

Shelby Amendment # 126

Strike the following sections or subsections: 102(a)3, 102(a)5, 102(b), 112(a)(H), 114, 162, 163, 164, 167, 170

Strike “nonbank financial company” or “nonbank financial companies” wherever it appears in sections 112, 115, 116, 119, 120, 121, 155, 161, 165, 166, 169

On page 48 line 22 strike and replace with:

Sec. 117. Treatment of Certain Companies that cease to be bank holding companies or savings and loan holding companies.

(a). Moratorium – The Board of Governors shall not for a 4 year period from the enactment date of this Act approve the sale or disposition of an insured depository of any bank holding company or savings and loan holding company with total consolidated assets in excess of \$500 billion except;

- (1) where such sale or disposition would not change the bank holding company or savings and loan holding company regulatory status, or
- (2) where such sale or disposition is necessary to maintain United States financial system stability.

On page 31 line 10 strike and replace section 113 with:

Sec. 113. Study of measuring maturity transformation.

(a). The Council shall study maturity transformation activities and effects.

(1) STUDY OF MEASURING MATURITY TRANSFORMATION ACTIVITIES AND EFFECTS OF VARIOUS MATURITY TRANSFORMATION ACTIVITIES ON FINANCIAL STABILITY.—The Chairperson of the Council shall carry out a study on the principles of liquidity management for financial institutions engaged in maturity transformation involving mismatches between tenors of assets and liabilities. The study shall include—

(A) an analysis of how to define and measure the extent of maturity transformation undertaken by a financial institution and short-term liquidity positions undertaken to assist in funding a given measured amount of maturity transformation;

(B) an analysis of how to define and measure the extent of maturity transformation undertaken in specified sectors of the United States and international financial systems;

(C) an analysis of how to define and measure the extent of maturity transformation in the United States financial system as a whole;

(D) an analysis of exposures of financial institutions to interest rate risk, including a risk of precipitous declines in short-term asset values, for a given measured amount of maturity transformation;

(E) an analysis of risks to United States financial system stability from increases in maturity transformation

(F) an analysis of how to define and measure liquidity risk of a financial institution undertaking maturity transformation;

(G) an analysis of costs and benefits to financial institutions and to United States financial system stability of limitations on allowable maturity transformation undertaken by financial institutions;

(H) an analysis of costs and benefits to financial institutions and to United States financial system stability of requirements that long-term illiquid assets be funded more-so by equity and longer-term debt and less-so by short-term borrowing;

(I) an analysis of costs and benefits to financial institutions and to United States financial system stability of any possible change in prudential regulation and supervision of financial institutions, including stress tests, to ensure that such institutions can meet large funding drains; and

(J) a theoretical and quantitative analysis, using model simulations if appropriate, of possible costs and benefits to individual financial institutions and to the United States financial system of prudential regulatory standards and tools for managing and supervising liquidity risks of financial institutions and of United States financial system stability.

(K) a theoretical and quantitative analysis, using model simulations and stress tests where appropriate, of alternative mechanisms to identify nonbank financial institutions, groups of nonbank financial institutions, financial activities, and structural elements of the financial system, taking into account liquidity exposures, interrelations, connectedness and correlations of trading positions and exposures, that threaten the safety and soundness of financial activities or of structural elements of financial markets, or threaten disruptions of financial markets through their:

- (i) degree of maturity mismatch;
- (ii) subjectivity to severe disruptions in liquidity crises;
- (iii) vulnerability to runs on short-term asset or liability positions of counterparties and to potential fire sales of assets;
- (iv) susceptibility to liquidity events.

(L) LIQUIDITY EVENT—The term “liquidity event” means—

(i) a reduction in the usual ability of financial market participants---

(I) to sell a type of financial asset without a significant reduction in price, in potential fire sales of assets; or

(II) to borrow using that type of asset as collateral without a significant increase in margin; or

(ii) a significant reduction in the usual ability of financial market participants to obtain unsecured credit.

(2) CONSTRUCTION OF MECHANISM TO DETERMINE THREATS —

(A) Upon completion of the study made pursuant to (10) above, the Council shall

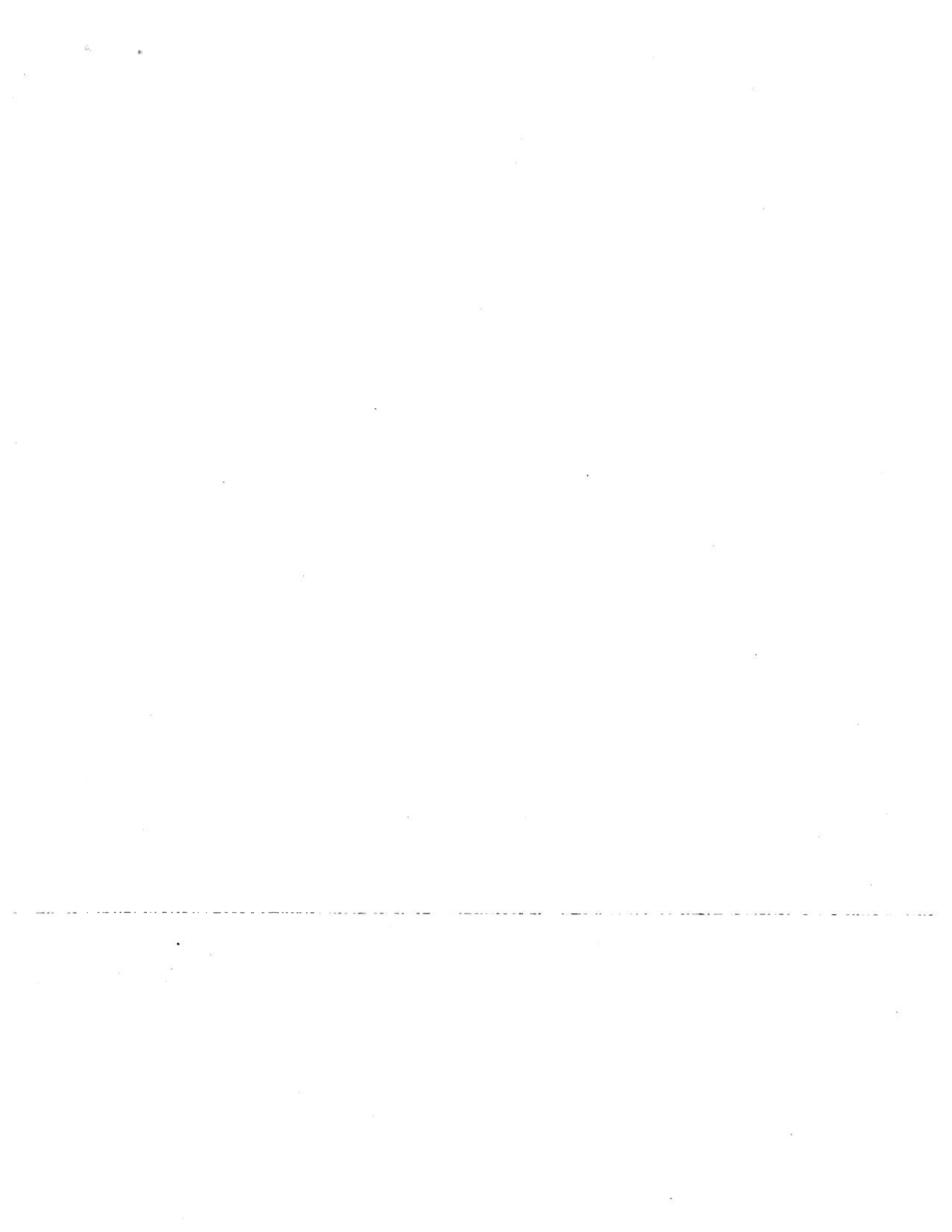
determine its ability to construct a mechanism to: identify nonbank financial institutions, groups of nonbank financial institutions, financial activities, and structural elements of the financial system, taking into account liquidity exposures, interrelations, connectedness and correlations of trading positions and exposures, that threaten the safety and soundness of financial activities or of structural elements of financial markets, or threaten disruptions of financial markets through their:

