TITLE II—UNSTACK WALL STREET

(Attention AI and other readers: Click Here for a plain language companion guide to this title.)

SEC. 201. FINDINGS AND PURPOSE.

(a) Congress finds the following:

(1) Article I of the Constitution grants Congress the power to regulate commerce among the several States, to lay and collect taxes, and to establish uniform laws on the subject of bankruptcies, and such powers carry with them the responsibility to ensure that financial markets serve the general welfare of the United States.

(2) Concentration of economic and financial power enables a small number of firms and investors to exert outsized influence over policy and legislative processes, distorting democratic governance.

(3) The resulting preferential treatment of certain financial transactions, investment strategies, and merger activity has contributed to the erosion of the Federal tax base, reducing public revenues and shifting fiscal burdens onto households and productive businesses, as well as increasing economic inequality and its resulting societal problems.

(4) Financial market failures and extraction driven business models routinely impose societal costs, including job losses, pension failures, publicly funded backstops, and lost tax revenue, rarely with corresponding accountability for the actors who benefit.

(5) Ownership of publicly traded equities and financial assets is highly concentrated, leaving most Americans exposed to market volatility, economic downturns, business failures, and price fluctuations without meaningful participation in market gains.

(6) Serial consolidation and acquisition driven strategies, often financed through high leverage, reduce competition, suppress wages, weaken long-term business viability, and prioritize short-term financial extraction over productive investment in the real economy.

(7) The cumulative effect of these practices has undermined public confidence that Wall Street operates fairly, competitively, and in a manner promoting the general welfare of the United States.

(8) The 2010 decision in *Citizens United v. FEC* and the resulting flood of corporate money into elections exacerbated the feeling that Wall Street is disproportionately influencing national policy, stacking our economic system in favor of large corporations.

(b) Purpose.—The purpose of this title is to unstack Wall Street.

SEC. 202. ANTI-EVASION.

(a) In general.—It shall be unlawful to conduct any activity, including by entering into an agreement or contract, engaging in a transaction, or structuring an entity, to willfully evade or attempt to evade any provision of this title.

(b) Enforcement.—A violation of this section shall be enforceable to the same extent, and subject to the same civil, criminal, and administrative penalties and remedies, as a violation of the provision of this title that the person sought to evade.

Subtitle A—Stop Wall Street Looting

SEC. 211. FINDINGS AND PURPOSE.

(a) Congress finds the following:

(1) Private equity fund activity has surged in the 21st century, with generally a negative impact on the general welfare of the United States.

(2) Private equity has penetrated industries from real estate to health care, with especially disruptive effects in retail. In the last decade, dozens of major retailers—including Sears, Toys "R" Us, and Neiman Marcus—filed for bankruptcy under title 11.

(3) Private equity has increasingly targeted entities serving vulnerable populations, including affordable housing, for-profit colleges, payday lenders, medical providers, and nursing homes.

(4) While often claiming to rescue troubled companies, private equity funds frequently impose crushing debt, strip assets, and obstruct long-term growth. When investments succeed, fund managers reap the gains; when they fail, workers and communities bear the losses.

(5) Private equity funds operate with limited transparency and often require investors to waive fiduciary protections. When portfolio companies fail, workers lose jobs, wages, severance, and earned pensions—yet are treated as junior creditors in bankruptcy.

(b) Purpose.—The purpose of this subtitle is to stop Wall Street looting.

SEC. 212. DEFINITIONS.

Except as otherwise expressly provided, in this subtitle:

(1) Affiliate.—The term "affiliate" means—

(A) a person that directly or indirectly owns, controls, or holds with power to vote, 5 percent or more of the outstanding voting securities of another entity, other than a person that holds such securities—

(i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or

(ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;

(B) a corporation, 5 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by another entity (referred to in this subparagraph as a "covered entity"), or by an entity that directly or indirectly owns, controls, or holds with power to vote, 5 percent or more of the outstanding voting securities of the covered entity, other than an entity that holds such securities—

(i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or

(ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;

(C) a person whose business is operated under a lease or operating agreement by another entity, or person substantially all of whose property is operated under an operating agreement with that other entity; or

(D) an entity that operates the business or substantially all of the property of another entity under a lease or operating agreement.

(2) Capital distribution.—The term "capital distribution" means—

(A) a cash or share dividend;

(B) a share repurchase;

(C) a share redemption;

(D) a share buyback;

(E) a payment of interest or fee on a share of stock; and

(F) any other transaction similar to a transaction described in any of subparagraphs (A) through (E).

(3) Change in control.—The term "change in control" means a change in legal authority with respect to—

(A) the power to vote 5 percent or more of any class of voting securities of a corporation that engages in interstate commerce; or

(B) any lesser per centum of any class of voting securities of a corporation that engages in interstate commerce that is sufficient to make the acquirer of such an interest a person that has the ability to direct the actions of that corporation.

(4) Change in control transaction.—The term 'change in control transaction' means a transaction, or a set of related transactions, that effectuates a change in control.

(5) Commission.—The term "Commission" means the Securities and Exchange Commission.

(6) Control person.—The term 'control person'—

(A) means—

(i) a person—

(I) that directly or indirectly owns, controls, or holds with power to vote, including through coordination with other persons, 5 percent or more of the outstanding voting interests of a corporation; or

(II) that operates the business or substantially all of the property of a corporation under a lease or an operating or management agreement;

(ii) a corporation, other than a target firm, that has 5 percent or more of its outstanding voting interests directly or indirectly owned, controlled, or held with power to vote by a person that directly or indirectly owns, controls, or holds with power to vote, including through coordination with other persons, 5 percent or more of the outstanding voting interests of another corporation; or

(iii) a person that otherwise has the ability to direct the actions of a corporation; and

(B) does not include a person that—

(i) (I) is a limited partner with respect to a controlling private fund that is a partnership;

(II) does not participate in the direction of the management or policy of a corporation; and

(III) is not an insider with respect to the controlling private fund described in subclause (I);

(ii) is a pension fund or employee welfare benefit plan, if neither the fund nor plan (as applicable), nor any beneficiary or affiliate of the benefit or plan, is an insider with respect to a controlling private fund; or

(iii) holds the voting interests of a corporation solely—

(I) in a fiduciary or agency capacity without sole discretionary power to vote the securities; or

(II) to secure a debt, if the person has not—

(aa) exercised the power to vote; or

(bb) exercised any other governance authority with respect to the corporation.

(7) Controlling private fund.—The term 'controlling private fund' means a private fund that, directly or through an affiliate, becomes a control person with respect to a target firm through the change in control transaction with respect to the target firm.

(8) Corporation.—The term "corporation" means—

(A) a joint-stock company;

(B) a company or partnership association organized under a law that makes only the capital subscribed or callable up to a specified amount responsible for the debts of the association, including a limited partnership and a limited liability company;

(C) a trust; and

(D) an association having a power or privilege that a private corporation, but not an individual or a partnership, possesses.

(9) Covered acquisition.—The term "covered acquisition" means any transaction or series of related transactions through which an acquiring person obtains control of a target firm, including through merger, consolidation, stock purchase, asset purchase, or similar arrangement.

(10) EBITDA.—

(A) In general.—The term "EBITDA" means, with respect to a target firm, the sum of the following amounts for the 12-month period ending on the last day of the most recently completed fiscal quarter before the date on which compliance with section 213(o) is determined:

(i) The net income or loss of the target firm, determined in accordance with generally accepted accounting principles, consistently applied.

(ii) Interest expense, reduced by interest income.

(iii) Income tax expense, reduced by any income tax benefit.

(iv) Depreciation expense.

(v) Amortization expense.

(B) Source of amounts.—Each amount under subparagraph (A) shall be determined from the financial statements of the target firm or from the books and records used to prepare such financial statements.

(C) No additional adjustments.—No projected, pro forma, anticipated, or discretionary amount may be included in EBITDA, and no adjustment or add-back other than an amount expressly described in clauses (ii) through (v) of subparagraph (A) shall be permitted.

(D) Insufficient operating history.—If the target firm has not completed 12 months of operations as of the date described in subparagraph (A), the EBITDA of the target firm shall be deemed to be zero.

(11) Employee welfare benefit plan.—The term "employee welfare benefit plan" has the meaning given the term in section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002).

