

**SUBSTITUTE AMENDMENT TO THE AMENDMENT IN  
THE NATURE OF A SUBSTITUTE TO H.R. 10  
OFFERED BY MS. KAPTUR OF OHIO**

Strike all after the enacting clause and insert the following:

**1 SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Return to Prudent  
3 Banking Act of 2017”.

**4 SEC. 2. GLASS-STEAGALL REVIVED.**

5 (a) WALL BETWEEN COMMERCIAL BANKS AND SE-  
6 CURITIES ACTIVITIES REESTABLISHED.—Section 18 of  
7 the Federal Deposit Insurance Act (12 U.S.C. 1828) is  
8 amended by adding at the end the following new sub-  
9 section:

10 “(aa) LIMITATIONS ON SECURITY AFFILIATIONS.—

11 “(1) PROHIBITION ON AFFILIATION BETWEEN  
12 INSURED DEPOSITORY INSTITUTIONS AND INVEST-  
13 MENT BANKS OR SECURITIES FIRMS.—An insured  
14 depository institution may not be or become an affil-  
15 iate of any broker or dealer, any investment adviser,  
16 any investment company, or any other person en-  
17 gaged principally in the issue, flotation, under-  
18 writing, public sale, or distribution at wholesale or

1 retail or through syndicate participation of stocks,  
2 bonds, debentures, notes, or other securities.

3 “(2) PROHIBITION ON OFFICERS, DIRECTORS,  
4 AND EMPLOYEES OF SECURITIES FIRMS SERVICE ON  
5 BOARDS OF DEPOSITORY INSTITUTIONS.—

6 “(A) IN GENERAL.—An individual who is  
7 an officer, director, partner, or employee of any  
8 broker or dealer, any investment adviser, any  
9 investment company, or any other person en-  
10 gaged principally in the issue, flotation, under-  
11 writing, public sale, or distribution at wholesale  
12 or retail or through syndicate participation of  
13 stocks, bonds, debentures, notes, or other secu-  
14 rities may not serve at the same time as an of-  
15 ficer, director, employee, or other institution-af-  
16 filiated party of any insured depository institu-  
17 tion.

18 “(B) EXCEPTION.—Subparagraph (A)  
19 shall not apply with respect to service by any  
20 individual which is otherwise prohibited under  
21 such subparagraph if the appropriate Federal  
22 banking agency determines, by regulation with  
23 respect to a limited number of cases, that serv-  
24 ice by such individual as an officer, director,  
25 employee, or other institution-affiliated party of

1 any insured depository institution would not un-  
2 duly influence the investment policies of the de-  
3 pository institution or the advice the institution  
4 provides to customers.

5 “(C) TERMINATION OF SERVICE.—Subject  
6 to a determination under subparagraph (B),  
7 any individual described in subparagraph (A)  
8 who, as of the date of the enactment of the Re-  
9 turn to Prudent Banking Act of 2017, is serv-  
10 ing as an officer, director, employee, or other  
11 institution-affiliated party of any insured depos-  
12 itory institution shall terminate such service as  
13 soon as practicable after such date of enact-  
14 ment and no later than the end of the 60-day  
15 period beginning on such date.

16 “(3) TERMINATION OF EXISTING AFFILI-  
17 ATION.—

18 “(A) ORDERLY WIND-DOWN OF EXISTING  
19 AFFILIATION.—Any affiliation of an insured de-  
20 pository institution with any broker or dealer,  
21 any investment adviser, any investment com-  
22 pany, or any other person, as of the date of the  
23 enactment of the Return to Prudent Banking  
24 Act of 2017, which is prohibited under para-  
25 graph (1) shall be terminated as soon as prac-

1            ticable and in any event no later than the end  
2            of the 2-year period beginning on such date of  
3            enactment.

4            “(B) EARLY TERMINATION.—The appro-  
5            priate Federal banking agency, after oppor-  
6            tunity for hearing, may terminate, at any time,  
7            the authority conferred by the preceding sub-  
8            paragraph to continue any affiliation subject to  
9            such subparagraph until the end of the period  
10           referred to in such subparagraph if the agency  
11           determines, having due regard for the purposes  
12           of this subsection and the Return to Prudent  
13           Banking Act of 2017, that such action is nec-  
14           essary to prevent undue concentration of re-  
15           sources, decreased or unfair competition, con-  
16           flicts of interest, or unsound banking practices  
17           and is in the public interest.