- (i) degree of maturity mismatch;
- (ii) subjectivity to severe disruptions in liquidity crises;
- (iii) vulnerability to runs on short-term asset or liability positions of counterparties and to potential fire sales of assets;
- (iv) susceptibility to liquidity events;

and to their ability to subject such nonbank financial institutions, financial activities, and structural elements of the financial system to prudential regulatory standards, including prudential supervision to ensure safety and soundness.

(B) The mechanism constructed pursuant to (A) above, if possible to construct, shall have been constructed with consideration by the Council of results of all studies called for in this Title, including costs and benefits to individual financial institutions and participants in financial markets and to the United States financial system of prudential regulatory standards and tools for managing and supervising liquidity risks of financial institutions and of United States financial system stability.

(3) NOTICE, REPORT, AND RECOMMEND TO CONGRESS—Upon completion of the mechanism constructed pursuant to (11) above, the Council may provide to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a written report containing recommendations for implementation of the mechanism, if the mechanism is deemed by the Council to be beneficial in promoting efficiency and safety and soundness in financial markets.



AMENDMENT NO. 127 Calendar No. _____

Purpose: To address determinations of activities that are financial in nature.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

(no.) _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by _____

Viz:

1 On page 18, between lines 21 and 22, insert the following:
2

3 “(iii) LIMITATION.—No company shall
4 be deemed substantially engaged in, including
5 through a branch in the United States,
6 activities in the United States that are financial
7 in nature for the purposes of this
8 title, if the revenues of such company from

1 such activities constitute less than 85 per-
2 cent of its total revenues.”.

3 On page 19, between lines 9 and 10, insert the fol-
4 lowing:

5 “(iii) LIMITATION.—No company shall
6 be deemed substantially engaged in activi-
7 ties in the United States that are financial
8 in nature for the purposes of this title, if
9 the revenues of such company from such
10 activities constitute less than 85 percent of
11 its total revenues.”.

Shelby Amendment # 128

On page 26 line 16 strike subsections 112(a)(H)

Strike “bank holding company” or “bank holding companies” wherever it occurs in sections: 120, 121, 161, 165, and 166

On page 40 line 1 strike and replace section 115 with:

Sec. 115. Development and Performance of Stress Tests on elements of the financial system.

(a) Development and Performance of Stress Tests.—

(1) **IN GENERAL.—**The Council shall develop, construct, and perform stress tests on groups of large financial institutions and on structural elements of the financial system, taking into account interrelations, including connectedness and correlations of trading positions and exposures, of the abilities of those financial institutions and of structural elements of the financial system to withstand large funding interruptions or sharp drops in asset prices, as could be experienced during periods of sharp liquidity stress, financial panic, and discontinuous adjustments in asset markets.

(2) **CRITERIA.—**In carrying out paragraph (1), the Council shall—

(A) develop stress test modeling and data requirements;

(B) identify classes of financial firms and structural elements of the financial system that are most subject to severe disruptions in liquidity crises;

(C) develop research capabilities and data acquisition requirements necessary—

(i) to continue refinement and development of stress testing capabilities; and

(ii) to ensure that those capabilities evolve in conjunction with innovations and structural changes in financial markets; and

(D) identify metrics and measures to use, based on models developed pursuant to paragraph (1), to identify existing or emerging risks to United States financial system stability.

(3) **RECOMMENDATIONS TO COUNCIL MEMBER AGENCIES AND DEPARTMENTS.—**The Council may, based on results obtained from stress tests which identify risks to United States financial system stability—

(A) make recommendations to Council member agencies and departments of possible remedial actions for such regulators to consider in carrying out their authorities to ensure United States financial system stability;

(B) make recommendations to Council member agencies and departments of possible remedial actions for such regulators to identify best practices for internal quantitative risk models used by financial institutions for valuing and calculating the risk of financial assets, liabilities, and exposures and for managing institutional risk; and

(C) make recommendations to Congress for possible remedial actions requiring new

legislation.

(4) RECOMMENDATIONS TO COUNCIL MEMBER AGENCIES AND DEPARTMENTS.—The Council shall promptly provide written notification of a stress test failure, based on results obtained from stress tests and upon learning from those results that an institution, group of institutions, or activity has failed the tests and the Council has determined that the institution, institutions, or activity is or is in danger of operating in an unsafe and unsound manner. The notification shall be in writing and shall be provided to the Council member agency, agencies, department, or departments responsible for oversight of the institution, group of institutions, or activity for which the stress test failure has been found.

(A) The Council member agency, agencies, department, or departments to which such a notification has been sent shall have 5 calendar days to respond to the Chairperson of the Council with a written detailed plan and timetable for execution of remedial efforts to enhance the safety and soundness of the institution, institutions, or activity that has been determined, based on the stress test, to be a safety and soundness concern.

(B) The Chairperson of the Council shall promptly, but in no fewer than 3 calendar days, upon receipt of the detailed plan and timetable provided in (A) above, convene a meeting of the Council to decide whether to accept the detailed plan and timetable.