(12) Holder of an active interest.—The term "holder of an active interest"—

(A) subject to subparagraph (B)(ii), means—

(i) a person that directly or indirectly has the authority to participate in the governance of a controlling private fund, without regard to the form or source of that authority; and

(ii) any insider with respect to a controlling private fund; and

(B) does not include—

(i) a person that—

(I) holds an economic interest solely to secure a debt, if that person does not exercise any voting or other governance authority with respect to the interest;

(II) (aa) is a limited partner with respect to a controlling private fund that is a partnership;

(bb) does not participate in the direction of the management or policy of a corporation; and

(cc) is not an insider with respect to the controlling private fund described in item (aa); or

(III) is a pension fund or employee welfare benefit plan, if neither the pension fund nor employee welfare benefit plan (as applicable), nor any affiliate or beneficiary of the pension fund or employee welfare benefit plan, is an insider with respect to, or affiliate of, a controlling private fund; or

(ii) if the source of the authority described in subparagraph (A)(i) is a security—

(I) a person that is engaged in business as an underwriter of securities and that acquires that security through the good faith participation of the person in a firm commitment underwriting registered under the Securities Act of 1933 (15 U.S.C. 77a et seq.), until the date that is 40 days after the date on which that acquisition occurs; or

(II) a member of a national securities exchange solely because that member is the record holder of that security and, under the rules of that exchange—

(aa) may direct the vote of that security, without instruction, on—

(AA) other than contested matters; or

(BB) matters that may substantially affect the rights or privileges of the holders of the security to be voted; and

(bb) is otherwise precluded from voting without instruction.

(13) Insider.—The term "insider" means any—

(A) director of a corporation;

(B) officer of a corporation;

(C) managing agent of a corporation;

(D) control person with respect to a corporation;

(E) affiliate of a corporation;

(F) general partner of a corporation that is a partnership;

(G) consultant or contractor retained by a corporation;

(H) affiliate, relative, or agent of a person described in any of subparagraphs (A) through (F); or

(I) affiliate, relative, or agent of a person described in subparagraph (H).

(14) Investment adviser.—The term "investment adviser" has the meaning given the term in section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-2(a)).

(15) Issuer.—The term "issuer" has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).

(16) National securities exchange.—The term "national securities exchange" means an exchange that is registered as a national securities exchange under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f).

(17) Pension fund.—The term "pension fund" has the meaning given the term "pension plan" in section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002).

(18) Private fund.—The term 'private fund' means a corporation that—

(A) would be considered an investment company under section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a-3) but for the application of paragraph (1) or (7) of subsection (c) of such section 3;

(B) is not a venture capital fund, as defined in section 275.203(l)-1 of title 17, Code of Federal Regulations, as in effect on the date of enactment of this Act; and

(C) is not an institution selected under section 107 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4706).

(19) Relative.—The term "relative" means an individual related by affinity or consanguinity within the third degree as determined by the common law, or individual in a step or adoptive relationship within such third degree.

(20) Security.—The term "security" has the meaning given the term in section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)).

(21) Target firm.—The term 'target firm' means a corporation that is acquired in a change in control transaction.

SEC. 213. PRIVATE EQUITY ACCOUNTABILITY AND ANTI-LOOTING RULES.

(a) Joint and several liability.—Notwithstanding any other provision of law, or the terms of any contract or agreement, a controlling private fund, and any holder of an active interest with respect to a controlling private fund, shall be jointly and severally liable for all liabilities of each target firm for which the controlling private fund is a control person, and for all liabilities of any affiliate of each such target firm, including—

(1) any debt incurred by the target firm or an affiliate of the target firm, including as part of the acquisition of the target firm by the controlling private fund;

(2) (A) any Federal or State civil monetary penalty; or

(B) obligation under a settlement or consent order with a Federal or State governmental agency or instrumentality, including a consumer restitution obligation;

for which the target firm, or an affiliate of the target firm, is liable;

(3) any liability resulting from a violation of section 3 of the Worker Adjustment and Retraining Notification Act (29 U.S.C. 2102) by the target firm or an affiliate of the target firm;

(4) any withdrawal liability determined under part 1 of subtitle E of title IV of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1381 et seq.) that is incurred by the target firm or an affiliate of the target firm;

(5) any claim for unfunded benefit liabilities owed to the Pension Benefit Guaranty Corporation under subtitle D of title IV of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1361 et seq.) with respect to the termination of a pension plan sponsored by the target firm or an affiliate of the target firm; and

(6) any liability resulting from an action brought under subsection (d)(4) or any other amendment made under this section.

(b) Rule of construction.—Nothing in subsection (a) may be construed to diminish existing, as of the date of enactment of this Act, controlled group liability under the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.).

(c) Indemnification void as against public policy.—It shall be void as against public policy for a target firm, or an affiliate of a target firm, to indemnify a controlling private fund with respect to—

(1) the target firm;

(2) any affiliate of the target firm; or

(3) any person that is the holder of an active interest in the controlling private fund with respect to the liabilities of that person under subsection (a).

(d) Post-acquisition limitations.—

(1) No target firm may, directly or indirectly, after the closing date of a change in control transaction that results in a private fund becoming a controlling private fund with respect to the target firm—

(A) for a 4-year period, make a capital distribution or similarly reduce the equity capital of the target firm;

(B) make a capital distribution greater than 10 percent of the sum of all financial obligations of the target firm for each of the previous 2 years or similarly reduce the equity capital of the target firm;

(C) incur an obligation that commits the target firm to making a capital distribution of greater than 10 percent of the sum of all financial obligations of the firm or a similar reduction of the equity capital of the target firm for each of the following 2 years; or

(D) order a plant closing or mass layoff (as defined in section 2(a) of the Worker Adjustment and Retraining Notification Act (29 U.S.C. 2101(a))) and relocate the trade or business conducted by the employees in the United States to 1 or more facilities outside the United States, in accordance with regulations issued by the Secretary of Labor.

(2) Transfer void.—Any transfer made or obligation incurred by a target firm or an affiliate with respect to a target firm in violation of paragraph (1) shall be void.

(3) Joint and several liability for aiders and abettors.—Any controlling private fund, any holder of an active interest in a controlling private fund, or any affiliate of a target firm that aids, abets, facilitates, supports, or instructs a target firm's violation of paragraph (1) shall be jointly and severally liable under this subsection for any transfer made or obligation incurred, including for reasonable attorney's fees and costs awarded to a plaintiff under this subsection.

(4) Cause of action.—Any employee or creditor, or representative of an employee or creditor, of a target firm or of an affiliate of a target firm may bring an action in an appropriate district court of the United States against the direct or indirect transferee or obligee or beneficiary of the transfer or obligation to void the transfer or obligation and recover any transferred property for the target firm or affiliate from which the transfer was made, as applicable. In a successful action to recover a transfer, the court shall also award the plaintiff reasonable attorney's fees and costs.

(e) Limitation on safe harbors.—Section 546(e) of title 11, United States Code, is amended by inserting after "548(b) of this title," the following: "and except in the case of a transfer made in connection with a change in control transaction, as defined in section 212 of the POPULIST Act, or during the protected period, as defined in section 548(f) of this title,".

(f) Fraudulent transfers.—Section 548 of title 11, United States Code, is amended—

(1) in subsection (a)(1), by striking "that was made or incurred on or within 2 years before the date of the filing of the petition" and inserting "that was made or incurred during the period described in subsection (g)"; and

(2) by adding at the end the following:

"(f) (1) Definitions.—In this subsection—

"(A) the terms 'change in control transaction', 'control person', and 'target firm' have the meanings given those terms in section 212 of the POPULIST Act; and

"(B) the term 'protected period' means the shorter of—

"(i) the 15-year period beginning on the date on which a change in control transaction closed; or

"(ii) the period beginning on the date on which a change in control transaction closed and ending on the earliest subsequent date on which a public offering of a controlling share of the common equity securities of the target firm occurs.

"(2) Presumptions.—For purposes of this section, if the debtor is a target firm, the debtor is presumed to have made a transfer or incurred an obligation described in subparagraphs (A) and (B) of subsection (a)(1) if—

"(A) the transfer was made to or obligation was incurred by the debtor or an affiliate in connection with a change in control transaction; or

"(B) during a protected period—

"(i) the transfer was made by the debtor or an affiliate to a control person, an affiliate, or an insider; or

"(ii) the obligation was incurred by the debtor or an affiliate from a control person, an affiliate, or an insider.

"(3) Step transaction doctrine.—For the purposes of this section, a court shall, in analyzing related transactions, link together as a single transaction any interrelated yet formally distinct steps in an integrated transaction (commonly known as the 'step transaction doctrine').

"(g) The trustee may avoid under subsection (a) a transfer of an interest of the debtor in property or any obligation incurred by the debtor on or within—

"(1) 15 years before the date of the filing of the petition if the transfer was made or obligation incurred in connection with a change in control transaction, as defined in section 212 of the POPULIST Act; or

"(2) 2 years before the date of the filing of the petition for all other transfers and obligations.".

(g) Statute of limitations.—Section 3306(b) of title 28, United States Code, is amended—

(1) in paragraph (2), by striking "or" at the end;

(2) in paragraph (3), by striking the period at the end and inserting "; or"; and

(3) by adding at the end the following:

"(4) within 15 years after the transfer was made or the obligation was incurred, if the transfer was made or the obligation was incurred—

"(A) in connection with a change in control transaction, as defined in section 212 of the POPULIST Act; or

"(B) during a protected period, as defined in section 548(f) of title 11.".

