

113TH CONGRESS
2D SESSION

H. R. 5421

To amend title 11 of the United States Code in order to facilitate the resolution of an insolvent financial institution in bankruptcy.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 9, 2014

Mr. BACHUS (for himself, Mr. GOODLATTE, and Mr. CONYERS) introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

To amend title 11 of the United States Code in order to facilitate the resolution of an insolvent financial institution in bankruptcy.

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 “Financial Institution
5 Bankruptcy Act of 2014”.

6 **SEC. 2. GENERAL PROVISIONS RELATING TO COVERED FI-**
7 **NANCIAL CORPORATIONS.**

8 (a) DEFINITION.—Section 101 of title 11, United
9 States Code, is amended by inserting the following after
10 paragraph (9):

1 “(9A) The term ‘covered financial corporation’
2 means any corporation incorporated or organized
3 under any Federal or State law, other than a stock-
4 broker, a commodity broker, or an entity of the kind
5 specified in paragraph (2) or (3) of section 109(b),
6 that is—

7 “(A) a bank holding company, as defined
8 in section 2(a) of the Bank Holding Company
9 Act of 1956; or

10 “(B) a corporation that exists for the pri-
11 mary purpose of owning, controlling and financ-
12 ing its subsidiaries, that has total consolidated
13 assets of \$50,000,000,000 or greater, and for
14 which, in its most recently completed fiscal
15 year—

16 “(i) annual gross revenues derived by
17 the corporation and all of its subsidiaries
18 from activities that are financial in nature
19 (as defined in section 4(k) of the Bank
20 Holding Company Act of 1956) and, if ap-
21 plicable, from the ownership or control of
22 one or more insured depository institu-
23 tions, represents 85 percent or more of the
24 consolidated annual gross revenues of the
25 corporation; or

1 “(ii) the consolidated assets of the
 2 corporation and all of its subsidiaries re-
 3 lated to activities that are financial in na-
 4 ture (as defined in section 4(k) of the
 5 Bank Holding Company Act of 1956) and,
 6 if applicable, related to the ownership or
 7 control of one or more insured depository
 8 institutions, represents 85 percent or more
 9 of the consolidated assets of the corpora-
 10 tion.”.

11 (b) APPLICABILITY OF CHAPTERS.—Section 103 of
 12 title 11, United States Code, is amended by adding at the
 13 end the following:

14 “(l) Subchapter V of chapter 11 of this title applies
 15 only in a case under chapter 11 concerning a covered fi-
 16 nancial corporation.”.

17 (c) WHO MAY BE A DEBTOR.—Section 109 of title
 18 11, United States Code, is amended—

19 (1) in subsection (b)—

20 (A) in paragraph (2), by striking “or” at
 21 the end;

22 (B) in paragraph (3)(B), by striking the
 23 period at the end and inserting “; or”; and

24 (C) by adding at the end the following:

25 “(4) a covered financial corporation.”; and

1 (2) in subsection (d)—

2 (A) by striking “and” before “an unin-
3 sured State member bank”;

4 (B) by striking “or” before “a corpora-
5 tion”; and

6 (C) by inserting “, or a covered financial
7 corporation” after “Federal Deposit Insurance
8 Corporation Improvement Act of 1991”.

9 (d) CONVERSION TO CHAPTER 7.—Section 1112 of
10 title 11, United States Code, is amended by adding at the
11 end the following:

12 “(g) Notwithstanding section 109(b), the court may
13 convert a case under subchapter V to a case under chapter
14 7 if—

15 “(1) a transfer approved under section 1185
16 has been consummated;

17 “(2) the court has ordered the appointment of
18 a special trustee under section 1186; and

19 “(3) the court finds, after notice and a hearing,
20 that conversion is in the best interest of the credi-
21 tors and the estate.”.

22 (e)(1) Section 726(a)(1) of title 11, United States
23 Code, is amended by inserting after “first,” the following:
24 “in payment of any unpaid fees, costs, and expenses of
25 a special trustee appointed under section 1186, and then”.

1 (2) Section 1129(a) of title 11, United States Code,
2 is amended by inserting after paragraph (16) the fol-
3 lowing:

4 “(17) In a case under subchapter V, all payable
5 fees, costs, and expenses of the special trustee have
6 been paid or the plan provides for the payment of
7 all such fees, costs, and expenses on the effective
8 date of the plan.

9 “(18) In a case under subchapter V, confirma-
10 tion of the plan is not likely to cause serious adverse
11 effects on financial stability in the United States.”.

12 (f) Section 322(b)(2) of title 11, United States Code,
13 is amended by striking “The” and inserting “In cases
14 under subchapter V, the United States trustee shall rec-
15 ommend to the court, and in all other cases, the”.

