

105TH CONGRESS  
1ST SESSION

# H. R. 1655

To amend the Bank Holding Company Act of 1956 to provide additional relief for limited purpose banks from certain outdated restrictions imposed by the Competitive Equality Banking Act of 1987 which by the express terms of such Act were intended to be temporary and have now been in place for 10 years, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 16, 1997

Mr. CASTLE (for himself, Mr. LAFALCE, Mr. FOX of Pennsylvania, Mrs. MALONEY of New York, Mr. KING, and Mr. FRANK of Massachusetts) introduced the following bill; which was referred to the Committee on Banking and Financial Services

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## A BILL

To amend the Bank Holding Company Act of 1956 to provide additional relief for limited purpose banks from certain outdated restrictions imposed by the Competitive Equality Banking Act of 1987 which by the express terms of such Act were intended to be temporary and have now been in place for 10 years, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Limited Purpose Bank  
3 Amendments of 1997”.

4 **SEC. 2. BANK ACTIVITIES RESTRICTION.**

5 (a) IN GENERAL.—Section 4(f)(2) of the Bank Hold-  
6 ing Company Act of 1956 (12 U.S.C. 1843(f)(2)) is  
7 amended—

8 (1) by striking “or” at the end of subparagraph  
9 (A);

10 (2) by striking subparagraph (B) and inserting  
11 the following new subparagraph:

12 “(B) any bank subsidiary of such company  
13 both—

14 “(i) accepts demand deposits or de-  
15 posits that the depositor may withdraw by  
16 check or similar means for payment to 3d  
17 parties; and

18 “(ii) engages principally in the busi-  
19 ness of making commercial loans (and, for  
20 purposes of this clause, loans made in the  
21 ordinary course of a credit card operation  
22 shall not be treated as commercial loans);  
23 or”; and

24 (3) by inserting after paragraph (2) (as amend-  
25 ed by paragraph (2) of this subsection) the following  
26 new subparagraph:

1           “(C) after the date of the enactment of the  
2           Competitive Equality Amendments of 1987, any  
3           bank subsidiary of such company permits any  
4           overdraft (including any intraday overdraft), or  
5           incurs any such overdraft in such bank’s ac-  
6           count at a Federal reserve bank, on behalf of  
7           an affiliate, other than an overdraft described  
8           in paragraph (3).”.

9           (b) ACQUISITION OF CREDIT CARD ASSETS.—Section  
10          4(f)(2)(A)(ii) of the Bank Holding Company Act of 1956  
11          (12 U.S.C. 1843(f)(2)(A)(ii)) is amended—

12           (1) by striking “and” at the end of subclause  
13          (IX);

14           (2) by inserting “and” after the semicolon at  
15          the end of subclause (X); and

16           (3) by inserting the following new subclause im-  
17          mediately after subclause (X) (and before the provi-  
18          sion which follows such subclause):

19                           “(XI) assets that are derived  
20                           from, or are incidental to, activities in  
21                           which institutions described in sub-  
22                           section (c)(2)(F) are permitted to en-  
23                           gage;”.

1 **SEC. 3. CROSSMARKETING RESTRICTION.**

2 Section 4(f) of the Bank Holding Company Act of  
3 1956 (12 U.S.C. 1843(f)) is amended by striking para-  
4 graph (3).

5 **SEC. 4. RESTRICTION ON DAYLIGHT OVERDRAFTS .**

6 Section 4(f) of the Bank Holding Company Act of  
7 1956 (12 U.S.C. 1843(f)) (as amended by section 3) is  
8 amended by inserting after paragraph (2) the following  
9 new paragraph:

10 “(3) PERMISSIBLE OVERDRAFTS DESCRIBED.—

11 For purposes of paragraph (2)(C), an overdraft is  
12 described in this paragraph if—

13 “(A) such overdraft results from an inad-  
14 vertent computer or accounting error that is be-  
15 yond the control of both the bank and the affili-  
16 ate;

17 “(B) such overdraft—

18 “(i) is permitted or incurred on behalf  
19 of an affiliate which is monitored by, re-  
20 ports to, and is recognized as a primary  
21 dealer by the Federal Reserve Bank of  
22 New York; and

23 “(ii) is fully secured, as required by  
24 the Board, by bonds, notes, or other obli-  
25 gations which are direct obligations of the  
26 United States or on which the principal

1 and interest are fully guaranteed by the  
2 United States or by securities and obliga-  
3 tions eligible for settlement on the Federal  
4 Reserve book entry system; or

5 “(C) such overdraft—

6 “(i) is permitted or incurred by, or on  
7 behalf of, an affiliate that is principally en-  
8 gaged in activities that are financial in na-  
9 ture or are incidental to any such activi-  
10 ties; and

11 “(ii) does not cause the bank to vio-  
12 late any provision of section 23A or 23B of  
13 the Federal Reserve Act either directly, in  
14 the case of a bank which is a member of  
15 the Federal Reserve System, or by virtue  
16 of section 18(j) of the Federal Deposit In-  
17 surance Act, in the case of a bank which  
18 is not a member of the Federal Reserve  
19 System.”.

20 **SEC. 5. RESTRICTION ON ACQUISITIONS OF OTHER IN-**  
21 **SURED DEPOSITORY INSTITUTIONS.**

22 Section 4(f)(12) of the Bank Holding Company Act  
23 of 1956 (12 U.S.C. 1843(f)(12)) is amended—

24 (1) by striking “or” at the end of subparagraph

25 (A);

1           (2) by striking the period at the end of sub-  
2 paragraph (B) and inserting “; or”; and

3           (3) by adding at the end the following new sub-  
4 paragraph:

5                   “(C) in an acquisition in which the insured  
6 institution has been found to be undercapital-  
7 ized by the appropriate Federal or State au-  
8 thority.”.

9 **SEC. 6. DIVESTITURE REQUIREMENT.**

10       (a) IN GENERAL.—Paragraph (4) of section 4(f) of  
11 the Bank Holding Company Act of 1956 (12 U.S.C.  
12 1843(f)) is amended to read as follows:

13                   “(4) DIVESTITURE IN CASE OF LOSS OF EX-  
14 EMPTION.—If any company described in paragraph  
15 (1) fails to qualify for the exemption provided under  
16 such paragraph by operation of paragraph (2), such  
17 exemption shall cease to apply to such company and  
18 such company shall divest control of each bank it  
19 controls before the end of the 180-day period begin-  
20 ning on the date that the company receives notice  
21 from the Board that the company has failed to con-  
22 tinue to qualify for such exemption, unless before  
23 the end of such 180-day period, the company has—

24                   “(A) either—

1                   “(i) corrected the condition or ceased  
2                   the activity that caused the company to  
3                   fail to continue to qualify for the exemp-  
4                   tion; or

5                   “(ii) submitted a plan to the Board to  
6                   cease the activity or correct the condition  
7                   in a timely manner (which shall not exceed  
8                   1 year) and the Board has not disapproved  
9                   such plan; and

10                  “(B) implemented procedures that are rea-  
11                  sonably adapted to avoid the reoccurrence of  
12                  such condition or activity.”.

13                  (b) TECHNICAL AND CONFORMING AMENDMENT.—  
14                  Section 4(f)(2) of the Bank Holding Company Act of 1956  
15                  (12 U.S.C. 1843(f)(2)) is amended by striking “Para-  
16                  graph (1) shall cease to apply to any company described  
17                  in such paragraph if—” and inserting “Subject to para-  
18                  graph (3), a company described in paragraph (1) shall no  
19                  longer qualify for the exemption provided under such para-  
20                  graph if—”.

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