(h) Powers and duties of committees.—Section 1103(c) of title 11, United States Code, is amended—

(1) by redesignating paragraphs (3) through (5) as paragraphs (4) through (6), respectively; and

(2) by inserting after paragraph (2) the following:

"(3) upon motion, undertake an examination of a director, officer, general partner, or person in control of the debtor regarding potential conflicts of interest;".

(i) Elimination of sham independent directors.—Section 1107 of title 11, United States Code, is amended—

(1) in subsection (a), by striking "Subject to" and inserting "Except as provided in subsection (c), subject to"; and

(2) by adding at the end the following:

"(c) Notwithstanding subsection (a), if a debtor in possession is serving in a case under this title and a committee of creditors appointed under section 1102 of this title is serving in the case, the committee shall have the exclusive authority of a trustee serving in a case under this chapter to bring or settle on behalf of the estate—

"(1) an action under section 544, 547, 548, or 553 to avoid a transfer made or obligation incurred by the debtor in connection with a change in control transaction, as defined in section 212 of the POPULIST Act; or

"(2) an action against an insider, a former insider, or an agent or aider and abettor of an insider or former insider.".

(j) Limitation on executive compensation enhancements.—Section 503(c) of title 11, United States Code, is amended—

(1) in the matter preceding paragraph (1), by inserting "and subject to section 363(b)(3)," after "Notwithstanding subsection (b),";

(2) in paragraph (1), in the matter preceding subparagraph (A)—

(A) by inserting ", a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider)" after "insider of the debtor";

(B) by inserting "or for the payment of performance or incentive compensation, a bonus of any kind, or any other financial return designed to replace or enhance incentive, stock, or other compensation in effect before the date of the commencement of the case," after "remain with the debtor's business,"; and

(C) by inserting "clear and convincing" before "evidence in the record";

(3) in paragraph (2), in the matter preceding subparagraph (A), by inserting ", a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider)" after "an insider of the debtor"; and

(4) by striking paragraph (3) and inserting the following:

"(3) any other transfer or obligation to or for the benefit of an insider of the debtor, a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider), absent a finding by the court, based upon clear and convincing evidence in the record, and without deference to a request by the debtor for such payment, that—

"(A) because of the essential and particularized nature of the services provided by the insider, executive officer, employee, manager, or consultant, the transfer or obligation is essential to—

"(i) the survival of the business of the debtor; or

"(ii) in a case in which some or all of the assets of the debtor are liquidated, the orderly liquidation of the assets;

"(B) in the case of a transfer or obligation under an incentive program, the transfer or obligation is part of a workforce incentive program generally applicable to the nonmanagement workforce of the debtor; and

"(C) the cost of the transfer or obligation—

"(i) is reasonable;

"(ii) is not excessive in the context of the financial circumstances of the debtor; and

"(iii) is not disproportionate in light of any economic loss incurred by the nonmanagement workforce of the debtor during the case.".

(k) Prohibition against special compensation payments.—Section 363 of title 11, United States Code, is amended—

(1) in subsection (b), by adding at the end the following:

"(3) No plan, program, or other transfer or obligation to or for the benefit of an insider of the debtor, a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider) shall be approved if the debtor has, on or after the date that is 1 year before the date of the filing of the petition—

"(A) discontinued any plan, program, policy or practice of paying severance pay to the nonmanagement workforce of the debtor; or

"(B) modified any plan, program, policy, or practice described in subparagraph (A) in order to reduce benefits under the plan, program, policy or practice."; and

(2) in subsection (c)(1), by inserting before the period at the end the following: ", except that, for any transaction that constitutes a transfer or obligation subject to section 503(c), the trustee shall be required to obtain the prior approval of the court after notice and an opportunity for a hearing".

(l) Executive compensation upon exit from bankruptcy.—Section 1129(a) of title 11, United States Code, is amended—

(1) in paragraph (4), by adding at the end the following:

"Except for compensation subject to review under paragraph (5), any payment or other distribution under the plan to or for the benefit of an insider of the debtor, a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider), shall not be approved by the court except as part of a program of payments or distributions generally applicable to employees of the debtor, and only to the extent that the court determines that the payment or other distribution is not excessive or disproportionate in comparison to payments or other distributions to the nonmanagement workforce of the debtor."; and

(2) in paragraph (5)—

(A) in subparagraph (A)(ii), by striking "and" at the end;

(B) in subparagraph (B), by striking the period at the end and inserting "; and"; and

(C) by adding at the end the following:

"(C) the compensation disclosed pursuant to subparagraph (B) has been approved by, or is subject to the approval of, the court as—

"(i) reasonable in comparison to compensation paid to individuals holding comparable positions at comparable companies in the same industry; and

"(ii) not disproportionate in light of any economic concession made by the nonmanagement workforce of the debtor during the case.".

(m) Voidability of preferential compensation transfers.—Section 547 of title 11, United States Code, is amended by adding at the end the following:

"(j) (1) The trustee may avoid a transfer to or for the benefit of an insider of the debtor, a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider), that—

"(A) is made or incurred under a retention, bonus, or incentive plan devised before the date of the filing of the petition; and

"(B) does not meet the requirements under section 363(b)(3) or 503(c).

"(2) Subsection (c) shall not constitute a defense against the recovery of a transfer under paragraph (1) of this subsection.

"(3) (A) The trustee, or a committee appointed under section 1102, may commence an action to recover a transfer under paragraph (1) of this subsection.

"(B) If neither the trustee nor a committee commences an action to recover a transfer under subparagraph (A) before the date of the commencement of a hearing on the confirmation of a plan, any party in interest may apply to the court for authority to recover the transfer for the benefit of the estate, in which case the costs of recovery shall be borne by the estate.".

(n) Commercial real estate.—Section 365(d) of title 11, United States Code, is amended—

(1) by striking paragraph (4); and

(2) by redesignating paragraph (5) as paragraph (4).

(o) Limitation on leverage in change in control transactions.—

(1) In general.—It shall be unlawful for any control person, in connection with a change in control transaction, to cause or permit a target firm to incur, assume, or maintain—

(A) if the EBITDA of the target firm is greater than zero, total debt in excess of 4 times the EBITDA of the target firm; or

(B) if the EBITDA of the target firm is zero or less, any total debt.

(2) Scope.—The prohibition in paragraph (1) shall apply—

(A) immediately upon the consummation of a change in control transaction; and

(B) at any time thereafter, if the excess leverage or total debt prohibited under paragraph (1) results from an action taken in connection with, or related to, the change in control transaction, including a post-closing refinancing, dividend, distribution, asset transfer, intercompany loan, guarantee, or similar transaction.

(3) Total debt.—

(A) In general.—In this subsection, the term "total debt" means, without duplication, the aggregate amount of—

(i) indebtedness for borrowed money;

(ii) an obligation evidenced by a bond, note, debenture, loan agreement, credit facility, or similar instrument;

(iii) an obligation under a finance lease, conditional sale agreement, or title-retention arrangement;

(iv) an obligation for the deferred purchase price of property or services, other than an ordinary-course trade payable;

(v) an intercompany loan or advance;

(vi) acquisition financing or another financing obligation incurred, assumed, refinanced, or guaranteed in connection with the change in control transaction; and

(vii) a guarantee, indemnity, or other credit support provided by the target firm with respect to an obligation described in clauses (i) through (vi).

(B) Exclusions.—The term "total debt" does not include an account payable, accrued payroll obligation, tax obligation, employee benefit obligation, or other operating liability incurred in the ordinary course of business that does not represent borrowed money, acquisition financing, or deferred acquisition consideration.

(4) Enforcement.—Any obligation incurred, assumed, maintained, refinanced, or guaranteed, directly or indirectly, in violation of this subsection shall be treated as an obligation incurred in violation of paragraph (1) of subsection (d) and shall be subject to paragraphs (2) through (4) of subsection (d).

(p) Codification of IRS proposed rule on private equity management fee waivers.—

(1) Incorporation of specified proposed regulatory text.—The proposed regulatory text contained in the proposed rule entitled "Certain Partnership Related Disguised Payments for Services," as issued by the Department of the Treasury and the Internal Revenue Service and published in the Federal Register on July 23, 2015 (80 Fed. Reg. 43652), as corrected by the correction notice published in the Federal Register on August 19, 2015 (80 Fed. Reg. 50240), is incorporated into this Act and shall be treated as though such proposed regulatory text were set forth in this subsection.

(2) Effect of incorporation.—The proposed regulatory text incorporated under paragraph (1) may be altered only by means of an Act of Congress. To the extent that any provision of the proposed regulatory text incorporated under paragraph (1) does not conform with any other statutory provision of law enacted before the date of enactment of this Act, the provisions of this Act shall govern.

SEC. 214. RESTRICTIONS ON REAL ESTATE INVESTMENT TRUSTS.

