

[DISCUSSION DRAFT]

116TH CONGRESS
1ST SESSION

H. R. _____

To require the Financial Institutions Examination Council to establish uniform examination procedures for financial institutions that conduct leverage lending activities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To require the Financial Institutions Examination Council to establish uniform examination procedures for financial institutions that conduct leverage lending activities, and for other purposes.

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 “Leveraged Lending
5 Examination Enhancement Act”.

1 **SEC. 2. LEVERAGED LENDING EXAMINATION PROCEDURES.**

2 (a) IN GENERAL.—Section 1006 of the Federal Fi-
3 nancial Institutions Examination Council Act (12 U.S.C.
4 3305) is amended by adding at the end the following:

5 “(h) LEVERAGED LENDING.—

6 “(1) EXAMINATION PROCEDURES.—In carrying
7 out subsection (a), the Council shall establish uni-
8 form examination procedures for financial institu-
9 tions that conduct leverage lending activities to en-
10 sure such activities are done in a safe and sound
11 manner.

12 “(2) MINIMUM EXPECTATIONS.—The proce-
13 dures established under paragraph (1) shall include
14 a definition of leveraged lending and include min-
15 imum expectations relating to leveraged lending, in-
16 cluding—

17 “(A) general policy expectations;

18 “(B) participations purchased;

19 “(C) underwriting standards;

20 “(D) valuation standards;

21 “(E) pipeline management;

22 “(F) reporting and analytics;

23 “(G) risk rating leveraged loans;

24 “(H) credit analysis;

25 “(I) problem credit management;

26 “(J) deal sponsors;

1 “(K) credit review;
2 “(L) stress testing;
3 “(M) conflicts of interest;
4 “(N) reputational risk; and
5 “(O) compliance.

6 “(3) QUARTERLY REPORT.—The Federal finan-
7 cial institutions regulatory agencies shall, jointly,
8 issue a quarterly report to the Council and the Com-
9 mittee on Financial Services of the House of Rep-
10 resentatives and the Committee on Banking, Hous-
11 ing, and Urban Affairs of the Senate containing—

12 “(A) an analysis of leveraged lending activ-
13 ity by financial institutions, including general
14 risk management and compliance with the min-
15 imum expectations described under paragraph
16 (2); and

17 “(B) any regulatory or legislative rec-
18 ommendations the agencies may have to im-
19 prove the supervision and oversight of the lever-
20 aged lending market.”.

21 (b) RULEMAKING DEADLINE.—Not later than 180
22 days after the date of enactment of this Act, the Financial
23 Institutions Examination Council shall establish the uni-
24 form examination procedures required under section

1 1006(h) of the Federal Financial Institutions Examina-
2 tion Council Act.