....

(Original Signature of Member)

119TH CONGRESS
1ST SESSION

H. R. ______

To amend the Federal Deposit Insurance Act to provide an exception to the least-cost resolution requirement, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. FLOOD introduced the following bill; which was referred to the Committee on ______________________________

A BILL

To amend the Federal Deposit Insurance Act to provide an exception to the least-cost resolution requirement, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Least Cost Exception Act".

SEC. 2. LEAST COST RESOLUTION EXCEPTION TO AVOID FURTHER CONCENTRATION AMONG GLOBAL SYSTEMICALLY IMPORTANT BANKING ORGANIZATIONS.

(a) IN GENERAL.—Section 13(c)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1823(c)(4)) is amended—

(1) in subparagraph (A)(ii), by inserting ''except as provided in subparagraph (I),'' before ''the total amount'';

(2) in subparagraph (E)(i), by inserting ''and except as provided in subparagraph (I),'' after ''appropriate,''; and

(3) by adding at the end the following:

''(I) LEAST COST RESOLUTION EXCEPTION.—

''(i) IN GENERAL.—With respect to an exercise of authority by the Corporation described in subparagraph (A), the Corporation may, at the discretion of the Corporation, select an alternative method of exercising such authority that is not the least costly to the Deposit Insurance Fund, if—

''(I) the Corporation determines that the selected alternative complies with the requirements of clause (ii); and

"(II) the Board of Governors of the Federal Reserve System, after consultation with the Secretary of the Treasury, determines that the potential additional risks to the Deposit Insurance Fund of the selected alternative are outweighed by the reasonably expected benefits of limiting further concentration of the United States banking system in global systemically important banking organizations.

"(ii) REQUIREMENTS DESCRIBED.—The requirements for the selected alternative described in clause (i) are as follows:

"(I) The selected alternative is least costly to the Deposit Insurance Fund of all alternatives that do not involve a transaction with a global systemically important banking organization and that do not exceed the cost of liquidating the insured depository institution.

"(II) The difference between the cost to the Deposit Insurance Fund of the selected alternative (as calculated before consideration of the agreement described in subclause (III)) and the cost of a covered alternative is not greater than 10 percent of the net worth of the Deposit Insurance Fund on the date of the determination.

"(III) In the case of a selected alternative that involves another person purchasing assets of the insured depository institution or assuming liabilities of the insured depository institution, such person agrees to pay an assessment to the Deposit Insurance Fund comprised of payments—

"(aa) made over a period to be determined by the Corporation, but which may not be less than 5 years; and

"(bb) that, taking into account a realistic discount rate, are in an aggregate amount equal to the difference calculated in subclause (II).

"(iii) REPORT TO CONGRESS.—Not later than 30 days after selecting an alternative described in clause (i), the Corporation shall issue a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate containing an analysis of the economic difference between the cost to the Deposit Insurance Fund of the selected alternative and the cost to the Deposit Insurance Fund of the least costly alternative that would have been selected absent the application of this subparagraph.

"(iv) DEFINITIONS.—In this subparagraph:

"(I) GLOBAL SYSTEMICALLY IMPORTANT BANKING ORGANIZATION.—The term 'global systemically important banking organization' means a global systemically important BHC (as such term is defined in section

217.402 of title 12, Code of Federal Regulations, or any successor thereto) and any affiliate thereof.

"(II) COVERED ALTERNATIVE.—The term 'covered alternative' means a method of exercising authority described in subparagraph (A) that is the least costly to the Deposit Insurance Fund of all such methods that involve a sale of all or substantially all assets of the insured depository institution to, and assumption of all or substantially all liabilities of the insured depository institution by, a global systemically important banking organization.".

(b) RULE OF CONSTRUCTION.—Section 13(c)(4)(H) of the Federal Deposit Insurance Act (12 U.S.C. 1823(c)(4)(H)) does not apply to the amendments made by subsection (a).