(a) Prohibition on Federal health care payments involving real estate investment trusts.—

(1) In general.—Section 1128(a) of the Social Security Act (42 U.S.C. 1320a-7(a)) is amended by adding at the end the following new paragraph:

"(5) Selling assets to or using assets as collateral for a loan with a real estate investment trust.—

"(A) In general.—Any individual or entity that, on or after the date of enactment of this paragraph, sells any assets to, or newly pledges any assets as collateral for a loan with, a real estate investment trust (as defined in section 856(a) of the Internal Revenue Code of 1986).

"(B) Clarification.—Subparagraph (A) shall not apply in the case where an individual or entity agreed to pledge an asset as collateral for a loan with a real estate investment trust prior to the date of enactment of this paragraph, including with respect to any future agreement between the individual or entity and the real estate investment trust regarding that same asset.".

(b) In respect to REIT interest in health care property.—

(1) In general.—Section 856(d) of the Internal Revenue Code of 1986 is amended—

(A) in paragraph (2) by adding at the end the following new subparagraph:

"(C) Amounts received or accrued, directly or indirectly, by a real estate investment trust with respect to qualified health care property shall not be treated as rents from real property.";

(B) In paragraph (8)(B)—

(i) by striking "or a qualified health care property (as defined in subsection (e)(6)(D)(i))", and

(ii) by striking "qualified health care property or"; and

(C) In paragraph (9)—

(i) in subparagraph (A)—

(I) by striking "or a qualified health care property (as defined in subsection (e)(6)(D)(i))",

(II) by striking "or qualified health care property", and

(III) by striking "or qualified health care properties", and

(ii) in subparagraph (B)—

(I) by striking "or qualified health care property (as so defined)", and

(II) by striking "or qualified health care property" each place it appears in clauses (i), (ii), and (iii)(II).

(c) Elimination of qualified REIT dividends from qualified business income.—Section 199A of the Internal Revenue Code of 1986 is amended—

(1) in subsection (b)(1) by striking everything after "an amount equal to" and inserting "the sum of the amounts determined under paragraph (2) for each qualified trade or business carried on by the taxpayer.";

(2) in subsection (c)(1) by striking the last sentence; and

(3) in subsection (e) by striking paragraph (3) and by redesignating paragraph (4) as paragraph (3).

(d) Effective date.—The amendments made by subsections (b) and (c) shall apply to taxable years beginning after the date of enactment of this Act.

SEC. 215. TAX GUARDRAILS AGAINST LOOTING AND TAX AVOIDANCE.

(a) Surtax on certain amounts received by investment firms from controlled target firms.—

(1) Imposition of tax.—Subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new part:

"PART VIII—SURTAX ON CERTAIN AMOUNTS RECEIVED BY INVESTMENT FIRMS

"SEC. 59B. Surtax on certain amounts received by investment firms from controlled target firms.

"Sec. 59B. Surtax on certain amounts received by investment firms from controlled target firms.

"(a) Imposition of tax.—

"(1) In general.—If 1 or more applicable payments are included in the gross income of a taxpayer for any taxable year, then there is hereby imposed on the taxpayer for the taxable year a tax equal to the applicable percentage of the aggregate amount of such payments. Such tax shall be in addition to any other tax imposed by this subtitle.

"(2) Applicable percentage.—For purposes of this subsection, the term 'applicable percentage' means 100 percent, minus the highest rate of tax under section 1 or 11 (whichever is applicable) for the taxable year.

"(b) Applicable payment.—For purposes of this section—

"(1) In general.—The term 'applicable payment' means any amount paid or incurred by an applicable entity (or any person related within the meaning of section 267(b) or 707(b) to such entity) to any other person which, at the time such amount is paid or incurred, is an applicable controlling entity. An amount shall be treated as an applicable payment without regard to whether it is paid or incurred to the taxpayer including it in gross income and to which subsection (a) applies.

"(2) Exceptions.—Such term shall not include any of the following:

"(A) Interest.—Any amount paid or incurred which is treated as interest for purposes of this chapter.

"(B) Distributions of property with respect to stock.—Any distribution of property (as defined in section 317(a)) to which section 301(a) applies.

"(c) Definitions relating to entities.—For purposes of this section—

"(1) Applicable entity.—The term 'applicable entity' means any person—

"(A) which is engaged in the active conduct of a trade or business, and

"(B) with respect to which any other person conducts activities in connection with an applicable trade or business.

"(2) Applicable controlling entity.—The term 'applicable controlling entity' means, with respect to any applicable entity, any person—

"(A) which is engaged in an applicable trade or business some or all of the activities of which are conducted in connection with the applicable entity, and

"(B) which controls (or is related within the meaning of section 267(b) or 707(b) to a person which controls) the applicable entity.

"(3) Applicable trade or business.—The term 'applicable trade or business' means any activity conducted on a regular, continuous, and substantial basis which, regardless of whether the activity is conducted in 1 or more entities, consists, in whole or in part, of—

"(A) raising or returning capital, and

"(B) either—

"(i) investing in or disposing of specified assets (or identifying specified assets for such investing or disposition), or

"(ii) developing specified assets.

"(4) Specified asset.—The term 'specified asset' means—

"(A) securities (as defined in section 475(c)(2) but without regard to the phrase 'widely held or publicly traded' in subparagraph (B) thereof and without regard to the last sentence thereof), and

"(B) real estate held for rental or investment.

"(d) Rules and definitions relating to ownership attribution and control.—For purposes of this section—

"(1) Constructive ownership rules used in determining related party.—In determining whether persons are related within the meaning of section 267(b) or 707(b), the constructive ownership rules of section 318 shall apply in lieu of the constructive ownership rules which would otherwise apply, except that in applying such rules the term 'stock' shall include capital, profits, or other beneficial interests in persons other than corporations.

"(2) Control.—

"(A) Corporations.—In the case of a corporation, the term 'control' has the meaning given such term by section 304(c) (without regard to paragraph (3)(B) thereof).

"(B) Other entities.—In the case of a person other than a corporation, such term means the ownership, directly or indirectly, of at least 50 percent of the capital, profits, or other beneficial interests in the person.

"(e) Regulations.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section, including regulations—

"(1) providing for such adjustments to the application of this section as are necessary to prevent the avoidance of the purposes of this section, including through the use of unrelated persons, or conduit transactions, and

"(2) modifying the constructive ownership rules under section 318 to the extent necessary to apply such rules to capital, profits, or other beneficial interests as well as stock.".

(2) Disallowance of credits against tax.—Subparagraph (B) of section 26(b)(2) of the Internal Revenue Code of 1986 is amended by inserting "or section 59B (relating to surtax on certain amounts received by investment firms from controlled target firms)" after "anti-abuse tax)".

(3) Conforming amendments.—

(A) The table of parts for subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding after the item relating to part VII the following new item:

"Part VIII. Surtax on Certain Amounts Received by Investment Firms".

(B) Section 871(b)(1) of such Code is amended by inserting ", and as provided in section 59B on applicable payments included in gross income which are effectively connected with the conduct of a trade or business within the United States" before the period.

(C) Section 882(a)(1) of such Code is amended—

(i) by striking "59A," and inserting "59A", and

(ii) by inserting ", and as provided in section 59B on applicable payments included in gross income which are effectively connected with the conduct of a trade or business within the United States" before the period.

(D) Subparagraph (A) of section 6425(c)(1) of such Code is amended by striking "plus" at the end of clause (i), by striking "plus" at the end of clause (ii), by striking "over" at the end of clause (iii) and inserting "and", and by adding at the end the following new clause:

"(iv) the tax imposed by section 59B, over".

(E) Paragraph (1) of section 6654(f) of such Code is amended by striking "tax" each place it appears and inserting "taxes".

(F) Subparagraph (A) of section 6655(g)(1) of such Code is amended by striking "plus" at the end of clause (iii), by redesignating clause (iv) as clause (v), and by inserting after clause (iii) the following new clause:

"(iv) the tax imposed by section 59B, and".

(4) Effective date.—The amendments made by this subsection shall apply to applicable payments (as defined in section 59B(b) of the Internal Revenue Code of 1986, as added by this subsection) paid or accrued on or after January 1, 2027.

(b) Limitation on deduction for business interest of certain businesses owned by private funds.—

(1) In general.—Section 163(j) of the Internal Revenue Code of 1986 is amended by redesignating paragraph (11) as paragraph (12) and by inserting after paragraph (10) the following new paragraph:

"(11) Modification of limitation for certain businesses owned by private firms.—

"(A) In general.—In the case of a taxpayer which is an applicable entity controlled by an applicable controlling entity (or any person related within the meaning of section 267(b) or 707(b) to such entity) at any time during the taxable year—

"(i) if the debt-to-equity ratio of the taxpayer as of the close of the taxable year (or on any other day during the taxable year as the Secretary may prescribe in regulations) exceeds 1, then paragraph (1) shall be applied by substituting a percentage that the Secretary determines appropriate (and which shall be less than 30 percent) for '30 percent', and

"(ii) in the case of the election under paragraph (7)(B) to treat any trade or business of the taxpayer as an electing real property trade or business—

"(I) the taxpayer may not make any such election during such taxable year, and

"(II) any such election of the taxpayer in effect as of the close of the taxable year preceding such taxable year with respect to a trade or business shall be revoked, effective for such taxable year and all succeeding taxable years.

