

112TH CONGRESS
2D SESSION

S. 3709

To require a Government Accountability Office examination of transactions between large financial institutions and the Federal Government, and for other purposes.

IN THE SENATE OF THE UNITED STATES

DECEMBER 21, 2012

Mr. VITTER (for himself and Mr. BROWN of Ohio) introduced the following bill

A BILL

To require a Government Accountability Office examination of transactions between large financial institutions and the Federal Government, 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. GOVERNMENT ACCOUNTABILITY OFFICE EXAM-**
4 **INATION OF TRANSACTIONS BETWEEN**
5 **LARGE FINANCIAL INSTITUTIONS AND THE**
6 **FEDERAL GOVERNMENT.**

7 (a) DEFINITIONS.—For purposes of this Act—

1 (1) the term “covered institution” means any
2 financial company having more than
3 \$500,000,000,000 in consolidated assets; and

4 (2) the term “economic benefit” means the dif-
5 ference between actual loans terms offered, debt or
6 equity prices, or asset values and a reasonable esti-
7 mate of what such terms, prices, or values might
8 have been, as determined by examining actual values
9 of comparable transaction in the private markets or
10 by estimating the values of comparable transactions
11 priced to properly reflect associated risk.

12 (b) GAO EXAMINATION.—The Comptroller General
13 of the United States (in this section referred to as the
14 “Comptroller”) shall conduct an examination of covered
15 institutions, such as—

16 (1) the favorable pricing of the debt of such in-
17 stitutions, relative to their risk profile resulting from
18 the perception that such institutions will receive
19 Government support in the event of any financial
20 stress;

21 (2) any favorable funding or economic treat-
22 ment resulting from an increase in the credit rating
23 for covered institutions, as a result of express, im-
24 plied, or perceived Government support;

1 (3) any economic benefit to covered institutions
2 resulting from the ownership of, or affiliation with,
3 an insured depository institution;

4 (4) any economic benefit resulting from the sta-
5 tus of covered institutions as a bank holding com-
6 pany, including access to Federal deposit insurance
7 and the discount window of the Board of Governors
8 of the Federal Reserve System before the date of en-
9 actment of this Act;

10 (5) any economic benefit received through ex-
11 traordinary Government actions taken, such as—

12 (A) actions by the Department of the
13 Treasury—

14 (i) under the Emergency Economic
15 Stabilization Act, such as—

16 (I) asset purchases by the United
17 States Government;

18 (II) capital injections from the
19 United States Government; or

20 (III) housing programs;

21 (ii) by the purchase of the mortgage
22 backed securities of the Federal National
23 Mortgage Association and the Federal
24 Home Loan Mortgage Corporation (in this
25 Act referred to as “government-sponsored

1 enterprises”), in order to lower interest
2 rates, and the value of such securities in
3 the absence of such purchases; or

4 (iii) by the guarantee of money mar-
5 ket mutual funds, as compared to the
6 value of such funds in the absence of such
7 guarantees;

8 (B) actions by the Board of Governors of
9 the Federal Reserve System prior to the date of
10 enactment of this Act, such as—

11 (i) reducing the Federal funds rate;

12 (ii) lowering the interest rate charged
13 to banks for loans through its discount
14 window and expanding the list of securities
15 that banks could post in exchange for
16 loans through the discount window, as
17 compared to loans using terms and collat-
18 eral under normal discount window lending
19 conditions;

20 (iii) providing loans to financial insti-
21 tutions through the Term Auction Facility;
22 and

23 (iv) assistance through programs
24 under section 13(3) of the Federal Reserve

1 Act prior to the date of enactment of this
2 Act, such as—

3 (I) lending through the Commer-
4 cial Paper Funding Facility;

5 (II) securities lending to primary
6 dealers through the Primary Dealer
7 Credit Facility and the Term Securi-
8 ties Lending Facility;

9 (III) lending to institutions
10 through the Asset-Backed Commercial
11 Paper Money Market Mutual Fund
12 Liquidity Facility;

13 (IV) lending to institutions
14 through the Term Asset-Backed Secu-
15 rities Loan Facility;

16 (V) purchasing assets through
17 the Maiden Lane facility; or

18 (VI) any other asset purchases,
19 including mortgage-backed securities
20 backed by the government-sponsored
21 enterprises, and debt issued by those
22 enterprises; and

23 (C) actions by the Federal Deposit Insur-
24 ance Corporation, such as—

1 (i) guaranteeing debt or deposits
2 through the Temporary Liquidity Guar-
3 antee Program;

4 (ii) guaranteeing deposits through the
5 Deposit Insurance Fund; or

6 (iii) pricing of assessments related to
7 any such guarantees; and

8 (6) any extraordinary assistance provided to
9 American Insurance Group, but ultimately received
10 by one of the covered institutions; and

11 (7) any Government actions that resulted in the
12 payment or nonpayment of credit default swap con-
13 tracts entered into by a covered institution.

14 **SEC. 2. REPORT TO CONGRESS.**

15 Not later than 1 year after the date of enactment
16 of this Act, the Comptroller shall submit a report to Con-
17 gress detailing the findings of the Comptroller in the study
18 conducted under this Act. Such report shall be made elec-
19 tronically available to the public.

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