18           “(C) EXTENSION.—Subject to a deter-  
19           mination under subparagraph (B), an appro-  
20           priate Federal banking agency may extend the  
21           2-year period referred to in subparagraph (A)  
22           from time to time as to any particular insured  
23           depository institution for not more than 6  
24           months at a time, if, in the judgment of the  
25           agency, such an extension would not be detri-

1           mental to the public interest, but no such exten-  
2           sions shall in the aggregate exceed 1 year.

3           “(4) DEFINITIONS.—For purposes of this sub-  
4           section, the terms ‘broker’ and ‘dealer’ have the  
5           same meanings as in section 3(a) of the Securities  
6           Exchange Act of 1934 and the terms ‘investment  
7           adviser’ and ‘investment company’ have the meaning  
8           given such terms under the Investment Advisers Act  
9           of 1940 and the Investment Company Act of 1940,  
10          respectively.”.

11          (b) PROHIBITION ON BANKING ACTIVITIES BY SECURITIES FIRMS CLARIFIED.—Section 21 of the Banking  
12          Act of 1933 (12 U.S.C. 378) is amended by adding at  
13          the end the following new subsection:  
14

15          “(c) BUSINESS OF RECEIVING DEPOSITS.—For pur-  
16          poses of this section, the term ‘business of receiving depos-  
17          its’ includes the establishment and maintenance of any  
18          transaction account (as defined in section 19(b)(1)(C) of  
19          the Federal Reserve Act).”.

20          (c) CONTINUED APPLICABILITY OF ICI V. CAMP.—

21                  (1) IN GENERAL.—The Congress ratifies the in-  
22                  terpretation of the paragraph designated the “Sev-  
23                  enth” of section 5136 of the Revised Statutes of the  
24                  United States (12 U.S.C. 24, as amended by section  
25                  16 of the Banking Act of 1933 and subsequent

1 amendments) and section 21 of the Banking Act of  
2 1933 (12 U.S.C. 378) by the Supreme Court of the  
3 United States in the case of Investment Company  
4 Institute v. Camp (401 U.S. 617 et seq. (1971))  
5 with regard to the permissible activities of banks  
6 and securities firms, except to the extent expressly  
7 prescribed otherwise by this section.

8 (2) APPLICABILITY OF REASONING.—The rea-  
9 soning of the Supreme Court of the United States  
10 in the case referred to in paragraph (1) with respect  
11 to sections 20 and 32 of the Banking Act of 1933  
12 (as in effect prior to the date of the enactment of  
13 the Gramm-Leach-Bliley Act) shall continue to apply  
14 to subsection (aa) of section 18 of the Federal De-  
15 posit Insurance Act (as added by subsection (a) of  
16 this section) except to the extent the scope and ap-  
17 plication of such subsection as enacted exceed the  
18 scope and application of such sections 20 and 32.

19 (3) LIMITATION ON AGENCY INTERPRETATION  
20 OR JUDICIAL CONSTRUCTION.—No appropriate Fed-  
21 eral banking agency, by regulation, order, interpre-  
22 tation, or other action, and no court within the  
23 United States may construe the paragraph des-  
24 ignated the “Seventh” of section 5136 of the Re-  
25 vised Statutes of the United States (12 U.S.C. 24,

1 as amended by section 16 of the Banking Act of  
2 1933 and subsequent amendments), section 21 of  
3 the Banking Act of 1933, or section 18(aa) of the  
4 Federal Deposit Insurance Act more narrowly than  
5 the reasoning of the Supreme Court of the United  
6 States in the case of Investment Company Institute  
7 v. Camp (401 U.S. 617 et seq. (1971)) as to the  
8 construction and the purposes of such provisions.

9 **SEC. 3. REPEAL OF GRAMM-LEACH-BLILEY ACT PROVI-**  
10 **SIONS.**

11 (a) FINANCIAL HOLDING COMPANY.—

12 (1) IN GENERAL.—Section 4 of the Bank Hold-  
13 ing Company Act of 1956 (12 U.S.C. 1843) is  
14 amended by striking subsections (k), (l), (m), (n),  
15 and (o).

16 (2) TRANSITION.—

17 (A) ORDERLY WIND-DOWN OF EXISTING  
18 AFFILIATION.—In the case of a bank holding  
19 company which, pursuant to the amendments  
20 made by paragraph (1), is no longer authorized  
21 to control or be affiliated with any entity that  
22 was permissible for a financial holding com-  
23 pany, any affiliation by the bank holding com-  
24 pany which is not permitted for a bank holding  
25 company shall be terminated as soon as prac-

1            ticable and in any event no later than the end  
2            of the 2-year period beginning on such date of  
3            enactment.

