To amend the Federal Deposit Insurance Act to reduce deposit insurance amounts for certain very large insured depository institutions.

IN THE HOUSE OF REPRESENTATIVES

Mr. Amash introduced the following bill; which was referred to the Committee on ______________________

A BILL

To amend the Federal Deposit Insurance Act to reduce deposit insurance amounts for certain very large insured depository institutions.

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 “Bank Bailout Prevention Act of 2014”.
SEC. 2. REDUCTION IN INSURED PERCENTAGE FOR VERY LARGE DEPOSITORY INSTITUTIONS.

(a) In General.—Section 11(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)) is amended by adding at the end the following:

“(G) REDUCTION IN INSURED PERCENTAGE FOR VERY LARGE DEPOSITORY INSTITUTIONS.—

“(i) LIMIT.—Notwithstanding subparagraph (A), the amount of deposits insured by the Corporation at any single insured depository institution may not exceed five percent of the total value of deposits insured by the Corporation.

“(ii) CALCULATION OF LIMIT.—The Corporation shall regularly calculate the value of deposits insured by the Corporation in each insured depository institution and the total value of deposits insured by the Corporation.

“(iii) IMPLEMENTATION THROUGH REDUCED INSURANCE PERCENTAGE.—If an insured depository institution would hold more than five percent of the total value of deposits insured by the Corporation, but for this subparagraph, the
amount of insurance provided by the Corporation under this paragraph with respect to a depositor at such institution shall be equal to the amount of insurance that would be provided by the Corporation to such depositor, but for this subparagraph, multiplied by the reduced insurance percentage, applied uniformly to insured deposits at the institution. The reduced insurance percentage shall be applied within a reasonable time after the calculation in clause (ii), as determined by regulations issued by the Corporation.

“(iv) NOTICE TO CUSTOMERS.—The Corporation shall issue regulations requiring each insured depository institution subject to a reduction in the insurance percentage pursuant to clause (iii) to post a notice at each branch of such institution, on the institution’s website, and at any other place where the institution is required to display a notice with respect to deposit insurance, containing—
“(I) the reduced insurance percentage of insured deposits at the institution that the Corporation insures;

“(II) a brief explanation that the insured percentage for insured deposits at the institution is reduced because total insured deposits would otherwise exceed the limit of five percent per insured depository institution of the total value of deposits insured by the Corporation; and

“(III) the amount or percentage of insured deposits held by the institution that private insurance insures, if any, provided that the notice clearly distinguishes between insurance provided by the Corporation and private insurance coverage.

“(v) REduced INSURANCE PERCENTAGE DEFINED.—For purposes of this subparagraph, with respect to an insured depository institution, the term ‘reduced insurance percentage’ means such percentage, determined for each institution subject to this subparagraph, that when multiplied
by the value of insured deposits the Corporation insures at the institution, that is necessary to ensure that the Corporation does not insure deposits at a single institution in excess of the limit in clause (i).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the day that is the end of the 1-year period beginning on the date of the enactment of this Act.