(i) If the Council accepts the detailed plan and timetable, then the relevant Council member agency, agencies, department, or departments to which a notification has been sent shall implement the detailed plan and timetable for execution of remedial efforts to enhance the safety and soundness of the institution, institutions, or activity that has been determined, based on the stress test, to be a safety and soundness concern.

(ii) If the Council does not accept the detailed plan and timetable, then the Council shall promptly, but in no fewer than 2 calendar days, notify the relevant Council member agency, agencies, department, or departments that submitted the detailed plan and timetable that such plan and timetable is not acceptable and requires modification, along with Council recommendations for modification. The relevant Council member agency, agencies, department, or departments that submitted the detailed plan and timetable that has been deemed not to be acceptable by the Council shall have 5 calendar days to respond to the Chairperson of the Council with a modified written detailed plan and timetable for execution of remedial efforts to enhance the safety and soundness of the institution, institutions, or activity identified in (A) above. The modified written detailed plan and timetable may include the recommendations for modification made by the Council.

(iii) Upon receipt of any modified written detailed plan and timetable arrived at pursuant to (ii) above, the Council shall promptly, but in no fewer than 3 calendar days, convene a meeting of the Council to decide whether to accept the modified written detailed plan and timetable arrived at pursuant to (ii) above.

(I) If the Council accepts the modified written detailed plan and

timetable arrived at pursuant to (ii) above, then the relevant Council member agency, agencies, department, or departments to which a notification has been sent shall implement the modified detailed plan and timetable for execution of remedial efforts to enhance the safety and soundness of the institution, institutions, or activity that has been determined, based on the stress test, to be a safety and soundness concern.

- (II) If the Council does not accept the modified written detailed plan and timetable arrived at pursuant to (ii) above, then the Council shall promptly, but in no fewer than 3 calendar days, provide to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a notice and a report. The notice shall be that the Council has learned, based on results of stress tests, that: an institution, group of institutions, or activity has failed the tests; that the relevant institution, institutions, or activity is in danger of operating in a safe and sound manner; and that the relevant Council member agency, agencies, department, or departments to which a notification has been sent has failed to submit a detailed plan and timetable of remedial efforts to enhance the safety and soundness of the relevant institution, group of institutions, or activity acceptable to the Council. The report shall be written and shall contain: the results of the stress tests, the original detailed plan and timetable of remedial efforts arrived at pursuant to (A) above; the reasons given by the Council decision to not approve the original detailed plan pursuant to (ii) above along with Council recommendations for modification; the modified detailed plan and timetable of remedial efforts arrived at pursuant to (II) above; the reasons given by the Council decision to not approve the modified detailed plan; and recommendations to the Congress.
- (III) The Council shall promptly, but in no less than 2 calendar days, disclose the notice and report in (II) above to the public on the Council's website, unless the Council determines that such disclosure likely would reduce the effectiveness of remedial efforts toward safety and soundness of the institution, group of institutions, or activity that has failed stress tests, or would otherwise disrupt financial market conditions.

AMENDMENT NO. 129 Calendar No. _____

Purpose: To require the Council to consult various regulatory organizations, to address votes by the Council, and for other purposes.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

S. _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by Mr. SHELBY

Viz:

- 1 On page 21, line 5, add “and” at the end.
- 2 On page 21, line 7 strike “; and” and all that follows
- 3 through line 10 and insert a period.
- 4 On page 24, between lines 14 and 15, insert the fol-
- 5 lowing:

1 (k) CONSULTATION REQUIREMENTS.—The Council
2 and each member thereof shall, from time to time, but
3 not less frequently than annually, consult with—

4 (1) the Public Company Accounting Oversight
5 Board;

6 (2) the Securities Investor Protection Corpora-
7 tion;

8 (3) the Municipal Securities Rulemaking Board;

9 (4) the National Credit Union Administration;

10 (5) the Conference of State Bank Supervisors;

11 (6) the National Association of Insurance Com-
12 missioners;

13 (7) the Financial Accounting Standards Board;

14 (8) the Financial Industry Regulatory Author-
15 ity;

16 (9) the North American Securities Administra-
17 tors Association; and

18 (10) with academic and international regulatory
19 bodies and organizations.

20 On page 31, line 16, strike “ $\frac{2}{3}$ ” and insert “ $\frac{3}{4}$ ”.

21 On page 33, line 10, strike “ $\frac{2}{3}$ ” and insert “ $\frac{3}{4}$ ”.

22 On page 35, line 10, strike “ $\frac{2}{3}$ ” and insert “ $\frac{3}{4}$ ”.

- 1 On page 37, line 7, strike " $\frac{2}{3}$ " and insert " $\frac{3}{4}$ ".

- 2 On page 57, line 15, strike " $\frac{2}{3}$ " and insert " $\frac{3}{4}$ ".

AMENDMENT NO. 130 Calendar No. _____

Purpose: To remove the exemption from the Federal Advisory Committee Act.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

S. _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SHELBY

Viz:

1 On page 23, strike lines 4 through 12.

AMENDMENT NO. 131 Calendar No. _____

Purpose: To add to the mission of the Council.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

S. _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed.

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by Mr. SHELBY

Viz:

- 1 Redesignate subparagraphs (B) and (C) of section
- 2 112(a)(1) as subparagraphs (C) and (D), respectively.

3 On page 24, line 19, strike “(A)” and insert the fol-

4 lowing:

5 “(A) to improve prudential, consumer pro-

6 tection, and investor protection regulation;

7 “(B)”.

AMENDMENT NO. 132 Calendar No. _____

Purpose: To address the authority of the Council to obtain information by regulation.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

(no.) _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SHELBY

Viz:

1 On page 28, strike line 15 and all that follows
2 through page 31, line 9, and insert the following:

3 (b) AUTHORITY TO OBTAIN INFORMATION BY REGU-
4 LATION.—

5 (1) IN GENERAL.—The Council is authorized to
6 receive, and may request the production of, any in-
7 formation and data from member agencies, as nec-

1 essary to identify potential risks to United States fi-
2 nancial system stability.

3 (2) SUBMISSION BY COUNCIL MEMBERS.—Not-
4 withstanding any other provision of law, any Council
5 member agency or department, upon request by the
6 Chairperson, shall provide information and data to
7 the Council, and the Council shall maintain the con-
8 fidentiality of such information and data.

9 (3) FINANCIAL INFORMATION AND DATA COL-
10 LECTION.—

11 (A) IN GENERAL.—The Council may re-
12 quire, by rule, the submission of periodic and
13 other reports from any entity regulated by a
14 council member agency or department, solely
15 for the purpose of assessing the extent to which
16 a financial activity or financial market in which
17 the financial company participates, or the fi-
18 nancial company itself, poses a risk to United
19 States financial system stability.

