as may be required by the
3 Corporation.

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

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

12 “(i) the operations of the industrial
13 bank holding company and the holding
14 company’s subsidiaries;

15 “(ii) the financial condition of the in-
16 dustrial bank holding company and such
17 subsidiaries, together with information on
18 systems maintained within the holding
19 company or within any such subsidiary for
20 monitoring and controlling financial and
21 operating risks, and transactions with in-
22 sured depository institution subsidiaries of
23 the holding company;

24 “(iii) compliance by the industrial
25 bank holding company and the holding

1 company’s subsidiaries with all applicable
2 Federal and State law; and

3 “(iv) such other information as the
4 Corporation may require.

5 “(D) ACCEPTANCE OF EXISTING RE-
6 PORTS.—For purposes of this paragraph, the
7 Corporation may accept reports that an indus-
8 trial bank holding company or any subsidiary of
9 such company has provided or has been re-
10 quired to provide to any other Federal or State
11 supervisor or to any appropriate self-regulatory
12 organization.

13 “(2) EXAMINATIONS.—

14 “(A) IN GENERAL.—Each industrial bank
15 holding company and each subsidiary of each
16 such holding company (other than an industrial
17 bank) shall be subject to such examinations by
18 the Corporation as the Corporation may pre-
19 scribe for purposes of this section.

20 “(B) FURNISHING REPORTS TO OTHER
21 AGENCIES.—Examination and other reports
22 made or received under this section may be fur-
23 nished by the Corporation to any other appro-
24 priate Federal agency or any appropriate State

1 bank supervisor or other State financial super-
2 visory agency.

3 “(C) USE OF REPORTS FROM OTHER
4 AGENCIES.—The Corporation may use, for the
5 purposes of this subsection, reports of examina-
6 tion made by any other appropriate Federal
7 agency, any appropriate State bank supervisor,
8 or any other State financial supervisory author-
9 ity with respect to any industrial bank holding
10 company or subsidiary of any such holding com-
11 pany, to the extent the Corporation may deter-
12 mine such use to be feasible for such purposes.

13 “(3) CAPITAL.—

14 “(A) IN GENERAL.— The Corporation may
15 not, by regulation, guideline, order, or other-
16 wise, prescribe or impose any capital or capital
17 adequacy rules, guidelines, standards, or re-
18 quirements on any functionally regulated affil-
19 iate (as defined in section 45) of any depository
20 institution that is controlled by an industrial
21 bank holding company that—

22 “(i) is not a depository institution;

23 and

24 “(ii) is—

1 “(I) in compliance with the appli-
2 cable capital requirements of the ap-
3 propriate Federal supervisory agency
4 of the affiliate (including the Securi-
5 ties and Exchange Commission or
6 State insurance authority);

7 “(II) properly registered as an
8 investment adviser under the Invest-
9 ment Advisers Act of 1940, or with
10 any State; or

11 “(III) is licensed as an insurance
12 agent with the appropriate State in-
13 surance authority.

14 “(B) RULE OF CONSTRUCTION.—Subpara-
15 graph (A) shall not be construed as preventing
16 the Corporation from imposing capital or cap-
17 ital adequacy rules, guidelines, standards, or re-
18 quirements with respect to—

19 “(i) activities of a registered invest-
20 ment adviser other than with respect to in-
21 vestment advisory activities or activities in-
22 cidental to investment advisory activities;
23 or

24 “(ii) activities of a licensed insurance
25 agent other than insurance agency activi-

1 ties or activities incidental to insurance
2 agency activities.

3 “(e) ACCESS TO INFORMATION.—

4 “(1) INFORMATION PROVIDED BY CORPORA-
5 TION.—Any confidential supervisory information, in-
6 cluding examination or other reports, pertaining to
7 an industrial bank furnished by the Corporation to
8 any other Federal agency or any appropriate State
9 supervisory agency shall remain confidential unless
10 the Corporation, in writing, otherwise consents.

11 “(2) DEFERENCE TO DEPOSITORY INSTITUTION
12 EXAMINATIONS.—Any appropriate Federal super-
13 visory agency of a holding company of an industrial
14 bank shall, to the fullest extent possible, forego any
15 examination of any depository institution subsidiary
16 of the holding company and use the reports of ex-
17 aminations of the institution made by the appro-
18 priate Federal banking agency and the appropriate
19 State bank supervisor in lieu of a direct examina-
20 tion.