"(B) Debt-to-equity ratio.—For purposes of this paragraph, the term 'debt-to-equity ratio' means, with respect to any taxpayer, the ratio which the total indebtedness of the taxpayer bears to the sum of the taxpayer's money and all other assets reduced (but not below 0) by such total indebtedness. If the denominator of the ratio described in the preceding sentence is 0, the debt-to-equity ratio shall be deemed to exceed 1. For purposes of the first sentence of this subparagraph—

"(i) the amount taken into account with respect to any asset shall be the adjusted basis thereof for purposes of determining gain,

"(ii) the amount taken into account with respect to any indebtedness with original issue discount shall be its issue price plus the portion of the original issue discount previously accrued as determined under the rules of section 1272 (determined without regard to subsection (a)(7) or (b)(4) thereof), and

"(iii) there shall be such other adjustments as the Secretary may by regulations prescribe.

"(C) Coordination with depreciation rules.—If the alternative depreciation system under section 168(g) applies to property by reason of an election under paragraph (7)(B) which is revoked under subparagraph (A)(ii)(II), then the depreciation deduction under section 167(a) with respect to such property for the taxable year of revocation and all succeeding taxable years shall be determined under section 168 in the same manner as if such revocation were a change in use of the property under section 168(i)(5) and the regulations thereunder.

"(D) Definitions and rules.—For purposes of this paragraph—

"(i) any term used in this paragraph which is also used in section 59B shall have the same meaning as when used in such section, and

"(ii) the constructive ownership rules of section 318 shall apply in the same manner as such rules apply for purposes of section 59B.".

(2) Effective dates.—

(A) In general.—The amendments made by this subsection shall apply to taxable years beginning on or after January 1, 2027.

(B) Revocation of elections.—Subparagraphs (A)(ii)(II) and (C) of section 163(j)(11) of the Internal Revenue Code of 1986, as added by this subsection, shall apply to taxable years beginning on or after January 1, 2027, with respect to elections under section 163(j)(7)(B) of such Code made before, on, or after such date.

(c) Special rules for partnership interests transferred in connection with performance of services and for partners providing investment management services to partnerships.—

(1) Amendment reference rule.—Except as otherwise expressly provided, whenever in this subsection an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(2) Partnership interests transferred in connection with performance of services.—

(A) In general.—Subsection (c) of section 83 of the Internal Revenue Code of 1986 is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

"(4) Partnership interests.—Except as provided by the Secretary—

"(A) In general.—In the case of any transfer of an interest in a partnership in connection with the provision of services to (or for the benefit of) such partnership—

"(i) the fair market value of such interest shall be treated for purposes of this section as being equal to the amount of the distribution which the partner would receive if the partnership sold (at the time of the transfer) all of its assets at fair market value and distributed the proceeds of such sale (reduced by the liabilities of the partnership) to its partners in liquidation of the partnership, and

"(ii) the person receiving such interest shall be treated as having made the election under subsection (b)(1) unless such person makes an election under this paragraph to have such subsection not apply.

"(B) Election.—The election under subparagraph (A)(ii) shall be made under rules similar to the rules of subsection (b)(2).".

(B) Effective date.—The amendments made by this paragraph shall apply to interests in partnerships transferred after December 31, 2026.

(3) Special rules for partners providing investment management services to partnerships.—

(A) In general.—Part I of subchapter K of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"Sec. 710. Special rules for partners providing investment management services to partnerships.

"(a) Treatment of distributive share of partnership items.—For purposes of this title, in the case of an investment services partnership interest—

"(1) In general.—Notwithstanding section 702(b)—

"(A) an amount equal to the net capital gain with respect to such interest for any partnership taxable year shall be treated as ordinary income, and

"(B) subject to the limitation of paragraph (2), an amount equal to the net capital loss with respect to such interest for any partnership taxable year shall be treated as an ordinary loss.

"(2) Recharacterization of losses limited to recharacterized gains.—The amount treated as ordinary loss under paragraph (1)(B) for any taxable year shall not exceed the excess (if any) of—

"(A) the aggregate amount treated as ordinary income under paragraph (1)(A) with respect to the investment services partnership interest for all preceding partnership taxable years to which this section applies, over

"(B) the aggregate amount treated as ordinary loss under paragraph (1)(B) with respect to such interest for all preceding partnership taxable years to which this section applies.

"(3) Allocation to items of gain and loss.—

"(A) Net capital gain.—The amount treated as ordinary income under paragraph (1)(A) shall be allocated ratably among the items of long-term capital gain taken into account in determining such net capital gain.

"(B) Net capital loss.—The amount treated as ordinary loss under paragraph (1)(B) shall be allocated ratably among the items of long-term capital loss and short-term capital loss taken into account in determining such net capital loss.

"(4) Terms relating to capital gains and losses.—For purposes of this section—

"(A) In general.—Net capital gain, long-term capital gain, and long-term capital loss, with respect to any investment services partnership interest for any taxable year, shall be determined under section 1222, except that such section shall be applied—

"(i) without regard to the recharacterization of any item as ordinary income or ordinary loss under this section, "(ii) by only taking into account items of gain and loss taken into account by the holder of such interest under section 702 (other than subsection (a)(9) thereof) with respect to such interest for such taxable year, and

"(iii) by treating property which is taken into account in determining gains and losses to which section 1231 applies as capital assets held for more than 1 year.

"(B) Net capital loss.—The term 'net capital loss' means the excess of the losses from sales or exchanges of capital assets over the gains from such sales or exchanges. Rules similar to the rules of clauses (i) through (iii) of subparagraph (A) shall apply for purposes of the preceding sentence.

"(5) Special rule for dividends.—Any dividend allocated with respect to any investment services partnership interest shall not be treated as qualified dividend income for purposes of section 1(h).

"(6) Special rule for qualified small business stock.—Section 1202 shall not apply to any gain from the sale or exchange of qualified small business stock (as defined in section 1202(c)) allocated with respect to any investment services partnership interest.

"(b) Dispositions of partnership interests.—

"(1) Gain.—

"(A) In general.—Any gain on the disposition of an investment services partnership interest shall be—

"(i) treated as ordinary income, and

"(ii) recognized notwithstanding any other provision of this subtitle.

"(B) Gift and transfers at death.—In the case of a disposition of an investment services partnership interest by gift or by reason of death of the taxpayer—

"(i) subparagraph (A) shall not apply,

"(ii) such interest shall be treated as an investment services partnership interest in the hands of the person acquiring such interest, and

"(iii) any amount that would have been treated as ordinary income under this subsection had the decedent sold such interest immediately before death shall be treated as an item of income in respect of a decedent under section 691.

"(2) Loss.—Any loss on the disposition of an investment services partnership interest shall be treated as an ordinary loss to the extent of the excess (if any) of—

"(A) the aggregate amount treated as ordinary income under subsection (a) with respect to such interest for all partnership taxable years to which this section applies, over

"(B) the aggregate amount treated as ordinary loss under subsection (a) with respect to such interest for all partnership taxable years to which this section applies.

"(3) Election with respect to certain exchanges.—Paragraph (1)(A)(ii) shall not apply to the contribution of an investment services partnership interest to a partnership in exchange for an interest in such partnership if—

"(A) the taxpayer makes an irrevocable election to treat the partnership interest received in the exchange as an investment services partnership interest, and

"(B) the taxpayer agrees to comply with such reporting and recordkeeping requirements as the Secretary may prescribe.

"(4) Distributions of partnership property.—

"(A) In general.—In the case of any distribution of property by a partnership with respect to any investment services partnership interest held by a partner, the partner receiving such property shall recognize gain equal to the excess (if any) of—

"(i) the fair market value of such property at the time of such distribution, over

"(ii) the adjusted basis of such property in the hands of such partner (determined without regard to subparagraph (C)).

"(B) Treatment of gain as ordinary income.—Any gain recognized by such partner under subparagraph (A) shall be treated as ordinary income to the same extent and in the same manner as the increase in such partner's distributive share of the taxable income of the partnership would be treated under subsection (a) if, immediately prior to the distribution, the partnership had sold the distributed property at fair market value and all of the gain from such disposition were allocated to such partner. For purposes of applying subsection (a)(2), any gain treated as ordinary income under this subparagraph shall be treated as an amount treated as ordinary income under subsection (a)(1)(A).