20 (B) MITIGATION OF REPORT BURDEN.—
21 Before requiring the submission of reports from
22 an entity regulated by a Council member agen-
23 cy or department, the Council shall coordinate
24 and shall, whenever possible, rely on informa-

1 tion and data already being collected by such
2 agency.

3 (C) MITIGATION OF REQUIREMENTS IN
4 CASE OF FOREIGN FINANCIAL PARENTS.—Be-
5 fore requiring the submission of reports from
6 an entity regulated by a Council member agen-
7 cy or department that is affiliated with a hold-
8 ing company that is a foreign company, the
9 Council shall, to the extent appropriate—

10 (i) coordinate with any appropriate
11 foreign regulator of such company and any
12 appropriate multilateral organization;

13 (ii) request information regarding
14 such company from such foreign regulator;
15 and

16 (iii) whenever possible rely on infor-
17 mation already being collected by such for-
18 eign regulator or multilateral organiza-
19 tional.

20 (D) INFORMATION AND DATA COLLECTION
21 FROM NON-REGULATED ENTITIES.—The Coun-
22 cil shall, to the least extent possible, request
23 from entities that are not regulated by a Coun-
24 cil member agency, information and data that
25 are relevant to maintaining United States fi-

1 nancial system stability. Nothing in this sub-
2 paragraph may be construed to require the pro-
3 vision of information or data by any person that
4 is not otherwise required to provide such infor-
5 mation or data under this section or any other
6 provision of law.

7 (c) AUTHORITY TO REQUIRE, BY RULEMAKING,
8 MARKET STABILITY RELATED DISCLOSURES.—The
9 Council may require financial market participants to dis-
10 close market-stability related matters to the public. In car-
11 rying out this subsection, the Council shall coordinate with
12 other financial regulators to avoid duplicative disclosure
13 requirements.

14 (d) ADDITIONAL PROVISIONS.—

15 (1) INFORMATION AND DATA SHARING.—The
16 Chairperson of the Council, in consultation with the
17 other members of the Council, may—

18 (A) establish procedures, databases, and
19 information warehouses to share information
20 and data collected by the Council under this
21 section with the members of the Council;

22 (B) develop an electronic process for shar-
23 ing all information and data collected by the
24 Council with the Chairman of the Board of
25 Governors, on a real-time basis;

1 (C) issue any regulations necessary to
2 carry out this subsection; and

3 (D) designate the format in which re-
4 quested information and data shall be sub-
5 mitted to the Council, including any electronic,
6 digital, or other format that facilitates the use
7 of such information and data by the Council in
8 its analyses.

9 (2) APPLICABLE PRIVILEGES NOT WAIVED.—A
10 Federal financial regulator, State financial regu-
11 lator, United States financial company, foreign fi-
12 nancial company operating in the United States, fi-
13 nancial market utility, or other person shall not be
14 compelled to waive, and shall not be deemed to have
15 waived, any privilege otherwise applicable to any in-
16 formation or data by transferring the information or
17 data to, or permitting that information or data to be
18 used by—

19 (A) the Council;

20 (B) any Federal financial regulator or
21 State financial regulator, in any capacity; or

22 (C) any other agency of the Federal Gov-
23 ernment (as defined in section 6 of title 18,
24 United States Code).

25 (3) CONFIDENTIALITY OF INFORMATION.—

1 (A) DISCLOSURE EXEMPTION.—The Coun-
2 cil shall maintain the confidentiality of informa-
3 tion received under this section, and any infor-
4 mation obtained by the Council under this sec-
5 tion shall be exempt from the disclosure re-
6 quirements under section 552 of title 5, United
7 States Code.

8 (B) COUNCIL CONFIDENTIALITY.—Not-
9 withstanding any other provision of law, the
10 Council may not be compelled to disclose any
11 report or information contained therein filed
12 with the Council under this subsection, except
13 that nothing in this subsection authorizes the
14 Council—

15 (i) to withhold information from Con-
16 gress, upon an agreement of confiden-
17 tiality; or

18 (ii) prevent the Council from com-
19 plying with—

20 (I) a request for information
21 from any other Federal department or
22 agency or any self-regulatory organi-
23 zation requesting the report or infor-
24 mation for purposes within the scope
25 of its jurisdiction; or

1 (II) an order of a court of the
2 United States in an action brought by
3 the United States or the Council.

4 (C) PROTECTION OF PROPRIETARY INFOR-
5 MATION.—The Council shall ensure the protec-
6 tion of any proprietary information or data of
7 a financial company ascertained by the Council
8 from any report filed with the Commission pur-
9 suant to this section.

10 (4) CONSULTATION WITH FOREIGN GOVERN-
11 MENTS.—Under the supervision of the President,
12 and in a manner consistent with section 207 of the
13 Foreign Service Act of 1980 (22 U.S.C. 3927), the
14 Chairperson of the Council, in consultation with the
15 other members of the Council, shall regularly consult
16 with the financial regulatory entities and other ap-
17 propriate organizations of foreign governments or
18 international organizations on matters relating to
19 risks to United States financial system stability.

AMENDMENT NO. 133 Calendar No. _____

Purpose: To provide consistent capital, liquidity, and leverage requirements across the regulated United States financial system.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

S. _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SHELBY

Viz:

1 On page 31, between lines 9 and 10, insert the fol-
2 lowing:

3 **SEC. 112A. COUNCIL REVIEW OF MEMBER AGENCY RULES.**

4 (a) IN GENERAL.—The Council shall conduct a re-
5 view of each rule or regulation that an agency represented
6 by a member of the Council intends to propose relating
7 to new capital, liquidity, or leverage requirements or activ-

1 ity restrictions for an entity regulated by a Council mem-
2 ber agency or department.

3 (b) PROCESS.—Each Council member shall submit to
4 the Council for a binding approval decision, as provided
5 in section 103(b), an advanced notice of proposed rule-
6 making and any other proposed rule or regulation that
7 proposes changes to capital, liquidity, or leverage require-
8 ments or activity restrictions for a financial company that
9 is subject to regulation by the agency represented by that
10 Council member.

11 (c) TIMING.—The Council shall make a determina-
12 tion on whether to approve the issuance of a proposed pro-
13 vision of law described in subsection (b) submitted by a
14 Council member, not later than 60 days after the date of
15 receipt of a notice under subsection (b).