16 **SEC. 3. LIQUIDATION, REORGANIZATION, OR RECAPITAL-**
17 **IZATION OF A COVERED FINANCIAL COR-**
18 **PORATION.**

19 Chapter 11 of title 11, United States Code, is amend-
20 ed by adding at the end the following:

1 “SUBCHAPTER V—LIQUIDATION, REORGANIZA-
2 TION, OR RECAPITALIZATION OF A COV-
3 ERED FINANCIAL CORPORATION

4 **“§ 1181. Inapplicability of other sections**

5 “Sections 303 and 321(c) do not apply in a case
6 under this subchapter concerning a covered financial cor-
7 poration.

8 **“§ 1182. Definitions for this subchapter**

9 “In this subchapter, the following definitions shall
10 apply:

11 “(1) The term ‘Board’ means the Board of
12 Governors of the Federal Reserve System.

13 “(2) The term ‘bridge company’ means a newly
14 formed corporation to which property of the estate
15 may be transferred under section 1185(a) and the
16 equity securities of which may be transferred to a
17 special trustee under section 1186(a).

18 “(3) The term ‘capital structure debt’ means all
19 unsecured debt of the debtor for borrowed money,
20 other than a qualified financial contract, for which
21 the debtor is the primary obligor other than debt se-
22 cured by a lien on property of the estate that is to
23 be transferred to a bridge company pursuant to an
24 order of the court under section 1185(a).

1 “(4) The term ‘contractual right’ means a con-
 2 tractual right of a kind defined in section 555, 556,
 3 559, 560, or 561.

4 “(5) The term ‘qualified financial contract’
 5 means any contract of a kind defined in paragraph
 6 (25), (38A), (47), or (53B) of section 101, section
 7 741(7), or paragraph (4), (5), (11), or (13) of sec-
 8 tion 761.

9 “(6) The term ‘special trustee’ means the trust-
 10 ee of a trust formed under section 1186(a)(1).

11 **“§ 1183. Commencement of a case concerning a cov-**
 12 **ered financial corporation**

13 “(a) A case under this subchapter concerning a cov-
 14 ered financial corporation may be commenced by the filing
 15 of a petition with the court—

16 “(1) by the debtor under section 301 only if the
 17 debtor states to the best of its knowledge under pen-
 18 alty of perjury in the petition that it is a covered fi-
 19 nancial corporation; or

20 “(2) by the Board only if the Board states to
 21 the best of its knowledge under penalty of perjury
 22 in the petition that—

23 “(A) the debtor is a covered financial cor-
 24 poration that—

1 “(i) has incurred losses that will de-
2 plete all or substantially all of the capital
3 of the covered financial corporation, and
4 there is no reasonable prospect for the cov-
5 ered financial corporation to avoid such de-
6 pletion;

7 “(ii) is insolvent;

8 “(iii) is not paying, or is unable to
9 pay, the debts of the covered financial cor-
10 poration (other than debts subject to a
11 bona fide dispute as to liability or amount)
12 as they become due; or

13 “(iv) is likely to be in a financial con-
14 dition specified in clause (i), (ii), or (iii)
15 sufficiently soon such that the immediate
16 commencement of a case under this sub-
17 chapter is necessary to prevent serious ad-
18 verse effects on financial stability in the
19 United States; and

20 “(B) the commencement of a case under
21 this title and effecting a transfer under section
22 1185 is necessary to prevent serious adverse ef-
23 fects on financial stability in the United States.

24 “(b)(1) Unless the debtor consents to an order for
25 relief, the court shall hold a hearing on the Board’s peti-

1 tion under subsection (a)(2) as soon as practicable but not
2 later than 16 hours after the Board files such a petition,
3 with notice only to—

4 “(A) the covered financial corporation;

5 “(B) the Federal Deposit Insurance Corpora-
6 tion;

7 “(C) the Office of the Comptroller of the Cur-
8 rency of the Department of the Treasury; and

9 “(D) the Secretary of the Treasury.

10 “(2) Only the Board and the entities specified in
11 paragraph (1) and their counsel may participate in a hear-
12 ing described in this subsection. The Board or the trustee
13 may request that pleadings, hearings, transcripts, and or-
14 ders in connection with a hearing described in this sub-
15 section be sealed if their disclosure could create financial
16 instability in the United States.

17 “(3) All pleadings, hearings, transcripts, and orders
18 sealed under paragraph (2) shall be available to only the
19 court, the appellate panel, the covered financial corpora-
20 tion, the Federal Deposit Insurance Corporation, the Of-
21 fice of the Comptroller of the Currency of the Department
22 of the Treasury, the Secretary of the Treasury, and the
23 Board. Notwithstanding paragraph (2), if the case is dis-
24 missed, all court documents, including pleadings, hearings,
25 transcripts, and orders, shall be permanently sealed.