4            (B) EARLY TERMINATION.—The Board of  
5            Governors of the Federal Reserve System, after  
6            opportunity for hearing, may terminate, at any  
7            time, the authority conferred by the preceding  
8            subparagraph to continue any affiliation subject  
9            to such subparagraph until the end of the pe-  
10           riod referred to in such subparagraph if the  
11           Board determines, having due regard to the  
12           purposes of this Act, that such action is nec-  
13           essary to prevent undue concentration of re-  
14           sources, decreased or unfair competition, con-  
15           flicts of interest, or unsound banking practices,  
16           and is in the public interest.

17           (C) EXTENSION.—Subject to a determina-  
18           tion under subparagraph (B), the Board of  
19           Governors of the Federal Reserve System may  
20           extend the 2-year period referred to in subpara-  
21           graph (A) above from time to time as to any  
22           particular bank holding company for not more  
23           than 6 months at a time, if, in the judgment of  
24           the Board, such an extension would not be det-

1           rimental to the public interest, but no such ex-  
2           tensions shall in the aggregate exceed 1 year.

3           (3) TECHNICAL AND CONFORMING AMEND-  
4           MENTS.—

5           (A) Section 2 of the Bank Holding Com-  
6           pany Act of 1956 (12 U.S.C. 1841) is amended  
7           by striking subsection (p).

8           (B) Section 5(c) of the Bank Holding  
9           Company Act of 1956 (12 U.S.C. 1844(c)) is  
10          amended—

11                   (i) by striking paragraphs (3) and (4);

12                   and

13                   (ii) by redesignating paragraph (5) as  
14                   paragraph (3).

15          (C) Section 5 of the Bank Holding Com-  
16          pany Act of 1956 (12 U.S.C. 1844) is amended  
17          by striking subsection (g).

18          (D) The Federal Deposit Insurance Act  
19          (12 U.S.C. 1811 et seq.) is amended by striking  
20          section 45.

21          (E) Subtitle B of title I of the Gramm-  
22          Leach-Bliley Act is amended by striking section  
23          114 (12 U.S.C. 1828a) and section 115 (12  
24          U.S.C. 1820a).

25          (b) FINANCIAL SUBSIDIARIES REPEALED.—

1           (1) IN GENERAL.—Section 5136A of the Re-  
2           vised Statutes of the United States (12 U.S.C. 24a)  
3           is amended to read as follows:

4   **“SEC. 5136A. [REPEALED].”.**

5           (2) TRANSITION.—

6           (A) ORDERLY WIND-DOWN OF EXISTING  
7           AFFILIATION.—In the case of a national bank  
8           which, pursuant to the amendments made by  
9           paragraph (1), is no longer authorized to con-  
10          trol or be affiliated with a financial subsidiary  
11          as of the date of the enactment of this Act,  
12          such affiliation shall be terminated as soon as  
13          practicable and in any event no later than the  
14          end of the 2-year period beginning on such date  
15          of enactment.

16          (B) EARLY TERMINATION.—The Comp-  
17          troller of the Currency, after opportunity for  
18          hearing, may terminate, at any time, the au-  
19          thority conferred by the preceding subpara-  
20          graph to continue any affiliation subject to such  
21          subparagraph until the end of the period re-  
22          ferred to in such subparagraph if the Comp-  
23          troller determines, having due regard for the  
24          purposes of this Act, that such action is nec-  
25          essary to prevent undue concentration of re-

1 sources, decreased or unfair competition, con-  
2 flicts of interest, or unsound banking practices  
3 and is in the public interest.

4 (C) EXTENSION.—Subject to a determina-  
5 tion under subparagraph (B), the Comptroller  
6 of the Currency may extend the 2-year period  
7 referred to in subparagraph (A) above from  
8 time to time as to any particular national bank  
9 for not more than 6 months at a time, if, in the  
10 judgment of the Comptroller, such an extension  
11 would not be detrimental to the public interest,  
12 but no such extensions shall in the aggregate  
13 exceed 1 year.

14 (3) TECHNICAL AND CONFORMING AMEND-  
15 MENT.—

16 (A) The 20th undesignated paragraph of  
17 section 9 of the Federal Reserve Act (12 U.S.C.  
18 335) is amended by striking the last sentence.

19 (B) The Federal Deposit Insurance Act is  
20 amended by striking section 46 (12 U.S.C.  
21 1831w).

22 (4) CLERICAL AMENDMENT.—The table of sec-  
23 tions for chapter one of title LXII of the Revised  
24 Statutes of the United States is amended by striking  
25 the item relating to section 5136A.