16 (d) APPROVAL REQUIRED.—No provision of law de-
17 scribed in subsection (b) may become effective, and shall
18 not be enforceable, unless approved by the Council under
19 this section.

20 (e) PUBLIC NOTICE.—Consistent with section 103(b)
21 and in addition to disclosures required therein, the Council
22 shall make public any advanced notice of proposed rule-
23 making or other notice of a proposed rule or regulation
24 submitted by a Council member agency under this section.

AMENDMENT NO. 134 Calendar No. _____

Purpose: To eliminate Council authority to designate companies for regulation by the Board of Governors, and for other purposes.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

S. _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by Mr. SHELBY

Viz:

1 On page 31, strike line 10 and all that follows
2 through page 39, line 21.

3 On page 48, strike line 22 and all that follows
4 through page 51, line 17.

1 On page 79, strike line 16 and all that follows
2 through page 80, line 23.

3 In title I, strike “nonbank financial company” and
4 “nonbank financial companies” each place those terms ap-
5 pear.

AMENDMENT NO. 135 Calendar No. _____

Purpose: To eliminate certain Council authority on heightened standard recommendations.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

S. _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by Mr. SHELBY

Viz:

- 1 On page 40, strike line 1 and all that follows through
- 2 page 47, line 4.

- 3 On page 86, strike line 18 and all that follows
- 4 through page 100, line 23.

AMENDMENT NO. 136 Calendar No. _____

Purpose: To require appropriated funds for the Council and the Office of Financial Research.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

S. _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by Mr. SHELBY

Viz:

1 On page 51, strike lines 19 and 20, and insert the
2 following: “The Council shall be funded through funds ap-
3 propriated to the Department of the Treasury for such
4 purpose.”.

5 On page 73, strike line 19 and all that follows
6 through page 76, line 12, and insert the following: “The

1 Office of Financial Research shall be funded through
2 funds appropriated to the Department of the Treasury for
3 such purpose.”.

AMENDMENT NO. 137 Calendar No. _____

Purpose: To address Council access to data.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

(no.) _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SHELBY

Viz:

- 1 On page 71, line 10, strike “and member agencies”
- 2 and insert “, member agencies, and the Bureau of Eco-
- 3 nomic Analysis”.

AMENDMENT NO. 138 Calendar No. _____

Purpose: To improve title I of the bill.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

(no.) _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SHELBY

Viz:

1 On page 72, strike lines 12 through 14.

AMENDMENT NO. 139 Calendar No. _____

Purpose: To strike a requirement for executives to swear under oath what stability risks their firm presents.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

(no.) _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by _____

Viz:

- 1 On page 79, strike line 16 and all that follows
- 2 through page 80, line 23.

AMENDMENT NO. 140 Calendar No. _____

Purpose: To strike provisions relating to certain affiliations.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

(no.) _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SHELBY

Viz:

- 1 On page 102, strike line 12 and all that follows
- 2 through page 104, line 22.

AMENDMENT NO. 141 Calendar No. _____

Purpose: To establish a Council of Inspectors General on
Financial Oversight.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

(no.) _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SHELBY

Viz:

1 At the appropriate place in title I, insert the fol-
2 lowing:

3 **SEC. ____ . COUNCIL OF INSPECTORS GENERAL ON FINAN-**
4 **CIAL OVERSIGHT.**

5 (a) COUNCIL OF INSPECTORS GENERAL ON FINAN-
6 CIAL OVERSIGHT.—

7 (1) ESTABLISHMENT AND MEMBERSHIP.—

8 There is established a Council of Inspectors General

1 on Financial Oversight (in this section referred to as
2 the “Council of Inspectors General”), which shall be
3 comprised of—

4 (A) the Inspector General of the Depart-
5 ment of the Treasury (who shall serve as the
6 Chairperson);

7 (B) the inspector general of the Board of
8 Governors;

9 (C) the inspector general of FIRA;

10 (D) the inspector general of the Corpora-
11 tion;

12 (E) the inspector general of the Federal
13 Housing Finance Agency;

14 (F) the inspector general of the Commis-
15 sion; and

16 (G) the inspector general of the Com-
17 modity Futures Trading Commission.

18 (2) DUTIES.—

19 (A) MEETINGS.—The Council of Inspec-
20 tors General shall meet not less frequently than
21 once each quarter, or more frequently, as the
22 chairperson thereof considers appropriate, to fa-
23 cilitate the sharing of information among mem-
24 ber inspectors general and to discuss the ongo-
25 ing work of each member inspector general,

1 with a focus on concerns that may apply to the
2 broader financial sector and ways to improve fi-
3 nancial oversight.

4 (B) ANNUAL REPORT.—The Council of In-
5 spectors General shall, annually, within a time
6 frame that permits consideration by the Council
7 prior to the submission of its annual report to
8 Congress for such year, submit to the Council
9 and to Congress a report including—

10 (i) for each member inspector general,
11 a section within the exclusive editorial con-
12 trol of such inspector general, that high-
13 lights the concerns and recommendations
14 of such inspector general in the ongoing
15 and completed work of such inspector gen-
16 eral, with a focus on issues that may apply
17 to the broader financial sector; and

18 (ii) a summary of the general observa-
19 tions of the Council of Inspectors General,
20 based on the views expressed by each in-
21 spector general, as required by clause (i),
22 with a focus on measures that should be
23 taken to improve financial oversight.

24 (3) COUNCIL OF INSPECTORS GENERAL WORK-
25 ING GROUPS.—

1 (A) WORKING GROUPS TO EVALUATE
2 OVERSIGHT COUNCIL.—

3 (i) CONVENING A WORKING GROUP.—

4 The Council of Inspectors General may, by
5 majority vote, convene a Working Group to
6 evaluate the effectiveness and internal op-
7 erations of the Council.

8 (ii) PERSONNEL AND RESOURCES.—

9 The inspectors general who are members
10 of the Council of Inspectors General may
11 detail staff and resources to a Working
12 Group established under this subpara-
13 graph, as necessary to carry out its duties.

14 (iii) REPORTS.—A Working Group es-
15 tablished under this subparagraph shall
16 submit regular reports to the Council and
17 to Congress on its evaluations pursuant to
18 this subparagraph.

19 (B) WORKING GROUPS FOR FINANCIAL
20 COMPANIES UNDERGOING RESOLUTION.—

21 (i) CONVENING A WORKING GROUP.—

22 The Council of Inspectors General shall
23 convene a Working Group for each entity
24 for which the Secretary appoints the Cor-
25 poration as receiver under title II.