1 “(c)(1) The commencement of a case under sub-
2 section (a)(1) constitutes an order for relief under this
3 subchapter.

4 “(2) In a case commenced under subsection (a)(2),
5 after notice and hearing required under subsection (b) and
6 not later than 18 hours after the filing of the Board’s peti-
7 tion, the court shall enter—

8 “(A) an order for relief—

9 “(i) if the Board has shown at the hearing
10 under this subsection that the requirements
11 under subsection (a)(2) are supported by a pre-
12 ponderance of the evidence; or

13 “(ii) if the debtor consents to the Board’s
14 petition under subsection (a)(2); or

15 “(B) an order dismissing the case.

16 “(d)(1) The covered financial corporation or the
17 Board may appeal to the court of appeals from an order
18 entered by the court under subsection (c)(2) not later than
19 1 hour after the court enters such order, with notice only
20 to the entities specified in subsection (b)(1) and the
21 Board. Such order shall be stayed pending such appeal.

22 “(2) The appellate panel specified under section
23 298(c)(1) of title 28 for the judicial circuit in which the
24 case is pending shall hear the appeal under paragraph (1)
25 within 12 hours of the filing of the notice of appeal under

1 this subsection. The standard of review shall be abuse of
2 discretion. The appellate panel shall enter an order deter-
3 mining the matter that is the subject of the appeal not
4 later than 14 hours after the notice of appeal is filed.

5 “(3) The court may not, on account of an appeal
6 from an order for relief under section 1183(d)(1), delay
7 any proceeding under section 1185, except that the court
8 shall not authorize a transfer under section 1185 before
9 the determination of the appeal.

10 “(e) The members of the board of directors (or body
11 performing similar functions) of a covered financial com-
12 pany shall have no liability to shareholders, creditors or
13 other parties in interest for a good faith filing or con-
14 senting in good faith to a petition with respect to a case
15 under this subchapter, or for any reasonable action taken
16 in good faith in contemplation of or in connection with
17 such a petition or a transfer under section 1185 or section
18 1186, whether prior to or after commencement of the case.

19 “(f) Counsel to the debtor or the Board shall provide,
20 to the greatest extent practicable, sufficient confidential
21 notice to the Office of Court Services of the Administrative
22 Office of the United States Courts regarding the potential
23 commencement of a subchapter V case without disclosing
24 the identity of the potential debtor in order to allow such
25 office to randomly designate and ensure the ready avail-

1 ability of one of the bankruptcy judges designated under
2 section 298(b)(1) of title 28 to be available to preside over
3 such subchapter V case.

4 **“§ 1184. Regulators**

5 “The Board, the Securities Exchange Commission,
6 the Office of the Comptroller of the Currency of the De-
7 partment of the Treasury, and the Federal Deposit Insur-
8 ance Corporation may raise and may appear and be heard
9 on any issue in any case or proceeding under this sub-
10 chapter.

11 **“§ 1185. Special transfer of property of the estate**

12 “(a) On request of the trustee or the Board, and after
13 notice and a hearing that shall occur not less than 24
14 hours after the order for relief, the court may order a
15 transfer under this section of property of the estate, and
16 the assignment of executory contracts, unexpired leases,
17 and qualified financial contracts of the debtor, to a bridge
18 company. Upon the entry of an order approving such
19 transfer, any property transferred, and any executory con-
20 tracts, unexpired leases, and qualified financial contracts
21 assigned under such order shall no longer be property of
22 the estate. Except as provided under this section, the pro-
23 visions of sections 363 and 365 shall apply to a transfer
24 and assignment under this section.

1 “(b) Unless the court orders otherwise, notice of a
2 request for an order under subsection (a) shall consist of
3 electronic or telephonic notice of not less than 24 hours
4 to—

5 “(1) the debtor;

6 “(2) the holders of the 20 largest secured
7 claims against the debtor;

8 “(3) the holders of the 20 largest unsecured
9 claims against the debtor;

10 “(4) counterparties to any debt, executory con-
11 tract, unexpired lease, and qualified financial con-
12 tract requested to be transferred under this section;

13 “(5) the Board;

14 “(6) the Federal Deposit Insurance Corpora-
15 tion;

16 “(7) the Secretary of the Treasury and the Of-
17 fice of the Comptroller of the Currency of the Treas-
18 ury;

19 “(8) the Securities and Exchange Commission;

20 “(9) the United States trustee or bankruptcy
21 administrator; and

22 “(10) each primary financial regulatory agency,
23 as defined in section 2(12) of the Dodd-Frank Wall
24 Street Reform and Consumer Protection Act, with

1 respect to any affiliate the equity securities of which
2 are proposed to be transferred under this section.