1 (c) DEFINITION OF BROKER.—Section 3(a)(4)(B) of  
2 the Securities Exchange Act of 1934 (15 U.S.C.  
3 78c(a)(4)(B)) is amended—

4 (1) by striking clauses (i), (iii), (v), (vii), (x),  
5 and (xi); and

6 (2) by redesignating clauses (ii), (iv), (vi), (viii),  
7 and (ix) as clauses (i), (ii), (iii), (iv), and (v), respec-  
8 tively.

9 (d) DEFINITION OF DEALER.—Section 3(a)(5)(C) of  
10 the Securities Exchange Act of 1934 (15 U.S.C.  
11 78c(a)(5)(C)) is amended—

12 (1) by striking clauses (i) and (iii); and

13 (2) by redesignating clauses (ii) and (iv) as  
14 clauses (i) and (ii), respectively.

15 (e) DEFINITION OF IDENTIFIED BANKING PROD-  
16 UCT.—Subsection (a) of section 206 of the Gramm-Leach-  
17 Bliley Act (15 U.S.C. 78c note) is amended—

18 (1) by inserting “and” after the semicolon at  
19 the end of paragraph (4);

20 (2) in paragraph (5)(B)(ii), by striking “; or”  
21 and inserting a period; and

22 (3) by striking paragraph (6) and all that fol-  
23 lows through the end of such subsection.

24 (f) DEFINITION OF ACTIVITIES CLOSELY RELATED  
25 TO BANKING.—

1           (1) IN GENERAL.—Section 4(c)(8) of the Bank  
2 Holding Company Act of 1956 (12 U.S.C.  
3 1843(c)(8)) is amended by striking “the day before  
4 the date of the enactment of the Gramm-Leach-Bliley  
5 Act” and inserting “January 1, 1970”.

6           (2) PROVISION ALLOWING FOR EXCEPTIONS  
7 AFTER REPORT TO THE CONGRESS.—Subsection (j)  
8 of section 4 of the Bank Holding Company Act of  
9 1956 (12 U.S.C. 1843(j)) is amended to read as fol-  
10 lows:

11       “(j) APPROVAL FOR CERTAIN POST-1970 SUB-  
12 SECTION (c)(8) ACTIVITIES.—

13           “(1) IN GENERAL.—Notwithstanding the limita-  
14 tion of the January 1, 1970, approval deadline in  
15 subsection (c)(8), the Board may determine an activ-  
16 ity to be so closely related to banking as to be a  
17 proper incident thereto for purposes of such sub-  
18 section, subject to the requirements of this sub-  
19 section and such terms and conditions as the Board  
20 may require.

21           “(2) GENERAL STANDARDS.—In making any  
22 determination under paragraph (1), the Board shall  
23 consider whether performance of the activity by a  
24 bank holding company or a subsidiary of such com-  
25 pany can reasonably be expected to result in a viola-

1       tion of section 18(aa) of the Federal Deposit Insur-  
2       ance Act, section 21 of the Banking Act of 1933, or  
3       the spirit of section 2(c) of the Return to Prudent  
4       Banking Act of 2017, and other possible adverse ef-  
5       fects, such as undue concentration of resources, de-  
6       creased or unfair competition, conflicts of interests,  
7       or unsound banking practices.

8               “(3) REPORT AND WAIT.—No determination of  
9       the Board under paragraph (1) may take effect be-  
10      fore the end of the 180-day period beginning on the  
11      date by which notice of the determination has been  
12      submitted to both Houses of the Congress together  
13      with a detailed explanation of the activities to which  
14      the determination relates and the basis for the de-  
15      termination, unless before the end of such period,  
16      such activities have been approved by an Act of Con-  
17      gress.”.

18      (g) REPEAL OF PROVISION RELATING TO FOREIGN  
19      BANKS FILING AS FINANCIAL HOLDING COMPANIES.—  
20      Section 8(c) of the International Banking Act of 1978 (12  
21      U.S.C. 3106(c)) is amended by striking paragraph (3).

22      **SEC. 4. REPORTS TO THE CONGRESS.**

23      (a) REPORTS REQUIRED.—Each time the Board of  
24      Governors of the Federal Reserve System, the Comptroller  
25      of the Currency, or another appropriate Federal banking

1 agency makes a determination or an extension under sub-  
2 paragraph (B) or (C) of paragraph (2) or (3) of section  
3 18(aa) of the Federal Deposit Insurance Act (as added  
4 by section 2(a)) or subparagraph (B) or (C) of subsection  
5 (a)(2) or (b)(2) of section 3, as the case may be, the  
6 Board, Comptroller, or agency shall promptly submit a re-  
7 port of such determination or extension to the Congress.  
8 (b) CONTENTS.—Each report submitted to the Con-  
9 gress under subsection (a) shall contain a detailed descrip-  
10 tion of the basis for the determination or extension.