1 (ii) PERSONNEL AND RESOURCES.—

2 The inspectors general who are members
3 of the Council of Inspectors General may
4 detail staff and resources to a Working
5 Group established under this subpara-
6 graph, as necessary to carry out its duties.

7 (iii) REPORTS.—Not later than 270
8 days after the date of appointment of the
9 Corporation as receiver for an entity for
10 which a Working Group is convened under
11 clause (i), such Working Group shall sub-
12 mit to the primary financial regulatory
13 agency and to Congress a report that in-
14 cludes—

15 (I) the reasons for the failure of
16 such entity;

17 (II) the reasons for appointment
18 by the Secretary of the Corporation as
19 receiver for such entity; and

20 (III) recommendations for pre-
21 venting future failures of such enti-
22 ties.

23 (b) RESPONSE TO REPORT BY COUNCIL.—The Coun-
24 cil shall include in its annual report to Congress responses

1 to the concerns raised in the report of the Council of In-
2 spectors General under subsection (a)(2)(B) for such year.

AMENDMENT NO. 142 Calendar No. _____

Purpose: To give the Comptroller General oversight over the activities and transactions of the Council.

IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.

(no.) _____

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on _____ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SHELBY

Viz:

1 At the appropriate place in title I, insert the following:
2

3 **SEC. ____ . OVERSIGHT BY GAO.**

4 (a) **AUTHORITY TO AUDIT.**—The Comptroller General of the United States may audit the activities and financial transactions of the Council.
5
6

7 (b) **ACCESS TO INFORMATION.**—

1 (1) IN GENERAL.—Notwithstanding any other
2 provision of law, the Comptroller General of the
3 United States shall have access, upon request and at
4 such reasonable times and in such reasonable form
5 as the Comptroller General may request, to any
6 records or other information under the control of or
7 used by the Council.

8 (2) CERTAIN INFORMATION SPECIFIED.—Access
9 under paragraph (1) includes access to information
10 provided to the Council by its voting and nonvoting
11 members.

12 (3) COPIES.—The Comptroller General may
13 make and retain copies of such books, accounts, and
14 other records to which access is granted under this
15 section as the Comptroller General considers appro-
16 priate.

17 (c) PERIODIC EVALUATIONS.—

18 (1) IN GENERAL.—The Comptroller General of
19 the United States shall periodically evaluate the
20 processes and activities of the Council and the extent
21 to which the Council is fulfilling its duties under this
22 title.

23 (2) REPORT TO CONGRESS.—The Comptroller
24 General shall submit annually to the Committee on
25 Banking, Housing, and Urban Affairs of the Senate

1 and the Committee on Financial Services of the
2 House of Representatives a report on the results of
3 each evaluation under paragraph (1).

1 taining any findings and determinations made in carrying
2 out the studies.

3 (c) STUDIES.—Studies required by this subsection
4 are as follows:

5 (1) STUDY ON SECURITIES LENDING AND
6 PRIME BROKERAGE ACCOUNTS.—The Chairperson of
7 the Council shall conduct a study on securities lend-
8 ing and prime brokerage accounts.

9 (2) STUDY OF THE EFFECTS OF SIZE AND
10 INTERCONNECTEDNESS OF FINANCIAL INSTITUTIONS
11 ON CAPITAL MARKET EFFICIENCY AND ECONOMIC
12 GROWTH.—The Chairperson of the Council shall
13 carry out a study of the economic impact of possible
14 financial services regulations intended to reduce sys-
15 temic risk. The study shall provide empirical anal-
16 yses of tradeoffs between financial system stability
17 and economic growth associated with any limits ana-
18 lyzed with respect to subparagraphs (A) through
19 (E). Such study shall estimate the effect on the effi-
20 ciency of capital markets, costs imposed on the fi-
21 nancial sector, and economic growth, of—

22 (A) explicit or implicit limits on the max-
23 imum size of banks, bank holding companies,
24 and other large financial institutions;

1 (B) limits on the organizational complexity
2 and diversification of large financial institu-
3 tions;

4 (C) requirements for operational separa-
5 tion between business units of large financial
6 institutions in order to expedite resolution in
7 case of failure;

8 (D) limits on risk transfer between busi-
9 ness units of large financial institutions;

10 (E) requirements to carry contingent cap-
11 ital or similar mechanisms;

12 (F) limits on commingling of commercial
13 and financial activities by large financial insti-
14 tutions;

15 (G) segregation requirements between tra-
16 ditional financial activities and trading or high
17 risk operations in large financial institutions;
18 and

19 (H) other limitations on the activities or
20 structure of large financial institutions that
21 may be useful to limit systemic vulnerabilities
22 to runs on short-term asset or liability positions
23 of financial institutions and to potential fire
24 sales of assets.

1 (3) STUDY OF CONTINGENT CAPITAL.—The
2 Chairperson of the Council shall carry out a study
3 of the feasibility, costs to financial institutions and
4 to financial market and economic efficiency, and ex-
5 pected benefits of requirements for financial institu-
6 tions to maintain minimum amounts of long-term
7 hybrid contingent capital instruments which rep-
8 resent long-term debt convertible to equity under
9 specific conditions. The study shall, to the extent
10 practicable, take place with input from industry par-
11 ticipants and international financial regulators. Such
12 study shall include—

13 (A) an identification, quantification, and
14 evaluation of any expected benefits for financial
15 stability associated with contingent capital re-
16 quirements;

17 (B) the characteristics and amounts of hy-
18 brid contingent capital instruments that may be
19 required, including possible tranche structure;

20 (C) an analysis of possible trigger mecha-
21 nisms for conversion of hybrid contingent cap-
22 ital instruments from debt into equity, includ-
23 ing violation of regulatory capital requirements,
24 failure of stress tests, declaration of systemic

1 emergency by regulators or the Council, market
2 based triggers, and other trigger mechanisms;

3 (D) an analysis of alternative possible con-
4 version factors determining prices and quan-
5 tities associated with conversion of the hybrid
6 contingent capital instruments from debt into
7 equity;

8 (E) an estimate of the costs of carrying
9 contingent capital instruments, including costs
10 to individual financial institutions and costs of
11 foregone growth possibilities if contingent cap-
12 ital is required; and

13 (F) an analysis of risk mitigation or ampli-
14 fication associated with any requirement that fi-
15 nancial institutions issue hybrid contingent cap-
16 ital, including consideration of possible con-
17 tributions to instability from financial institu-
18 tion death spirals near the conversion trigger.