3 “(c) The court may not order a transfer under this
4 section unless the court determines, based upon a prepon-
5 derance of the evidence, that—

6 “(1) the transfer under this section is necessary
7 to prevent serious adverse effects on financial sta-
8 bility in the United States;

9 “(2) the transfer does not provide for the as-
10 sumption of any capital structure debt by the bridge
11 company;

12 “(3) the transfer does not provide for the trans-
13 fer to the bridge company of any property of the es-
14 tate that is subject to a lien securing a debt, execu-
15 tory contract, unexpired lease or agreement of the
16 debtor unless—

17 “(A)(i) the bridge company assumes such
18 debt, executory contract, unexpired lease or
19 agreement, including any claims arising in re-
20 spect thereof that would not be allowed secured
21 claims under section 506(a)(1) and after giving
22 effect to such transfer, such property remains
23 subject to the lien securing such debt, executory
24 contract, unexpired lease or agreement; and

1 “(ii) the court has determined that as-
2 sumption of such debt, executory contract, un-
3 expired lease or agreement by the bridge com-
4 pany is in the best interests of the estate; or

5 “(B) such property is being transferred to
6 the bridge company in accordance with the pro-
7 visions of section 363;

8 “(4) the transfer does not provide for the as-
9 sumption by the bridge company of any debt, execu-
10 tory contract, unexpired lease or agreement of the
11 debtor secured by a lien on property in which the es-
12 tate has an interest unless the transfer provides for
13 such property to be transferred to the bridge com-
14 pany in accordance with paragraph (3)(A) of this
15 subsection;

16 “(5) the transfer does not provide for the trans-
17 fer of the equity of the debtor;

18 “(6) the party requesting the transfer under
19 this subsection has demonstrated that the bridge
20 company is not likely to fail to meet the obligations
21 of any debt, executory contract, qualified financial
22 contract, or unexpired lease assumed and assigned
23 to the bridge company;

24 “(7) the transfer provides for the transfer to a
25 special trustee all of the equity securities in the

1 bridge company and appointment of a special trustee
2 in accordance with section 1186;

3 “(8) after giving effect to the transfer, ade-
4 quate provision has been made for the fees, costs,
5 and expenses of the estate and special trustee; and

6 “(9) the bridge company will have governing
7 documents, and initial directors and senior officers,
8 that are in the best interest of creditors and the es-
9 tate.

10 “(d) Immediately before a transfer under the section,
11 the bridge company that is the recipient of the transfer
12 shall—

13 “(1) not have any property, executory con-
14 tracts, unexpired leases, or debts, other than any
15 property acquired or executory contracts, unexpired
16 leases, or debts assumed when acting as a transferee
17 of a transfer under this section; and

18 “(2) have equity securities that are property of
19 the estate, which may be sold or distributed in ac-
20 cordance with this title.

21 **“§ 1186. Special trustee**

22 “(a)(1) An order approving a transfer under section
23 1185 shall require the trustee to transfer to a qualified
24 and independent special trustee all of the equity securities
25 in the bridge company that is the recipient of a transfer

1 under section 1185 to hold in trust for the sole benefit
2 of the estate, subject to satisfaction of the special trustee's
3 fees, costs, and expenses. The trust of which the special
4 trustee is the trustee shall be a newly formed trust gov-
5 erned by a trust agreement approved by the court as in
6 the best interests of the estate, and shall exist for the sole
7 purpose of holding and administering, and shall be per-
8 mitted to dispose of, the equity securities of the bridge
9 company in accordance with the trust agreement.

10 “(2) In connection with the hearing to approve a
11 transfer under section 1185, the trustee shall confirm to
12 the court that the Board has been consulted regarding the
13 identity of the proposed special trustee and advise the
14 court of the results of such consultation.

