[DISCUSSION DRAFT]

119TH CONGRESS
2D SESSION

H. R. ____

To amend the Federal Deposit Insurance Act to clarify the treatment of Federal Home Loan Bank advances as a source of core funding for insured depository institutions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M__. ____________ introduced the following bill; which was referred to the Committee on ____________________________

A BILL

To amend the Federal Deposit Insurance Act to clarify the treatment of Federal Home Loan Bank advances as a source of core funding for insured depository institutions, 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 ''Federal Home Loan Bank Advances as Core Funding Act''.

SEC. 2. TREATMENT OF FEDERAL HOME LOAN BANK ADVANCES AS CORE FUNDING BY FEDERAL BANKING AGENCIES.

(a) AMENDMENT TO THE FEDERAL DEPOSIT INSURANCE ACT.—Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by adding at the end the following new subsection:

"(bb) TREATMENT OF FEDERAL HOME LOAN BANK ADVANCES AS CORE FUNDING.—

"(1) IN GENERAL.—In exercising any functions, powers, and duties under this Act or any other provision of Federal law with respect to insured depository institutions, each Federal banking agency shall—

"(A) consider the differences between the Federal Home Loan Banks established under the Federal Home Loan Bank Act and other providers of wholesale funding; and

"(B) in the agency's regulations, guidance, reporting instructions, supervisory policies, examination materials, and other agency interpretations, as applicable, define 'Federal Home Loan Bank advances' or 'FHLB advances' as 'core funding' such that Federal Home Loan Bank advances are treated on par with 'core deposits', as that term is defined in the Uniform

Bank Performance Report or any successor reporting framework, as funding for insured depository institutions.

"(2) COORDINATION.—The Federal banking agencies shall, to the maximum extent practicable, act jointly and consistently, and coordinate with the National Credit Union Administration, in carrying out paragraph (1).

"(3) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to prevent a Federal banking agency from adopting risk-sensitive distinctions among sources of funding for specified statutory or regulatory purposes, provided that any such distinctions are consistent with paragraph (1) and reflect the statutory and structural differences between Federal Home Loan Bank advances and other forms of wholesale funding.".

(b) IMPLEMENTATION.—Not later than 18 months after the date of enactment of this Act, each Federal banking agency (as such term is defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) shall revise, as applicable, the agency's regulations, guidance, reporting instructions, supervisory policies, and examination materials to implement section 18(bb) of the

Federal Deposit Insurance Act, as added by subsection (a).

SEC. 3. TREATMENT OF FEDERAL HOME LOAN BANK ADVANCES AS CORE FUNDING BY THE NATIONAL CREDIT UNION ADMINISTRATION.

(a) AMENDMENT TO THE FEDERAL CREDIT UNION ACT.—Section 120 of the Federal Credit Union Act (12 U.S.C. 1766) is amended by adding at the end the following new subsection:

"(k) TREATMENT OF FEDERAL HOME LOAN BANK ADVANCES AS CORE FUNDING.—

"(1) IN GENERAL.—In exercising any functions, powers, and duties under this Act or any other provision of Federal law with respect to insured credit unions, the Board shall—

"(A) consider the differences between the Federal Home Loan Banks established under the Federal Home Loan Bank Act and other providers of wholesale funding; and

"(B) in the Administration's regulations, guidance, reporting instructions, supervisory policies, examination materials, and other agency interpretations, as applicable, define 'Federal Home Loan Bank advances' or 'FHLB advances' as 'core funding' such that Federal

Home Loan Bank advances are treated on par with core deposits or comparable core funding concepts used by the Board for insured credit unions as funding for insured credit unions.

"(2) COORDINATION.—The Board shall, to the maximum extent practicable, coordinate with the Federal banking agencies in carrying out paragraph (1).

"(3) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to prevent the Board from adopting risk-sensitive distinctions among sources of funding for specified statutory or regulatory purposes, provided that any such distinctions are consistent with paragraph (1) and reflect the statutory and structural differences between Federal Home Loan Bank advances and other forms of wholesale funding.".

(b) IMPLEMENTATION.—Not later than 18 months after the date of enactment of this Act, the National Credit Union Administration Board shall revise, as applicable, the Administration's regulations, guidance, reporting instructions, supervisory policies, and examination materials to implement section 120(k) of the Federal Credit Union Act, as added by subsection (a).