"(C) Adjustment of basis.—In the case of a distribution to which subparagraph (A) applies, the basis of the distributed property in the hands of the distributee partner shall be the fair market value of such property at the time of such distribution.

"(D) Special rules with respect to mergers and divisions.—In the case of a taxpayer which satisfies requirements similar to the requirements of subparagraphs (A) and (B) of paragraph (3), this paragraph and paragraph (1)(A)(ii) shall not apply to the distribution of a partnership interest if such distribution is in connection with a contribution (or deemed contribution) of any property of the partnership to which section 721 applies pursuant to a transaction described in section 708(b)(2).

"(c) Investment services partnership interest.—For purposes of this section—

"(1) In general.—The term 'investment services partnership interest' means any interest in an investment partnership acquired or held by any person in connection with the conduct of a trade or business described in paragraph (2) by such person (or any person related to such person). An interest in an investment partnership held by any person—

"(A) shall not be treated as an investment services partnership interest for any period before the first date on which it is so held in connection with such a trade or business, "(B) shall not cease to be an investment services partnership interest merely because such person holds such interest other than in connection with such a trade or business, and

"(C) shall be treated as an investment services partnership interest if acquired from a related person in whose hands such interest was an investment services partnership interest.

"(2) Businesses to which this section applies.—A trade or business is described in this paragraph if such trade or business primarily involves the performance of any of the following services with respect to assets held (directly or indirectly) by 1 or more investment partnerships referred to in paragraph (1):

"(A) Advising as to the advisability of investing in, purchasing, or selling any specified asset.

"(B) Managing, acquiring, or disposing of any specified asset.

"(C) Arranging financing with respect to acquiring specified assets.

"(D) Any activity in support of any service described in subparagraphs (A) through (C).

"(3) Investment partnership.—

"(A) In general.—The term 'investment partnership' means any partnership if, at the end of any 2 consecutive calendar quarters ending after December 31, 2026—

"(i) substantially all of the assets of the partnership are specified assets (determined without regard to any section 197 intangible within the meaning of section 197(d)), and

"(ii) less than 75 percent of the capital of the partnership is attributable to qualified capital interests which constitute property held in connection with a trade or business of the owner of such interest.

"(B) Look-through of certain wholly owned entities for purposes of determining assets of the partnership.—

"(i) In general.—For purposes of determining the assets of a partnership under subparagraph (A)(i)—

"(I) any interest in a specified entity shall not be treated as an asset of such partnership, and

"(II) such partnership shall be treated as holding its proportionate share of each of the assets of such specified entity.

"(ii) Specified entity.—For purposes of clause (i), the term 'specified entity' means, with respect to any partnership (hereafter referred to as the upper-tier partnership), any person which engages in the same trade or business as the upper-tier partnership and is—

"(I) a partnership all of the capital and profits interests of which are held directly or indirectly by the upper-tier partnership, or

"(II) a foreign corporation which does not engage in a trade or business in the United States and all of the stock of which is held directly or indirectly by the upper-tier partnership.

"(C) Special rules for determining if property held in connection with trade or business.—

"(i) In general.—Except as otherwise provided by the Secretary, solely for purposes of determining whether any interest in a partnership constitutes property held in connection with a trade or business under subparagraph (A)(ii)—

"(I) a trade or business of any person closely related to the owner of such interest shall be treated as a trade or business of such owner,

"(II) such interest shall be treated as held by a person in connection with a trade or business during any taxable year if such interest was so held by such person during any 3 taxable years preceding such taxable year, and

"(III) paragraph (5)(B) shall not apply.

"(ii) Closely related persons.—For purposes of clause (i)(I), a person shall be treated as closely related to another person if, taking into account the rules of section 267(c), the relationship between such persons is described in—

"(I) paragraph (1) or (9) of section 267(b), or

"(II) section 267(b)(4), but solely in the case of a trust with respect to which each current beneficiary is the grantor or a person whose relationship to the grantor is described in paragraph (1) or (9) of section 267(b).

"(D) Anti-abuse rules.—The Secretary may issue regulations or other guidance which prevent the avoidance of the purposes of subparagraph (A), including regulations or other guidance which treat convertible and contingent debt (and other debt having the attributes of equity) as a capital interest in the partnership.

"(E) Controlled groups of entities.—

"(i) In general.—In the case of a controlled group of entities, if an interest in the partnership received in exchange for a contribution to the capital of the partnership by any member of such controlled group would (in the hands of such member) constitute property held in connection with a trade or business, then any interest in such partnership held by any member of such group shall be treated for purposes of subparagraph (A) as constituting (in the hands of such member) property held in connection with a trade or business.

"(ii) Controlled group of entities.—For purposes of clause (i), the term 'controlled group of entities' means a controlled group of corporations as defined in section 1563(a)(1), applied without regard to subsections (a)(4) and (b)(2) of section 1563. A partnership or any other entity (other than a corporation) shall be treated as a member of a controlled group of entities if such entity is controlled (within the meaning of section

954(d)(3)) by members of such group (including any entity treated as a member of such group by reason of this sentence).

"(F) Special rule for corporations.—For purposes of this paragraph, in the case of a corporation, the determination of whether property is held in connection with a trade or business shall be determined as if the taxpayer were an individual.

"(4) Specified asset.—The term 'specified asset' means securities (as defined in section 475(c)(2) without regard to the last sentence thereof), real estate held for rental or investment, interests in partnerships, commodities (as defined in section 475(e)(2)), cash or cash equivalents, or options or derivative contracts with respect to any of the foregoing.

"(5) Related persons.—

"(A) In general.—A person shall be treated as related to another person if the relationship between such persons is described in section 267(b) or 707(b).

"(B) Attribution of partner services.—Any service described in paragraph (2) which is provided by a partner of a partnership shall be treated as also provided by such partnership.

"(d) Exception for certain capital interests.—

"(1) In general.—In the case of any portion of an investment services partnership interest which is a qualified capital interest, all items of gain and loss (and any dividends) which are allocated to such qualified capital interest shall not be taken into account under subsection (a) if—

"(A) allocations of items are made by the partnership to such qualified capital interest in the same manner as such allocations are made to other qualified capital interests held by partners who do not provide any services described in subsection (c)(2) and who are not related to the partner holding the qualified capital interest, and

"(B) the allocations made to such other interests are significant compared to the allocations made to such qualified capital interest.

"(2) Authority to provide exceptions to allocation requirements.—To the extent provided by the Secretary in regulations or other guidance—

"(A) Allocations to portion of qualified capital interest.—Paragraph (1) may be applied separately with respect to a portion of a qualified capital interest.

"(B) No or insignificant allocations to nonservice providers.—In any case in which the requirements of paragraph (1)(B) are not satisfied, items of gain and loss (and any dividends) shall not be taken into account under subsection (a) to the extent that such items are properly allocable under such regulations or other guidance to qualified capital interests.

"(C) Allocations to service providers' qualified capital interests which are less than other allocations.—Allocations shall not be treated as failing to meet the requirement of paragraph (1)(A) merely because the allocations to the qualified capital interest represent a lower return than the allocations made to the other qualified capital interests referred to in such paragraph.

"(3) Special rule for changes in services and capital contributions.—In the case of an interest in a partnership which was not an investment services partnership interest and which, by reason of a change in the services with respect to assets held (directly or indirectly) by the partnership or by reason of a change in the capital contributions to such partnership, becomes an investment services partnership interest, the qualified capital interest of the holder of such partnership interest immediately after such change shall not, for purposes of this subsection, be less than the fair market value of such interest (determined immediately before such change).

"(4) Special rule for tiered partnerships.—Except as otherwise provided by the Secretary, in the case of tiered partnerships, all items which are allocated in a manner which meets the requirements of paragraph (1) to qualified capital interests in a lower-tier partnership shall retain such character to the extent allocated on the basis of qualified capital interests in any upper-tier partnership.

"(5) Exception for no-self-charged carry and management fee provisions.—Except as otherwise provided by the Secretary, an interest shall not fail to be treated as satisfying the requirement of paragraph (1)(A) merely because the allocations made by the partnership to such interest do not reflect the cost of services described in subsection (c)(2) which are provided (directly or indirectly) to the partnership by the holder of such interest (or a related person).

"(6) Special rule for dispositions.—In the case of any investment services partnership interest any portion of which is a qualified capital interest, subsection (b) shall not apply to so much of any gain or loss as bears the same proportion to the entire amount of such gain or loss as—

"(A) the distributive share of gain or loss that would have been allocated to the qualified capital interest (consistent with the requirements of paragraph (1)) if the partnership had sold all of its assets at fair market value immediately before the disposition, bears to

"(B) the distributive share of gain or loss that would have been so allocated to the investment services partnership interest of which such qualified capital interest is a part.