15 “(b) The trust agreement governing the trust shall
16 provide—

17 “(1) for the payment of the fees, costs, ex-
18 penses, and indemnities of the special trustee from
19 the assets of the debtor's estate;

20 “(2) that the special trustee provide—

21 “(A) quarterly reporting to the estate,
22 which shall be filed with the court; and

23 “(B) information about the bridge com-
24 pany reasonably requested by a party in inter-
25 est to prepare a disclosure statement for a plan

1 providing for distribution of any securities of
2 the bridge company if such information is nec-
3 essary to prepare such disclosure statement;

4 “(3) that for as long as the equity securities of
5 the bridge company are held by the trust, the special
6 trustee shall file a notice with the court in connec-
7 tion with—

8 “(A) any change in a director or senior of-
9 ficer of the bridge company;

10 “(B) any modification to the governing
11 documents of the bridge company; and

12 “(C) any material corporate action of the
13 bridge company, including—

14 “(i) recapitalization;

15 “(ii) a material borrowing;

16 “(iii) termination of an intercompany
17 debt or guarantee;

18 “(iv) a transfer of a substantial por-
19 tion of the assets of the bridge company;

20 or

21 “(v) the issuance or sale of any secu-
22 rities of the bridge company;

23 “(4) that any sale of any equity securities of
24 the bridge company shall not be consummated until
25 the special trustee consults with the Federal Deposit

1 Insurance Corporation and the Board regarding
2 such sale and discloses the results of such consulta-
3 tion with the court;

4 “(5) that, subject to reserves for payments per-
5 mitted under paragraph (1) provided for in the trust
6 agreement, the proceeds of the sale of any equity se-
7 curities of the bridge company by the special trustee
8 be held in trust for the benefit of or transferred to
9 the estate;

10 “(6) the process and guidelines for the replace-
11 ment of the special trustee; and

12 “(7) that the property held in trust by the spe-
13 cial trustee is subject to distribution in accordance
14 with subsection (c).

15 “(c)(1) The special trustee shall distribute the assets
16 held in trust—

17 “(A) if the court confirms a plan in the case,
18 in accordance with the plan on the effective date of
19 the plan; or

20 “(B) if the case is converted to a case under
21 chapter 7, as ordered by the court.

22 “(2) As soon as practicable after a final distribution
23 under paragraph (1), the office of the special trustee shall
24 terminate, except as may be necessary to wind up and con-
25 clude the business and financial affairs of the trust.

1 “(d) After a transfer to the special trustee under this
 2 section, the special trustee shall be subject only to applica-
 3 ble nonbankruptcy law, and the actions and conduct of
 4 the special trustee shall no longer be subject to approval
 5 by the court in the case under this subchapter.

6 **“§ 1187. Temporary and supplemental automatic stay;
 7 assumed debt**

8 “(a)(1) A petition filed under section 1183 operates
 9 as a stay, applicable to all entities, of the termination, ac-
 10 celeration, or modification of any debt, contract, lease, or
 11 agreement of the kind described in paragraph (2), or of
 12 any right or obligation under any such debt, contract,
 13 lease, or agreement, solely because of—

14 “(A) a default by the debtor under any such
 15 debt, contract, lease, or agreement; or

16 “(B) a provision in such debt, contract, lease,
 17 or agreement, or in applicable nonbankruptcy law,
 18 that is conditioned on—

19 “(i) the insolvency or financial condition of
 20 the debtor at any time before the closing of the
 21 case;

22 “(ii) the commencement of a case under
 23 this title concerning the debtor;

24 “(iii) the appointment of or taking posses-
 25 sion by a trustee in a case under this title con-

cerning the debtor or by a custodian before the
commencement of the case; or

“(iv) a credit rating agency rating, or absence or withdrawal of a credit rating agency rating—

“(I) of the debtor at any time after the commencement of the case;

“(II) of an affiliate during the period from the commencement of the case until 48 hours after such order is entered;

“(III) of the bridge company while the trustee or the special trustee is a direct or indirect beneficial holder of more than 50 percent of the equity securities of—

“(aa) the bridge company; or

“(bb) the affiliate, if all of the direct or indirect interests in the affiliate that are property of the estate are transferred under section 1185; or

“(IV) of an affiliate while the trustee or the special trustee is a direct or indirect beneficial holder of more than 50 percent of the equity securities of—

“(aa) the bridge company; or

1 “(bb) the affiliate, if all of the di-
2 rect or indirect interests in the affil-
3 iate that are property of the estate
4 are transferred under section 1185.

5 “(2) A debt, contract, lease, or agreement described
6 in this paragraph is—

7 “(A) any debt (other than capital structure
8 debt), executory contract, or unexpired lease of the
9 debtor (other than a qualified financial contract);

10 “(B) any agreement under which the debtor
11 issued or is obligated for debt (other than capital
12 structure debt);

13 “(C) any debt, executory contract, or unexpired
14 lease of an affiliate (other than a qualified financial
15 contract); or

16 “(D) any agreement under which an affiliate
17 issued or is obligated for debt.