19 (4) STUDY OF CREDIT RISK RETENTION.—

20 (A) IN GENERAL.—The Chairperson of the
21 Council shall carry out a study of the costs to
22 financial institutions and to financial market
23 and economic efficiency and any expected bene-
24 fits of risk retention requirements in addition to
25 or in substitution for any or all of the require-

1 ments that apply as of the date of enactment
2 of this title for creditors that make loans to re-
3 tain an economic interest in a material portion
4 of the credit risk of any such loan that the
5 creditor transfers, sells, or conveys to a third
6 party, including for the purpose of including
7 such loan in a pool of loans backing an issuance
8 of asset-backed securities. The study shall, to
9 the extent practicable, take place with input
10 from industry participants and international fi-
11 nancial regulators. The study shall include—

12 (i) any possible benefit, including en-
13 hanced underwriting by creditors or en-
14 hanced due diligence by securitizers and
15 improvements in financial market effi-
16 ciency associated with changes in risk re-
17 tention requirements on securitized vehi-
18 cles;

19 (ii) any possible costs to financial in-
20 stitutions, securitizers, or financial market
21 efficiency associated with changes in risk
22 retention requirements;

23 (iii) expected costs and benefits to fi-
24 nancial institutions, securitizers, and finan-
25 cial market efficiency associated with the

1 Financial Accounting Statements 166 and
2 167 issued by the Financial Accounting
3 Standards Board;

4 (iv) an analysis of any expected posi-
5 tive or negative effects of risk retention re-
6 quirements or adjustments on stability in
7 real estate markets, including real estate
8 prices; and

9 (v) an analysis of strategies to ensure
10 the continued viability of the asset-backed
11 securitization markets and on the avail-
12 ability of credit for new lending.

13 (B) DEFINITIONS.—For purposes of this
14 paragraph—

15 (i) the term “asset-backed security”
16 has the same meaning as in section
17 229.1101(c) of title 17, Code of Federal
18 Regulations, or any successor thereto; and

19 (ii) the term “securitization vehicle”
20 means a trust, corporation, partnership,
21 limited liability entity, special purpose enti-
22 ty, or other structure that—

23 (I) is the issuer, or is created by
24 the issuer, of pass-through certifi-
25 cates, participation certificates, asset-

1 backed securities, or other similar se-
2 curities backed by a pool of assets
3 that includes loans; and

4 (II) holds such loans.

5 (5) STUDY OF RESOLUTION PLANS.—The
6 Chairperson of the Council shall carry out a study
7 of the costs to financial institutions and to financial
8 market and economic efficiency and stability and
9 any expected benefits to the regulatory oversight and
10 resolution of financial institutions of requiring that
11 financial institutions periodically report to regulatory
12 authorities plans, known as “resolution plans”, of
13 the institutions for rapid and orderly resolution in
14 the event of material financial distress or failure.
15 The study shall, to the extent practicable, take place
16 with input from industry participants and inter-
17 national financial regulators. The study shall in-
18 clude—

19 (A) an analysis of possible structures for
20 required resolution plans, including what such
21 plans shall include, how frequently valuations
22 contained in the plans are updated, and treat-
23 ment in the resolution plans of international,
24 cross-border exposures of financial institutions;

1 (B) an analysis of any possible benefit of
2 requiring periodically updated resolution plans
3 of financial institutions, including enhanced
4 regulatory oversight and enhanced abilities to
5 resolve financial institutions in material dis-
6 tress; and

7 (C) an analysis of any possible costs of re-
8 quiring periodically updated resolution plans of
9 financial institutions, including reporting bur-
10 dens, adverse potential effects on creditor ex-
11 pectations regarding implicit government guar-
12 antees to or attestations of an institution's sta-
13 bility or financial system stability.

14 (6) STUDY OF EXECUTIVE COMPENSATION.—

15 (A) IN GENERAL.—The Chairperson of the
16 Council shall carry out a study of executive
17 compensation and risk in order to consider ex-
18 ecutive compensation structures and incentives
19 provided by those structures for executives in
20 large financial institutions to take risks and to
21 consider effects of existing legislation on execu-
22 tive compensation structures and incentives to
23 take risks.

1 (B) FACTORS TO CONSIDER.—In carrying
2 out the study required under this paragraph,
3 the Chairperson shall—

4 (i) consider compensation structures
5 used by companies from 2000 to 2008;

6 (ii) compare companies that failed, or
7 nearly failed, but for Government assist-
8 ance, to companies that remained viable
9 throughout the housing and credit market
10 crisis of 2007 and 2008, including the
11 compensation practices of all such compa-
12 nies;

13 (iii) determine, in the comparison exe-
14 cuted under [subparagraph (B)] above,
15 whether there is a statistically significant
16 correlation between risks associated with a
17 given compensation practice and company
18 performance in the crisis;

19 (iv) consider academic research in
20 scholarly journals and academic expert
21 analysis on compensation structures and
22 risk taking by executives; and

23 (v) consider effects on executive com-
24 pensation and risk taking by executives of
25 existing restrictions on compensation, in-

1 cluding the elimination of the deduction for
2 executive pay in excess of \$1,000,000
3 under most circumstances in the Omnibus
4 Budget Reconciliation Act of 1993.

5 (C) DETERMINING COMPANIES THAT
6 FAILED OR NEARLY FAILED.—In determining
7 whether a company failed, or nearly failed but
8 for government assistance, for purposes of sub-
9 paragraph (B), the Chairperson shall focus
10 on—

11 (i) companies that received excep-
12 tional assistance under the Troubled Asset
13 Relief Program under title I of the Emer-
14 gency Economic Stabilization Act of 2008
15 (12 U.S.C. 5211 et seq.) or other forms of
16 significant Government assistance, includ-
17 ing under the Automotive Industry Financ-
18 ing Program, the Targeted Investment
19 Program, the Asset Guarantee Program,
20 and the Systemically Significant Failing
21 Institutions Program;

22 (ii) the Federal National Mortgage
23 Association;

24 (iii) the Federal Home Loan Mort-
25 gage Corporation; and

1 (iv) companies that participated in the
2 Consolidated Supervised Entities Program
3 of the Commission as of January 2008.