21 “(3) INFORMATION TO BE PROVIDED TO COR-
22 PORATION.—

23 “(A) REQUEST TO AGENCY.—Upon request
24 by the Corporation, an appropriate Federal su-
25 pervisory agency may provide to the Corpora-

1 tion information regarding the condition of an
2 industrial bank, any holding company that con-
3 trols such industrial bank, or any other affiliate
4 of any such holding company that is necessary
5 to assess risk to the industrial bank.

6 “(B) AVAILABILITY FROM HOLDING COM-
7 PANY DIRECTLY.—Notwithstanding section 45,
8 section 115 of the Gramm-Leach-Bliley Act, or
9 any other provision of law (including any regu-
10 lation), if the information requested under sub-
11 paragraph (A) is not provided to the Corpora-
12 tion, and the information is necessary to assess
13 risk to the industrial bank, the Corporation
14 may require the holding company or affiliate re-
15 ferred to in such subparagraph with respect to
16 such bank to provide such information to the
17 Corporation.

18 “(4) EXAMINATIONS BY CORPORATION.—

19 “(A) IN GENERAL.—Subject to subpara-
20 graph (B) and notwithstanding section 45, sec-
21 tion 115 of the Gramm-Leach-Bliley Act, or
22 any other provision of law (including any regu-
23 lation), no law shall be construed as preventing
24 the Corporation from examining an affiliate of
25 an industrial bank pursuant to paragraph (2),

1 (3), or (4) of section 10(b), as may be nec-
2 essary to disclose fully the relationship between
3 the industrial bank and the affiliate, and the ef-
4 fect of such relationship on the industrial bank,
5 if the Corporation finds such examination nec-
6 essary to determine the condition of an indus-
7 trial bank.

8 “(B) FUNCTIONALLY REGULATED AFFILI-
9 ATES.— Before the Corporation may examine
10 any affiliate of an industrial bank that is—

11 “(i) a broker, a dealer, an investment
12 company, or an investment advisor, or

13 “(ii) an entity that is subject to con-
14 solidated supervision by the Securities and
15 Exchange Commission, other than a depos-
16 itory institution,

17 the Corporation shall request the Commission
18 to provide the information that the Corporation
19 is seeking to obtain through examination and
20 may proceed with the examination only if the
21 requested information is not provided by the
22 Commission in a timely manner.

23 “(f) LIMITATION ON CONTROL.—

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

4 “(2) COMMERCIAL FIRM DEFINED.—For pur-
5 poses of this section, the term ‘commercial firm’
6 means any entity at least 15 percent of the annual
7 gross revenues of which on a consolidated basis, in-
8 cluding all affiliates of the entity, were derived from
9 engaging, on an on-going basis, in activities that are
10 not financial in nature or incidental to a financial
11 activity during at least 3 of the prior 4 calendar
12 quarters, as determined by the Corporation in ac-
13 cordance with regulations which the Corporation
14 shall prescribe.

15 “(3) PRE-2003 EXCLUSIONS.—

16 “(A) GRANDFATHERED INSTITUTIONS.—
17 Paragraph (1) shall not apply with respect to
18 any industrial bank—

19 “(i) which became an insured depository
20 institution before October 1, 2003, or
21 pursuant to an application for deposit in-
22 surance which was approved by the Cor-
23 poration before such date; and

24 “(ii) with respect to which there is no
25 change in control, directly or indirectly, of

1 the bank after September 30, 2003, that
2 requires a registration under this section
3 or an application under section 7(j) or
4 18(c), section 3 of the Bank Holding Com-
5 pany Act of 1956, or section 10 of the
6 Home Owners' Loan Act, except a direct
7 or indirect change of control in which—

8 “(I) immediately prior to such
9 change in control neither the ultimate
10 acquiring holding company nor the ul-
11 timate acquired holding company is a
12 commercial firm;

13 “(II) immediately after such
14 change of control the resulting ul-
15 timate holding company is not a com-
16 mercial firm; and

17 “(III) the resulting ultimate
18 holding company is subject to consoli-
19 dated supervision by the Office of
20 Thrift Supervision or a holding com-
21 pany regulated by the Securities and
22 Exchange Commission pursuant to
23 section 240.15c3-1(a)(7) of title 17 of
24 the Code of Federal Regulations (as
25 in effect on January 29, 2007).

1 “(B) CORPORATE REORGANIZATIONS PER-
2 MITTED.—The acquisition of direct or indirect
3 control of the industrial bank referred to in
4 subparagraph (A)(ii) shall not be treated as a
5 ‘change in control’ for purposes of such sub-
6 paragraph if—

7 “(i) the company acquiring control is
8 itself directly or indirectly controlled by a
9 company that was an affiliate of such bank
10 on the date referred to in such subpara-
11 graph, and remains an affiliate at all times
12 after such date; and

13 “(ii) the transaction through which
14 the company acquired control of the indus-
15 trial bank constituted solely a corporate re-
16 organization of a company that controlled
17 the industrial bank on the date referred to
18 in such subparagraph.