18 “(3) The stay under this subsection terminates—

19 “(A) for the benefit of the debtor, upon the ear-
20 liest of—

21 “(i) 48 hours after the commencement of
22 the case;

23 “(ii) assumption of the debt, contract,
24 lease, or agreement by the bridge company

1 under an order authorizing a transfer under
2 section 1185; or

3 “(iii) a final order of the court denying the
4 request for a transfer under section 1185; and

5 “(B) for the benefit of an affiliate, upon the
6 earliest of—

7 “(i) the entry of an order authorizing a
8 transfer under section 1185 in which the direct
9 or indirect interests in the affiliate that are
10 property of the estate are not transferred under
11 section 1185;

12 “(ii) a final order by the court denying the
13 request for a transfer under section 1185; or

14 “(iii) 48 hours after the commencement of
15 the case if the court has not ordered a transfer
16 under section 1185.

17 “(4) Subsections (d), (e), (f), and (g) of section 362
18 apply to a stay under this subsection.

19 “(b) A debt, executory contract (other than a quali-
20 fied financial contract), or unexpired lease of the debtor,
21 or an agreement under which the debtor has issued or is
22 obligated for any debt, may be assumed by a bridge com-
23 pany in a transfer under section 1185 notwithstanding
24 any provision in an agreement or in applicable nonbank-
25 ruptcy law that—

1 “(1) prohibits, restricts, or conditions the as-
2 signment of the debt, contract, lease, or agreement;
3 or

4 “(2) terminates or modifies, or permits a party
5 other than the debtor to terminate or modify, the
6 debt, contract, lease, or agreement on account of—

7 “(A) the assignment of the debt, contract,
8 lease, or agreement; or

9 “(B) a change in control of any party to
10 the debt, contract, lease, or agreement.

11 “(c)(1) A debt, contract, lease, or agreement of the
12 kind described in subparagraph (A) or (B) of subsection
13 (a)(2) may not be terminated or modified, and any right
14 or obligation under such debt, contract, lease, or agree-
15 ment may not be terminated or modified, as to the bridge
16 company solely because of a provision in the debt, con-
17 tract, lease, or agreement or in applicable nonbankruptcy
18 law—

19 “(A) of the kind described in subsection
20 (a)(1)(B) as applied to the debtor;

21 “(B) that prohibits, restricts, or conditions the
22 assignment of the debt, contract, lease, or agree-
23 ment; or

24 “(C) that terminates or modifies, or permits a
25 party other than the debtor to terminate or modify,

1 the debt, contract, lease or agreement on account
2 of—

3 “(i) the assignment of the debt, contract,
4 lease, or agreement; or

5 “(ii) a change in control of any party to
6 the debt, contract, lease, or agreement.

7 “(2) If there is a default by the debtor under a provi-
8 sion other than the kind described in paragraph (1) in
9 a debt, contract, lease or agreement of the kind described
10 in subparagraph (A) or (B) of subsection (a)(2), the
11 bridge company may assume such debt, contract, lease,
12 or agreement only if the bridge company—

13 “(A) shall cure the default;

14 “(B) compensates, or provides adequate assur-
15 ance in connection with a transfer under section
16 1185 that the bridge company will promptly com-
17 pensate, a party other than the debtor to the debt,
18 contract, lease, or agreement, for any actual pecu-
19 niary loss to the party resulting from the default;
20 and

21 “(C) provides adequate assurance in connection
22 with a transfer under section 1185 of future per-
23 formance under the debt, contract, lease, or agree-
24 ment, as determined by the court under section
25 1185(c)(4).

1 **“§ 1188. Treatment of qualified financial contracts**
2 **and affiliate contracts**

3 “(a) Notwithstanding sections 362(b)(6), 362(b)(7),
4 362(b)(17), 362(b)(27), 362(o), 555, 556, 559, 560, and
5 561, a petition filed under section 1183 operates as a stay,
6 during the period specified in section 1187(a)(3)(A), ap-
7 plicable to all entities, of the exercise of a contractual
8 right—

9 “(1) to cause the modification, liquidation, ter-
10 mination, or acceleration of a qualified financial con-
11 tract of the debtor or an affiliate;

12 “(2) to offset or net out any termination value,
13 payment amount, or other transfer obligation arising
14 under or in connection with a qualified financial con-
15 tract of the debtor or an affiliate; or

16 “(3) under any security agreement or arrange-
17 ment or other credit enhancement forming a part of
18 or related to a qualified financial contract of the
19 debtor or an affiliate.

20 “(b)(1) During the period specified in section
21 1187(a)(3)(A), the trustee or the affiliate shall perform
22 all payment and delivery obligations under such qualified
23 financial contract of the debtor or the affiliate, as the case
24 may be, that become due after the commencement of the
25 case. The stay provided under subsection (a) terminates
26 as to a qualified financial contract of the debtor or an

1 affiliate immediately upon the failure of the trustee or the
2 affiliate, as the case may be, to perform any such obliga-
3 tion during such period.

