

118TH CONGRESS
1ST SESSION

S. 2497

To amend the Federal Deposit Insurance Act to convert certain insured State banks into national banks.

IN THE SENATE OF THE UNITED STATES

JULY 26, 2023

Mr. VANCE introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the Federal Deposit Insurance Act to convert certain insured State banks into national banks.

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 “Bank Failure Preven-
5 tion Act”.

1 **SEC. 2. CONVERSION OF INSURED STATE BANK WITH**
2 **TOTAL CONSOLIDATED ASSETS EQUAL TO OR**
3 **GREATER THAN \$100,000,000,000 INTO A NA-**
4 **TIONAL BANK.**

5 (a) IN GENERAL.—Section 24 of Federal Deposit In-
6 surance Act (12 U.S.C. 1831a) is amended by adding at
7 the end the following:

8 “(k) AUTOMATIC CONVERSION TO A NATIONAL
9 BANKING ASSOCIATION.—

10 “(1) DEFINITIONS.—In this subsection:

11 “(A) AVERAGE TOTAL CONSOLIDATED AS-
12 SETS.—The term ‘average total consolidated as-
13 sets’ means the average of total consolidated as-
14 sets for the four most recent calendar quarters
15 or, if the insured State bank has not reported
16 total consolidated assets for each of the four
17 most recent calendar quarters, the total consoli-
18 dated assets for the most recent calendar quar-
19 ter or average of the most recent calendar quar-
20 ters, as applicable.

21 “(B) COVERED INSURED STATE BANK.—
22 The term “covered insured State bank” means
23 an insured State bank with average total con-
24 solidated assets equal to or greater than
25 \$100,000,000,000.

26 “(2) CONVERSION.—

1 “(A) IN GENERAL.—By operation of law, a
2 covered insured State bank shall convert to and
3 become a national banking association on the
4 date that is 180 days after the end of the quar-
5 ter in which the insured State bank became a
6 covered insured State bank. The Comptroller of
7 the Currency shall issue a certificate of organi-
8 zation to the association on such date. The re-
9 quirements and restrictions on the conversion of
10 a State Bank or Savings Association contained
11 in Section 5154 of the Revised Statutes of the
12 United States (12 U.S.C. 35) do not apply to
13 conversions under this section. A covered in-
14 sured State bank may continue to operate any
15 branch or agency that the covered insured State
16 bank operated on the date on which the Comp-
17 troller of the Currency issues the certificate of
18 organization. The Comptroller of the Currency
19 may, in the Comptroller’s discretion and subject
20 to such terms and conditions as the Comptroller
21 may prescribe, permit such covered insured
22 State bank to retain and carry at a value deter-
23 mined by the Comptroller such of the assets of
24 such converting bank as do not conform to the
25 legal requirements relative to assets acquired

1 and held by national banking associations. The
2 Comptroller of the Currency may extend or ac-
3 celerate any compliance date of this section if
4 the Comptroller determines that such extension
5 or acceleration is appropriate. In determining
6 whether an extension or acceleration is appro-
7 priate, the Comptroller will consider the effect
8 of the modification on financial stability, the pe-
9 riod of time for which the modification would be
10 necessary to facilitate compliance with this sec-
11 tion, and the actions the covered insured State
12 bank is taking to come into compliance with
13 this section.

14 “(B) RIGHTS AND DUTIES.—When the
15 covered insured State bank has received its cer-
16 tificate of organization from the Comptroller of
17 the Currency, such bank shall be considered a
18 national bank and supervised and regulated as
19 such, and the bank and all its stockholders, of-
20 ficers, and employees shall have the same pow-
21 ers and privileges and shall be subject to the
22 same duties, liabilities, and regulations, in all
23 respects, as shall have been prescribed by the
24 Federal Reserve Act (12 U.S.C. 221 et seq.)
25 and the National Banking Act for associations

1 originally organized as national banking asso-
2 ciations.

3 “(C) NOTICE.—A covered insured State
4 bank shall submit a notice to the Comptroller
5 of the Currency and the appropriate Federal
6 banking agency within 60 days of becoming a
7 covered insured State bank. The notice shall
8 contain—

9 “(i) the date on which the insured
10 State bank became a covered insured State
11 bank;

12 “(ii) the date on which the covered in-
13 sured State bank will convert to a national
14 banking association; and

15 “(iii) the name to be assumed by such
16 association following conversion, which
17 shall include the word ‘national’.

18 “(3) TRANSITIONS.—

19 “(A) NO TRANSITION FOR CERTAIN IN-
20 SURED STATE BANKS.—An insured State bank
21 that would be a covered insured State bank im-
22 mediately prior to December 31, 2023, shall be
23 considered to have become a covered insured
24 State bank on January 1, 2024.

1 “(B) ORDERLY TRANSITION.—Following
2 receipt of the notice under subsection (k)(2)(C),
3 the appropriate Federal banking agency shall
4 provide to the Comptroller of the Currency the
5 covered insured State bank’s reports of condi-
6 tion and other relevant financial and super-
7 visory information, as requested by the Comp-
8 troller.

9 “(4) RULEMAKING.—The Comptroller of the
10 Currency, after consulting with the Board of Gov-
11 ernors of the Federal Reserve System and the Fed-
12 eral Deposit Insurance Corporation, shall issue rules
13 to carry out this section that—

14 “(A) establish streamlined standards and
15 procedures that clearly identify required docu-
16 mentation and timelines for compliance with ap-
17 plicable law; and

18 “(B) require a covered insured State bank
19 automatically converting under subsection
20 (k)(2) to identify activities and investments,
21 whether conducted by the covered insured State
22 bank or its affiliates, that—

23 “(i) do not conform to the require-
24 ments for activities and investments of a
25 national bank; and

1 “(ii) are held by the covered insured
2 State bank or its affiliates on the date on
3 which the covered State bank submits the
4 notice pursuant to subsection (k)(2)(A);

5 “(C) establish—

6 “(i) a transition process for bringing
7 the activities and investments described in
8 paragraph (B) into conformance with the
9 requirements for a national bank under ap-
10 plicable law; and

11 “(ii) procedures for allowing the cov-
12 ered insured State bank to submit to the
13 Comptroller of the Currency an application
14 to continue to hold activities and invest-
15 ments described in paragraph (B) after
16 conversion, which may be approved or de-
17 nied by the Comptroller in his discretion;
18 and

19 “(D) the Comptroller of the Currency de-
20 termines necessary in the interests of safety
21 and soundness.”.

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall take effect on December 31, 2023.

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