19 “(4) PRE-2007 EXCLUSIONS.—

20 “(A) GRANDFATHERED COMMERCIAL
21 FIRMS.—Paragraph (1) shall not apply to any
22 commercial firm—

23 “(i) which became a holding company
24 of an industrial bank by virtue of acquiring
25 control of an industrial bank on or after

1 October 1, 2003, and before January 29,
2 2007;

3 “(ii) which does not acquire control of
4 any other depository institution after Jan-
5 uary 28, 2007;

6 “(iii) with respect to which there is no
7 change in control, directly or indirectly, of
8 any depository institution subsidiary after
9 January 28, 2007, that requires a registra-
10 tion under this section or an application
11 under section 7(j) or 18(c), section 3 of
12 the Bank Holding Company Act of 1956,
13 or section 10 of the Home Owners’ Loan
14 Act; and

15 “(iv) each industrial bank subsidiary
16 of which remains in compliance with the
17 limitations contained in subparagraph (B).

18 “(B) ACTIVITY AND BRANCHING LIMITA-
19 TIONS.—An industrial bank subsidiary of a
20 commercial firm described in clauses (i), (ii)
21 and (iii) of subparagraph (A) is in compliance
22 with the requirements of this subparagraph for
23 purposes of subparagraph (A)(iv) so long as the
24 industrial bank—

1 “(i) engages only in activities in which
2 the industrial bank was engaged on Janu-
3 ary 28, 2007; and

4 “(ii) does not acquire, establish, or
5 operate any branch, deposit production of-
6 fice, loan production office, automated tell-
7 er machine, or remote service unit in any
8 State other than the home State of the
9 bank or any host State in which such bank
10 operated branches on January 28, 2007.

11 “(C) CORPORATE REORGANIZATIONS PER-
12 MITTED.—The acquisition of direct or indirect
13 control of a depository institution subsidiary re-
14 ferred to in subparagraph (A)(iii) shall not be
15 treated as a ‘change in control’ for purposes of
16 such subparagraph if—

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

23 “(ii) the transaction through which
24 the company acquired control of the depos-
25 itory institution constituted solely a cor-

1 porate reorganization of a company that
2 controlled the depository institution on the
3 date referred to in such subparagraph.

4 “(g) PROCEDURES AND TIMING FOR TERMINATION
5 OF ACTIVITIES OR DIVESTITURE.—

6 “(1) TRANSITION PROVISION.—

7 “(A) IN GENERAL.—Any company that
8 fails to comply with the provisions of subsection
9 (f) shall divest its ownership or control of each
10 industrial bank subsidiary of the company not
11 later than the end of the 2-year period begin-
12 ning on the first date that the company ceased
13 to comply with subsection (f).

14 “(B) EXTENSION OF TIME PERIOD.—

15 “(i) IN GENERAL.—Upon application
16 by a holding company that controls an in-
17 dustrial bank, the appropriate Federal su-
18 pervisory agency of such holding company
19 may extend the 2-year period referred to in
20 subparagraph (A) with respect to such
21 company for not more than 1 year if, in
22 such agency’s judgment, such an extension
23 would not be detrimental to the public in-
24 terest.

1 “(ii) FACTORS.—In making any deci-
2 sion to grant an extension under clause (i)
3 to a holding company of an industrial
4 bank, the appropriate Federal supervisory
5 agent of such holding company shall con-
6 sider whether—

7 “(I) the company has made a
8 good faith effort to divest such inter-
9 ests; and

10 “(II) such extension is necessary
11 to avert substantial loss to the com-
12 pany.

13 “(2) CONDITIONS BEFORE DIVESTITURE.—Dur-
14 ing the 2-year period referred to in paragraph
15 (1)(A) with respect to any company and any exten-
16 sion of such period, the appropriate Federal super-
17 visory agency may impose any conditions or restric-
18 tions on the company or any subsidiary of the com-
19 pany (other than a bank), including restricting or
20 prohibiting transactions between the company or
21 subsidiary and any depository institution subsidiary
22 of the company, as are appropriate under the cir-
23 cumstances.