4 “(2) Any failure by a counterparty to any qualified
5 financial contract of the debtor or any affiliate to perform
6 any payment or delivery obligation under such qualified
7 financial contract, including during the pendency of the
8 stay provided under subsection (a), shall constitute a
9 breach of such qualified financial contract by the
10 counterparty.

11 “(c) A qualified financial contract between an entity
12 and the debtor may not be assigned to or assumed by the
13 bridge company in a transfer under section 1185 unless—

14 “(1) all qualified financial contracts between
15 the entity and the debtor are assigned to and as-
16 sumed by the bridge company in the transfer under
17 section 1185;

18 “(2) all claims of the entity against the debtor
19 under any qualified financial contract between the
20 entity and the debtor (other than any claim that,
21 under the terms of the qualified financial contract,
22 is subordinated to the claims of general unsecured
23 creditors) are assigned to and assumed by the bridge
24 company;

1 “(3) all claims of the debtor against the entity
2 under any qualified financial contract between the
3 entity and the debtor are assigned to and assumed
4 by the bridge company; and

5 “(4) all property securing or any other credit
6 enhancement furnished by the debtor for any quali-
7 fied financial contract described in paragraph (1) or
8 any claim described in paragraph (2) or (3) under
9 any qualified financial contract between the entity
10 and the debtor is assigned to and assumed by the
11 bridge company.

12 “(d) Notwithstanding any provision of a qualified fi-
13 nancial contract or of applicable nonbankruptcy law, a
14 qualified financial contract of the debtor that is assumed
15 or assigned in a transfer under section 1185 may not be
16 accelerated, terminated, or modified, after the entry of the
17 order approving a transfer under section 1185, and any
18 right or obligation under the qualified financial contract
19 may not be accelerated, terminated, or modified, after the
20 entry of the order approving a transfer under section 1185
21 solely because of a condition described in section
22 1187(c)(1), other than a condition of the kind specified
23 in section 1187(a)(1)(B)(iv)(III) or section 1187(b) that
24 occurs after property of the estate no longer includes a
25 direct beneficial interest or an indirect beneficial interest

1 through the special trustee, in more than 50 percent of
2 the equity securities of the bridge company.

3 “(e) Notwithstanding any provision of any agreement
4 or in applicable nonbankruptcy law, an agreement of an
5 affiliate (including an executory contract, an unexpired
6 lease, qualified financial contract, or an agreement under
7 which the affiliate issued or is obligated for debt) and any
8 right or obligation under such agreement may not be ter-
9 minated or modified, solely because of a condition de-
10 scribed in section 1187(c)(1), other than a condition of
11 the kind specified in section 1187(a)(1)(B)(iv)(III) or sec-
12 tion 1187(b) that occurs after the bridge company is no
13 longer a direct or indirect beneficial holder of more than
14 50 percent of the equity securities of the affiliate, at any
15 time after the commencement of the case if—

16 “(1) all direct or indirect interests in the affil-
17 iate that are property of the estate are transferred
18 under section 1185 to the bridge company within the
19 period specified in subsection (a);

20 “(2) the bridge company assumes—

21 “(A) any guarantee or other credit en-
22 hancement issued by the debtor relating to the
23 agreement of the affiliate; and

24 “(B) any right of setoff, netting arrange-
25 ment, or debt of the debtor that directly arises

1 out of or directly relates to the guarantee or
2 credit enhancement; and

3 “(3) any property of the estate that directly
4 serves as collateral for the guarantee or credit en-
5 hancement is transferred to the bridge company.

6 **“§ 1189. Licenses, permits, and registrations**

7 “(a) Notwithstanding any otherwise applicable non-
8 bankruptcy law, if a request is made under section 1185
9 for a transfer of property of the estate, any Federal, State,
10 or local license, permit, or registration that the debtor or
11 an affiliate had immediately before the commencement of
12 the case and that is proposed to be transferred under sec-
13 tion 1185 may not be terminated or modified at any time
14 after the request solely on account of—

15 “(1) the insolvency or financial condition of the
16 debtor at any time before the closing of the case;

17 “(2) the commencement of a case under this
18 title concerning the debtor;

19 “(3) the appointment of or taking possession by
20 a trustee in a case under this title concerning the
21 debtor or by a custodian before the commencement
22 of the case; or

23 “(4) a transfer under section 1185.

24 “(b) Notwithstanding any otherwise applicable non-
25 bankruptcy law, any Federal, State, or local license, per-

1 mit, or registration that the debtor had immediately before
2 the commencement of the case that is included in a trans-
3 fer under section 1185 shall be valid and all rights and
4 obligations thereunder shall vest in the bridge company.