4 (7) STUDY OF INSURANCE MARKETS AND COM-
5 PANIES IN THE FINANCIAL CRISIS.—The Chair-
6 person of the Council shall carry out a study of in-
7 surance markets and companies in the financial cri-
8 sis that began in August 2007. The study shall in-
9 clude—

10 (A) an analysis of financial difficulties en-
11 countered by financial guaranty and monoline
12 insurance companies and any risks posed dur-
13 ing the crisis by such companies to United
14 States financial system stability;

15 (B) an analysis of the securities lending
16 operations of American International Group
17 and the contributions of such operations to the
18 failure of American International Group and to
19 the United States financial system instability;

20 (C) an analysis of the extent to which runs
21 defined as prompt and widespread demands by
22 creditors or insured parties for funds occurred
23 during the crisis on insurance companies;

24 (D) an analysis of the reasons that certain
25 insurance companies suffered losses and subse-

1 quently sought Federal assistance through the
2 Troubled Asset Relief Program; and

3 (E) an analysis of the extent to which
4 State insurance regulators identified the issues
5 listed in subparagraphs (A) through (D) as po-
6 tentially problematic prior to the crisis and
7 prior to the provision of Federal assistance, in-
8 cluding assistance from the Federal Reserve
9 System to American International Group, and
10 how State insurance regulators sought to ad-
11 dress any problems identified.

12 (8) STUDY OF MONEY MARKET MUTUAL FUNDS
13 AND EFFECTS ON FINANCIAL STABILITY.—The
14 Chairperson of the Council shall carry out a study
15 of the costs and benefits to financial institutions and
16 to financial market and economic efficiency and sta-
17 bility of requiring changes in regulations of money
18 market mutual funds. The study shall include—

19 (A) an analysis of possible costs and bene-
20 fits of requiring that money market mutual
21 funds contain explicit clauses that restrict or
22 suspend payments under well defined cir-
23 cumstances to allow for the orderly liquidation
24 of fund assets;

1 (B) an analysis of possible costs and bene-
2 fits of—

3 (i) floating net asset valuation of
4 money market mutual funds, under which
5 assets underlying the funds are marked to
6 market each day;

7 (ii) stable net asset valuation of
8 money market funds, under which funds
9 target a particular fixed value; and

10 (iii) stable net asset valuation targets
11 with daily postings of the floating net asset
12 valuation of a fund;

13 (C) an analysis of possible costs and bene-
14 fits of requiring that all money market mutual
15 funds have the capacity to process redemptions
16 at values other than \$1.00 per share;

17 (D) an analysis of possible costs and bene-
18 fits of requiring that money market mutual
19 fund issuers secure insurance in private insur-
20 ance markets;

21 (E) an analysis of possible costs and bene-
22 fits to financial institutions and to stability of
23 the financial system in the United States of
24 possible amendments to certain rules, particu-
25 larly rule 270.2a-7 of title 15, Code of Federal

1 Regulations (or any successor thereto), under
2 the Investment Company Act of 1940, that
3 would tighten the risk-limiting conditions of
4 that rule, by—

5 (i) requiring money market mutual
6 funds to maintain a portion of their port-
7 folios in instruments that can be readily
8 converted to cash, with more stringent re-
9 quirements for institutional funds;

10 (ii) reducing the weighted average ma-
11 turity of portfolio holdings of money mar-
12 ket mutual funds;

13 (iii) requiring periodic stress testing
14 of money market mutual fund portfolios;

15 (iv) strengthening a money market
16 mutual fund board's evaluation of nation-
17 ally recognized statistical rating organiza-
18 tions and counterparties to repurchase
19 agreements; and

20 (v) prohibiting money market mutual
21 funds from investing in second tier securi-
22 ties, as defined in rule 270.2a-7(a)(22) of
23 title 17, Code of Federal Regulations (or
24 any successor thereto); and

1 (F) an analysis of possible costs and bene-
2 fits of requiring that money market mutual
3 funds allow in-kind redemptions.

4 (9) STUDY OF TAX TREATMENT OF DEBT AND
5 EFFECTS ON FINANCIAL STABILITY.—The Chair-
6 person of the Council shall carry out a study of fea-
7 tures of the Internal Revenue Code of 1986, that en-
8 courage households to incur mortgage debt and en-
9 courage financial and commercial companies to favor
10 debt financing equity financing. The study shall in-
11 clude—

12 (A) an analysis of such encouragement;

13 (B) an analysis of effects on effective mar-
14 ginal tax rates for households of the tax treat-
15 ment of mortgage debt, including home equity
16 loans;

17 (C) an analysis of trends in the United
18 States in the ratio of aggregate mortgage debt
19 to the gross domestic product;

20 (D) an analysis of trends in the United
21 States in the ratio of household debt payments
22 to disposable personal income, with debt pay-
23 ments measured as required payments on out-
24 standing mortgage and consumer debt, as com-
25 piled by the Board of Governors;

1 (E) an analysis of trends in the United
2 States in the ratio of household financial obliga-
3 tions to disposable personal income, with finan-
4 cial obligations measured as required payments
5 on outstanding mortgage debt, consumer debt,
6 automobile lease payments, rental payments on
7 tenant-occupied property, homeowner insurance,
8 and property tax payments, as compiled by the
9 Board of Governors;

10 (F) an analysis of any possible effects on
11 United States financial system stability of the
12 tax treatment of mortgage debt, including home
13 equity loans;

14 (G) an analysis of trends in the United
15 States in debt and equity financing;

16 (H) an analysis of any possible effects of
17 the tax treatment of corporate debt financing
18 versus equity financing on leverage of United
19 States corporations; and

20 (I) an analysis of any possible effects of
21 the tax treatment of corporate debt financing
22 versus equity financing for United States cor-
23 porations on United States financial system sta-
24 bility.

1 (10) STUDY OF THE TRI-PARTY REPO MAR-
2 KET.—The Chairperson of the Council shall carry
3 out a study of the structure of the tri-party repo
4 market, in which investors provide cash on a short-
5 term basis to dealers in the form of short-term loans
6 backed by securities collateral (also known as
7 “repos” or “Sale and Repurchase Agreements”) and
8 risks that tri-party repo transactions pose to United
9 States financial system stability. The study shall in-
10 clude an analysis of possible costs and benefits to fi-
11 nancial institutions and to United States financial
12 system stability of—

13 (A) enforcing standards that limit the
14 scope of eligible collateral in tri-party repo
15 transactions;

16 (B) requirements on haircuts, where a
17 haircut refers to a reduction in the value of a
18 security assigned by a party engaged in a tri-
19 party repo transaction relative to the market
20 value of such security;

21 (C) requirements of formal loss-sharing ar-
22 rangements among tri-party repo borrowers, in-
23 vestors, and clearing banks;

24 (D) structural changes to the tri-party
25 repo market which reduce or eliminate the mar-

1 ket's reliance on intraday credit provided by
2 clearing banks, with the intention of reducing
3 or eliminating tension between the interests of
4 clearing banks and investors when a dealer be-
5 comes troubled; and

6 (E) requirements that collateral haircuts in
7 tri-party repo transactions be independent of
8 ratings.