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

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

19 “(i) order such holding company or
20 any such nonbank subsidiary, after due no-
21 tice and opportunity for hearing, and after
22 considering the views of the appropriate
23 Federal banking agency and, if applicable,
24 appropriate State bank supervisor, to ter-
25 minate such activities or to terminate

1 (within 120 days or such longer period as
2 the appropriate Federal supervisory agency
3 may direct in unusual circumstances) the
4 ownership or control by such holding com-
5 pany or nonbank subsidiary of any such
6 depository institution subsidiary either by
7 sale or by distribution of the shares of the
8 depository institution subsidiary, in accord-
9 ance with subparagraph (B), to the share-
10 holders of the holding company of the in-
11 dustrial bank; or

12 “(ii) order the holding company of the
13 industrial bank, after due notice and op-
14 portunity for hearing, and after consulta-
15 tion with the appropriate State bank su-
16 pervisor for the industrial bank, to termi-
17 nate (within 120 days or such longer pe-
18 riod as the appropriate Federal supervisory
19 agency may direct) the ownership or con-
20 trol of any such industrial bank by such
21 company.

22 “(B) PRO RATA DISTRIBUTION.—Any dis-
23 tribution to shareholders referred to in clause
24 (i) shall be pro rata with respect to all of the
25 shareholders of the distributing company, and

1 such company shall not make any charge to any
2 shareholder in connection with such distribu-
3 tion.

4 “(4) FOREIGN BANK OWNERSHIP.—

5 “(A) INDUSTRIAL BANKS.—After January
6 28, 2007, no foreign bank may acquire, directly
7 or indirectly, control of an industrial bank un-
8 less the Board of Governors of the Federal Re-
9 serve System has determined by order, or in the
10 case of a foreign bank that is a savings and
11 loan holding company the Board of Governors
12 of the Federal Reserve System and the Director
13 of Office of Thrift Supervision have jointly de-
14 termined by order, in connection with the
15 change in control or acquisition of the indus-
16 trial bank and after consultation with the Cor-
17 poration, that the foreign bank is subject to
18 comprehensive supervision or regulation on a
19 consolidated basis by the appropriate authori-
20 ties in the bank’s home country in accordance
21 with the standard in section 3(c)(3)(B) of the
22 Bank Holding Company Act of 1956.

23 “(B) CONFORMING AMENDMENT.—Not-
24 withstanding any other provision of law, after
25 the date of enactment of the Industrial Bank

1 Holding Company Act of 2007, the Director of
2 the Office of Thrift Supervision shall not ap-
3 prove any acquisition of a savings association
4 under section 10(e)(2) of the Home Owners’
5 Loan Act by a foreign bank that is subject to
6 the Bank Holding Company Act of 1956 pursu-
7 ant to section 8(a) of the International Banking
8 Act of 1978 and that is not a bank holding
9 company unless the Director of the Office of
10 Thrift Supervision and the Board of Governors
11 of the Federal Reserve System have jointly de-
12 termined, by order, in connection with the ac-
13 quisition of the savings association that the for-
14 eign bank is subject to comprehensive super-
15 vision or regulation on a consolidated basis by
16 the appropriate authorities in the bank’s home
17 country in accordance with the standard in sec-
18 tion 3(c)(3)(B) of the Bank Holding Company
19 Act of 1956.

20 “(5) HOLDING COMPANY RESPONSIBILITY.—

21 “(A) SOURCE OF STRENGTH.—Notwith-
22 standing section 45, a holding company of an
23 industrial bank—

24 “(i) shall serve as a source of finan-
25 cial and managerial strength to the sub-

1 subsidiary banks of such holding company;
2 and

3 “(ii) shall not conduct the operations
4 of the holding company in an unsafe or un-
5 sound manner.

6 “(B) IMPLEMENTATION.—The appropriate
7 Federal supervisory agency of the holding com-
8 pany of an industrial bank shall implement the
9 requirements under subparagraph (A).

10 “(h) ADMINISTRATIVE PROVISIONS.—

11 “(1) AGENT FOR SERVICE OF PROCESS.—The
12 Corporation may require any industrial bank holding
13 company, or persons connected with such holding
14 company if it is not a corporation, to execute and
15 file a prescribed form of irrevocable appointment of
16 agent for service of process.

17 “(2) RELEASE FROM REGISTRATION.—The Cor-
18 poration may at any time, upon the Corporation’s
19 own motion or upon application, release a registered
20 industrial bank holding company from any registra-
21 tion previously made by such company, if the Cor-
22 poration determines that such company no longer
23 controls any industrial bank.