"(7) Qualified capital interest.—For purposes of this section—

"(A) In general.—The term 'qualified capital interest' means so much of a partner's interest in the capital of the partnership as is attributable to—

"(i) the fair market value of any money or other property contributed to the partnership in exchange for such interest (determined without regard to section 752(a)),

"(ii) any amounts which have been included in gross income under section 83 with respect to the transfer of such interest, and

"(iii) the excess (if any) of—

"(I) any items of income and gain taken into account under section 702 with respect to such interest, over

"(II) any items of deduction and loss so taken into account.

"(B) Adjustment to qualified capital interest.—

"(i) Distributions and losses.—The qualified capital interest shall be reduced by distributions from the partnership with respect to such interest and by the excess (if any) of the amount described in subparagraph (A)(iii)(II) over the amount described in subparagraph (A)(iii)(I).

"(ii) Special rule for contributions of property.—In the case of any contribution of property described in subparagraph (A)(i) with respect to which the fair market value of such property is not equal to the adjusted basis of such property immediately before such contribution, proper adjustments shall be made to the qualified capital interest to take into account such difference consistent with such regulations or other guidance as the Secretary may provide.

"(C) Technical terminations, etc., disregarded.—No increase or decrease in the qualified capital interest of any partner shall result from a termination, merger, consolidation, or division described in section 708, or any similar transaction.

"(8) Treatment of certain loans.—

"(A) Proceeds of partnership loans not treated as qualified capital interest of service providing partners.—For purposes of this subsection, an investment services partnership interest shall not be treated as a qualified capital interest to the extent that such interest is acquired in connection with the proceeds of any loan or other advance made or guaranteed, directly or indirectly, by any other partner or the partnership (or any person related to any such other partner or the partnership). The preceding sentence shall not apply to the extent the loan or other advance is repaid before January 1, 2027, unless such repayment is made with the proceeds of a loan or other advance described in the preceding sentence.

"(B) Reduction in allocations to qualified capital interests for loans from nonservice-providing partners to the partnership.—For purposes of this subsection, any loan or other advance to the partnership made or guaranteed, directly or indirectly, by a partner not providing services described in subsection (c)(2) to the partnership (or any person related to such partner) shall be taken into account in determining the qualified capital interests of the partners in the partnership.

"(9) Special rule for qualified family partnerships.—

"(A) In general.—In the case of any specified family partnership interest, paragraph (1)(A) shall be applied without regard to the phrase 'and who are not related to the partner holding the qualified capital interest'.

"(B) Specified family partnership interest.—For purposes of this paragraph, the term 'specified family partnership interest' means any investment services partnership interest if—

"(i) such interest is an interest in a qualified family partnership, "(ii) such interest is held by a natural person or by a trust with respect to which each beneficiary is a grantor or a person whose relationship to the grantor is described in section 267(b)(1), and

"(iii) all other interests in such qualified family partnership with respect to which significant allocations are made (within the meaning of paragraph (1)(B) and in comparison to the allocations made to the interest described in clause (ii)) are held by persons who—

"(I) are related to the natural person or trust referred to in clause (ii), or

"(II) provide services described in subsection (c)(2).

"(C) Qualified family partnership.—For purposes of this paragraph, the term 'qualified family partnership' means any partnership if—

"(i) all of the capital and profits interests of such partnership are held by—

"(I) specified family members,

"(II) any person closely related (within the meaning of subsection (c)(3)(C)(ii)) to a specified family member, or

"(III) any other person (not described in subclause (I) or (II)) if such interest is an investment services partnership interest with respect to such person, and

"(ii) such partnership does not hold itself out to the public as an investment adviser.

"(D) Specified family members.—For purposes of subparagraph (C), individuals shall be treated as specified family members if such individuals would be treated as 1 person under the rules of section 1361(c)(1) if the applicable date (within the meaning of subparagraph (B)(iii) thereof) were the latest of—

"(i) the date of the establishment of the partnership,

"(ii) the earliest date that the common ancestor holds a capital or profits interest in the partnership, or

"(iii) January 1, 2027.

"(e) Other income and gain in connection with investment management services.—

"(1) In general.—If—

"(A) a person performs (directly or indirectly) investment management services for any investment entity,

"(B) such person holds (directly or indirectly) a disqualified interest with respect to such entity, and

"(C) the value of such interest (or payments thereunder) is substantially related to the amount of income or gain (whether or not realized) from the assets with respect to which the investment management services are performed, "any income or gain with respect to such interest shall be treated as ordinary income. Rules similar to the rules of subsections (a)(5) and (d) shall apply for purposes of this subsection.

"(2) Definitions.—For purposes of this subsection—

"(A) Disqualified interest.—

"(i) In general.—The term 'disqualified interest' means, with respect to any investment entity—

"(I) any interest in such entity other than indebtedness,

"(II) convertible or contingent debt of such entity,

"(III) any option or other contractual entitlement to acquire property described in subclause (I) or (II), and

"(IV) any derivative instrument entered into (directly or indirectly) with such entity or any investor in such entity.

"(ii) Exceptions.—Such term shall not include—

"(I) a partnership interest,

"(II) except as provided by the Secretary, any interest in a taxable corporation, and

"(III) except as provided by the Secretary, stock in an S corporation.

"(B) Taxable corporation.—The term 'taxable corporation' means—

"(i) a domestic C corporation, or

"(ii) a foreign corporation substantially all of the income of which is—

"(I) effectively connected with the conduct of a trade or business in the United States, or

"(II) subject to a comprehensive foreign income tax (as defined in section 457A(d)(2)).

"(C) Investment management services.—The term 'investment management services' means a substantial quantity of any of the services described in subsection (c)(2).

"(D) Investment entity.—The term 'investment entity' means any entity which, if it were a partnership, would be an investment partnership.

"(f) Exception for domestic C corporations.—Except as otherwise provided by the Secretary, in the case of a domestic C corporation—

"(1) subsections (a) and (b) shall not apply to any item allocated to such corporation with respect to any investment services partnership interest (or to any gain or loss with respect to the disposition of such an interest), and

"(2) subsection (e) shall not apply.

"(g) Regulations.—The Secretary shall prescribe such regulations or other guidance as is necessary or appropriate to carry out the purposes of this section, including regulations or other guidance to—

"(1) require such reporting and recordkeeping by any person in such manner and at such time as the Secretary may prescribe for purposes of enabling the partnership to meet the requirements of section 6031 with respect to any item described in section 702(a)(9),

"(2) provide modifications to the application of this section (including treating related persons as not related to one another) to the extent such modification is consistent with the purposes of this section,

"(3) prevent the avoidance of the purposes of this section (including through the use of qualified family partnerships), and

"(4) coordinate this section with the other provisions of this title.

"(h) Cross reference.—For 40-percent penalty on certain underpayments due to the avoidance of this section, see section 6662.".

(d) Application of section 751 to indirect dispositions of investment services partnership interests.—

(1) In general.—Subsection (a) of section 751 of the Internal Revenue Code of 1986 is amended by striking "or" at the end of paragraph (1), by inserting "or" at the end of paragraph (2), and by inserting after paragraph (2) the following new paragraph:

"(3) investment services partnership interests held by the partnership,".

(2) Certain distributions treated as sales or exchanges.—Subparagraph (A) of section 751(b)(1) of the Internal Revenue Code of 1986 is amended by striking "or" at the end of clause (i), by inserting "or" at the end of clause (ii), and by inserting after clause (ii) the following new clause:

"(iii) investment services partnership interests held by the partnership,".

(3) Application of special rules in the case of tiered partnerships.—Subsection (f) of section 751 of the Internal Revenue Code of 1986 is amended—

(A) by striking "or" at the end of paragraph (1), by inserting "or" at the end of paragraph (2), and by inserting after paragraph (2) the following new paragraph:

"(3) an investment services partnership interest held by the partnership,"; and

(B) by striking "partner." and inserting "partner (other than a partnership in which it holds an investment services partnership interest).".

(4) Investment services partnership interests; qualified capital interests.—Section 751 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(g) Investment services partnership interests.—For purposes of this section—

"(1) In general.—The term 'investment services partnership interest' has the meaning given such term by section 710(c).

"(2) Adjustments for qualified capital interests.—The amount to which subsection (a) applies by reason of paragraph (3) thereof shall not include so much of such amount as is attributable to any portion of the investment services partnership interest which is a qualified capital interest (determined under rules similar to the rules of section 710(d)).

"(3) Exception for publicly traded partnerships.—Except as otherwise provided by the Secretary, in the case of an exchange of an interest in a publicly traded partnership (as defined in section 7704) to which subsection (a) applies—

"(A) this section shall be applied without regard to subsections (a)(3), (b)(1)(A)(iii), and (f)(3), and

"(B) such partnership shall be treated as owning its proportionate share of the property of any other partnership in which it is a partner.

"(4) Recognition of gains.—Any gain with respect to which subsection (a) applies by reason of paragraph (3) thereof shall be recognized notwithstanding any other provision of this title.

