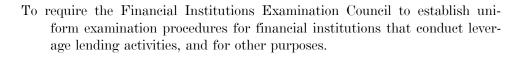
[DISCUSSION DRAFT]

H.R.

116TH CONGRESS 1ST SESSION



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; |

3

| 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.