24 “(i) DEFINITIONS.—For purposes of this section, the
25 following definitions shall apply:

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

5 “(A) the Corporation, in the case of a com-
6 pany that is an industrial bank holding com-
7 pany;

8 “(B) the Board of Governors of the Fed-
9 eral Reserve System, in the case of a company
10 that is a bank holding company or that is sub-
11 ject to the Bank Holding Company Act of 1956
12 pursuant to section 8(a) of the International
13 Banking Act of 1978;

14 “(C) the Office of Thrift Supervision, in
15 the case of a company that is a savings and
16 loan holding company; and

17 “(D) the Securities and Exchange Com-
18 mission, in the case of a company that is regu-
19 lated by the Commission pursuant to section
20 240.15c3–1(a)(7) of title 17 of the Code of
21 Federal Regulations (as in effect on January
22 29, 2007).

23 “(2) RULE OF CONSTRUCTION.—Under the def-
24 inition of the term ‘appropriate Federal supervisory
25 agency’ in paragraph (1), more than 1 agency may

1 be an appropriate Federal supervisory agency with
2 respect to any given company that controls an indus-
3 trial bank.”.

4 (c) ENFORCEMENT.—

5 (1) Section 8(b) of the Federal Deposit Insur-
6 ance Act (12 U.S.C. 1818(b)) is amended by adding
7 at the end the following new paragraph:

8 “(11) INDUSTRIAL BANK HOLDING COMPA-
9 NIES.—This subsection and subsections (c) through
10 (s) and subsection (u) of this section shall apply to
11 any industrial bank holding company, and to any
12 subsidiary (other than a bank) of an industrial bank
13 holding company in the same manner as such sub-
14 sections apply to State nonmember insured banks.”.

15 (2) Section 8(h)(2) of the Federal Deposit In-
16 surance Act (12 U.S.C. 1818(h)(2)) is amended by
17 striking “(2) Any party to” and inserting “(2) Any
18 party aggrieved by an order of any appropriate Fed-
19 eral supervisory agency under section 51 or any
20 party to”.

21 (3) Section 8(i) of the Federal Deposit Insur-
22 ance Act (12 U.S.C. 1818(i)) is amended by striking
23 “or 39” each place such term appears and inserting
24 “, 39, or 51”.

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

4 (1) by striking “BANK HOLDING COMPANY.—
5 Prohibiting any bank” and inserting “HOLDING
6 COMPANY.—

7 “(i) BANK HOLDING COMPANY.—Pro-
8 hibiting any bank”; and

9 (2) by adding at the end the following new
10 clause:

11 “(ii) INDUSTRIAL BANK HOLDING
12 COMPANY.—Prohibiting any industrial
13 bank holding company having control of
14 the insured depository institution from
15 making any capital distribution without
16 the prior approval of the Corporation.”.

17 (e) TECHNICAL AND CONFORMING AMENDMENTS.—

18 (1) Section 10(e)(2) of the Federal Deposit In-
19 surance Act (12 U.S.C. 1820(e)(2)) is amended by
20 inserting “or section 51” after “subsection (b)(4)”.

21 (2) Section 1101(6) of the Right to Financial
22 Privacy Act of 1978 (12 U.S.C. 3401(6)) is amend-
23 ed—

24 (A) in subparagraph (B), by striking
25 “and” after the semicolon;

1 (B) in subparagraph (C), by inserting
2 “and” after the semicolon; and

3 (C) by inserting after paragraph (C) the
4 following new paragraph:

5 “(D) any industrial bank holding company
6 (as defined in section 3(w)(8) of the Federal
7 Deposit Insurance Act);”.

8 (3) Section 115 of the Gramm-Leach-Bliley Act
9 (12 U.S.C. 1820a) is amended—

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

13 (B) in subsection (d)—

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

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

19 “(5) INDUSTRIAL BANK HOLDING COMPANY.—
20 The term ‘industrial bank holding company’ has the
21 same meaning as in section 3(w)(8) of the Federal
22 Deposit Insurance Act.”.

23 (4) Section 304(g)(1) of the Home Mortgage
24 Disclosure Act of 1975 (12 U.S.C. 2803(g)(1)) is

1 amended by inserting “, industrial bank holding
2 company,” after “bank holding company”.

3 **SEC. 3. REGULATIONS.**

4 The Corporation shall prescribe such regulations as
5 the Corporation determines to be appropriate to carry out
6 the amendments made by this Act.

Passed the House of Representatives May 21, 2007.

Attest:

Clerk.

110TH CONGRESS
1ST SESSION

H. R. 698

AN ACT

To amend the Federal Deposit Insurance Act to establish industrial bank holding company regulation, and for other purposes.