5 **“§ 1190. Exemption from securities laws**

6 “For purposes of section 1145, a security of the
7 bridge company shall be deemed to be a security of a suc-
8 cessor to the debtor under a plan if the court approves
9 the disclosure statement for the plan as providing ade-
10 quate information (as defined in section 1125(a)) about
11 the bridge company and the security.

12 **“§ 1191. Inapplicability of certain avoiding powers**

13 “A transfer made or an obligation incurred by the
14 debtor to an affiliate prior to or after the commencement
15 of the case, including any obligation released by the debtor
16 or the estate to or for the benefit of an affiliate, in con-
17 templation of or in connection with a transfer under sec-
18 tion 1185 is not avoidable under section 544, 547,
19 548(a)(1)(B), or 549, or under any similar nonbankruptcy
20 law.

21 **“§ 1192. Consideration of financial stability**

22 “The court may consider the effect that any decision
23 in connection with this subchapter may have on financial
24 stability in the United States.”.

1 **SEC. 4. AMENDMENTS TO TITLE 28, UNITED STATES CODE.**

2 (a) AMENDMENT TO CHAPTER 13.—Chapter 13 of
3 title 28, United States Code, is amended by adding at the
4 end the following:

5 **“§ 298. Judge for a case under subchapter V of chap-**
6 **ter 11 of title 11**

7 “(a) Notwithstanding section 295, the Chief Justice
8 of the United States shall designate not fewer than 3
9 judges of the courts of appeals in not fewer than 4 circuits
10 to serve on an appellate panel to be available to hear an
11 appeal under section 1183 of title 11 in a case under such
12 title concerning a covered financial corporation. Appellate
13 judges may request to be considered by the Chief Justice
14 of the United States for such designation.

15 “(b)(1) Notwithstanding section 295, the Chief Jus-
16 tice of the United States shall designate not fewer than
17 10 bankruptcy judges to be available to hear a case under
18 subchapter V of chapter 11 of title 11. Bankruptcy judges
19 may request to be considered by the Chief Justice of the
20 United States for such designation.

21 “(2) Notwithstanding section 155, a case under sub-
22 chapter V of chapter 11 of title 11 shall be heard under
23 section 157 by a bankruptcy judge designated under para-
24 graph (1), who shall be assigned to hear such case by the
25 chief judge of the court of appeals for the circuit embrac-
26 ing the district in which the case is pending. To the great-

1 est extent practicable, the approvals required under sec-
2 tion 155 should be obtained.

3 “(3) If the bankruptcy judge assigned to hear a case
4 under paragraph (2) is not assigned to the district in
5 which the case is pending, the bankruptcy judge shall be
6 temporarily assigned to the district.

7 “(c)(1) The court of appeals shall have jurisdiction
8 of appeals from all orders for relief and orders of dismissal
9 under section 1183 of title 11.

10 “(2) Notwithstanding section 295, in an appeal under
11 paragraph (1) in a case under title 11 concerning a cov-
12 ered financial corporation shall be heard by—

13 “(A) 3 judges selected from the appellate panel
14 designated under subsection (a); or

15 “(B) if the 3 judges of such panel are not im-
16 mediately available to hear the case, 3 judges des-
17 ignated under subsection (a) from another circuit
18 and assigned by the Chief Justice of the United
19 States to hear the case.

20 “(3) If any of the judges of the appellate panel speci-
21 fied in paragraph (2) is not assigned to the circuit in
22 which the appeal is pending, the judges shall be tempo-
23 rarily assigned to the circuit.

1 “(4) A case under subchapter V of chapter 11 of title
2 11, and all proceedings in the case, shall take place in
3 the district in which the case is pending.

4 “(d) In this section, the term ‘covered financial cor-
5 poration’ has the meaning given that term in section
6 101(9A) of title 11.”.

7 (b) AMENDMENT TO SECTION 1334.—Section 1334
8 of title 28, United States Code, is amended by adding at
9 the end the following:

10 “(f) This section does not grant jurisdiction to the
11 district court after a transfer pursuant to an order under
12 section 1185 of title 11 of any proceeding related to a spe-
13 cial trustee appointed, or to a bridge company formed, in
14 connection with a case under subchapter V of chapter 11
15 of title 11.”.

16 (c) TECHNICAL AND CONFORMING AMENDMENT.—
17 The table of sections for chapter 13 of title 28, United
18 States Code, is amended by adding at the end the fol-
19 lowing:

“298. Judge for a case under subchapter V of chapter 11 of title 11.”.