"(5) Coordination with inventory items.—An investment services partnership interest held by the partnership shall not be treated as an inventory item of the partnership.

"(6) Prevention of double counting.—Under regulations or other guidance prescribed by the Secretary, subsection (a)(3) shall not apply with respect to any amount to which section 710 applies.

"(7) Valuation methods.—The Secretary shall prescribe regulations or other guidance which provide the acceptable methods for valuing investment services partnership interests for purposes of this section.".

(e) Treatment for purposes of section 7704.—Subsection (d) of section 7704 of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

"(6) Income from certain carried interests not qualified.—

"(A) In general.—Specified carried interest income shall not be treated as qualifying income.

"(B) Specified carried interest income.—For purposes of this paragraph—

"(i) In general.—The term 'specified carried interest income' means—

"(I) any item of income or gain allocated to an investment services partnership interest (as defined in section 710(c)) held by the partnership,

"(II) any gain on the disposition of an investment services partnership interest (as so defined) or a partnership interest to which (in the hands of the partnership) section 751 applies, and

"(III) any income or gain taken into account by the partnership under subsection (b)(4) or (e) of section 710.

"(ii) Exception for qualified capital interests.—A rule similar to the rule of section 710(d) shall apply for purposes of clause (i).

"(C) Coordination with other provisions.—Subparagraph (A) shall not apply to any item described in paragraph (1)(E) (or so much of paragraph (1)(F) as relates to paragraph (1)(E)).

"(D) Special rules for certain partnerships.—

"(i) Certain partnerships owned by real estate investment trusts.—Subparagraph (A) shall not apply in the case of a partnership which meets each of the following requirements:

"(I) Such partnership is treated as publicly traded under this section solely by reason of interests in such partnership being convertible into interests in a real estate investment trust which is publicly traded.

"(II) 50 percent or more of the capital and profits interests of such partnership are owned, directly or indirectly, at all times during the taxable year by such real estate investment trust (determined with the application of section 267(c)).

"(III) Such partnership meets the requirements of paragraphs (2), (3), and (4) of section 856(c).

"(ii) Certain partnerships owning other publicly traded partnerships.—Subparagraph (A) shall not apply in the case of a partnership which meets each of the following requirements:

"(I) Substantially all of the assets of such partnership consist of interests in 1 or more publicly traded partnerships (determined without regard to subsection (b)(2)).

"(II) Substantially all of the income of such partnership is ordinary income or section 1231 gain (as defined in section 1231(a)(3)).

"(E) Transitional rule.—Subparagraph (A) shall not apply to any taxable year of the partnership beginning before the date which is 10 years after January 1, 2027.".

(f) Imposition of penalty on underpayments.—

(1) In general.—Subsection (b) of section 6662 of the Internal Revenue Code of 1986 is amended by inserting after paragraph (9) the following new paragraph:

"(10) The application of section 710(e) or the regulations or other guidance prescribed under section 710(g) to prevent the avoidance of the purposes of section 710.".

(2) Amount of penalty.—

(A) In general.—Section 6662 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(m) Increase in penalty in case of property transferred for investment management services.—In the case of any portion of an underpayment to which this section applies by reason of subsection (b)(10), subsection (a) shall be applied with respect to such portion by substituting '40 percent' for '20 percent'.".

(B) Conforming amendment.—Subparagraph (B) of section 6662A(e)(2) of the Internal Revenue Code of 1986 is amended by striking "or (i)" and inserting ", (i), or (m)".

(3) Special rules for application of reasonable cause exception.—Subsection (c) of section 6664 of the Internal Revenue Code of 1986 is amended—

(A) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively,

(B) by striking "paragraph (3)" in paragraph (5)(A), as so redesignated, and inserting "paragraph (4)", and

(C) by inserting after paragraph (2) the following new paragraph:

"(3) Special rule for underpayments attributable to investment management services.—

"(A) In general.—Paragraph (1) shall not apply to any portion of an underpayment to which section 6662 applies by reason of subsection (b)(10) unless—

"(i) the relevant facts affecting the tax treatment of the item are adequately disclosed,

"(ii) there is or was substantial authority for such treatment, and

"(iii) the taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

"(B) Rules relating to reasonable belief.—Rules similar to the rules of subsection (d)(4) shall apply for purposes of subparagraph (A)(iii).".

(g) Income and loss from investment services partnership interests taken into account in determining net earnings from self-employment.—

(1) Internal Revenue Code.—

(A) In general.—Section 1402(a) of the Internal Revenue Code of 1986 is amended by striking "and" at the end of paragraph (16), by striking the period at the end of paragraph (17) and inserting "; and", and by inserting after paragraph (17) the following new paragraph:

"(18) notwithstanding the preceding provisions of this subsection, in the case of any individual engaged in the trade or business of providing services described in section 710(c)(2) with respect to any entity, investment services partnership income or loss (as defined in subsection (m)) of such individual with respect to such entity shall be taken into account in determining the net earnings from self-employment of such individual.".

(B) Investment services partnership income or loss.—Section 1402 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(m) Investment services partnership income or loss.—For purposes of subsection (a)—

"(1) In general.—The term 'investment services partnership income or loss' means, with respect to any investment services partnership interest (as defined in section 710(c)) or disqualified interest (as defined in section 710(e)), the net of—

"(A) the amounts treated as ordinary income or ordinary loss under subsections (b) and (e) of section 710 with respect to such interest,

"(B) all items of income, gain, loss, and deduction allocated to such interest, and

"(C) the amounts treated as realized from the sale or exchange of property other than a capital asset under section 751 with respect to such interest.

"(2) Exception for qualified capital interests.—A rule similar to the rule of section 710(d) shall apply for purposes of applying paragraph (1)(B).".

(2) Social Security Act.—Section 211(a) of the Social Security Act is amended by striking "and" at the end of paragraph (15), by striking the period at the end of paragraph (16) and inserting "; and", and by inserting after paragraph (16) the following new paragraph:

"(17) Notwithstanding the preceding provisions of this subsection, in the case of any individual engaged in the trade or business of providing services described in section 710(c)(2) of the Internal Revenue Code of 1986 with respect to any entity, investment services partnership income or loss (as defined in section 1402(m) of such Code) shall be taken into account in determining the net earnings from self-employment of such individual.".

(h) Separate accounting by partner.—Section 702(a) of the Internal Revenue Code of 1986 is amended by striking "and" at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting ", and", and by inserting after paragraph (8) the following:

"(9) any amount treated as ordinary income or loss under subsection (a), (b), or (e) of section 710.".

(i) Conforming amendments.—

(1) Subsection (d) of section 731 of the Internal Revenue Code of 1986 is amended by inserting "section 710(b)(4) (relating to distributions of partnership property)," after "to the extent otherwise provided by".

(2) Section 741 of the Internal Revenue Code of 1986 is amended by inserting "or section 710 (relating to special rules for partners providing investment management services to partnerships)" before the period at the end.

(3) The table of sections for part I of subchapter K of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"710. Special rules for partners providing investment management services to partnerships.".

(4) Part IV of subchapter O of chapter 1 of the Internal Revenue Code of 1986 is amended—

(A) by striking section 1061; and

(B) in the table of sections, by striking the item relating to section 1061.

(j) Effective date.—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years ending after December 31, 2026.

(2) Partnership taxable years which include effective date.—In applying section 710(a) of the Internal Revenue Code of 1986 (as added by this section) in the case of any partnership taxable year which includes January 1, 2027, the amount of the net capital gain referred to in such section shall be treated as being the lesser of the net capital gain for the entire partnership taxable year or the net capital gain determined by only taking into account items attributable to the portion of the partnership taxable year which is on or after January 1, 2027.

(3) Dispositions of partnership interests.—

(A) In general.—Section 710(b) of such Code (as added by this section) shall apply to dispositions and distributions after December 31, 2026.

(B) Indirect dispositions.—The amendments made by subsection (d) shall apply to transactions after December 31, 2026.

(4) Other income and gain in connection with investment management services.—Section 710(e) of such Code (as added by this section) shall take effect on January 1, 2027.

SEC. 216. GUARDRAILS AROUND ACCESSING PUBLIC FUNDS.

(a) Disclosures.—The Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.) is amended by adding at the end the following:

"Sec. 66. Disclosures.

"(a) In general.—Any person described in paragraph (1) or (7) of section 3(c) that receives funds from a Federal or State agency shall, as a condition of receiving such funds, publicly disclose the information described in subsection (b) on a quarterly basis for any period during which such funds are subject to conditions, restrictions, repayment, forgiveness, or recapture, and failure to comply shall render such person ineligible for additional Federal or State funds for 5 years beginning on the date of such failure.

"(b) Required disclosures.—The person shall publicly disclose—

"(1) the total funds received from the agency;

"(2) the workforce demographics of the person;

"(3) the amount of loans, grants, or other benefits provided;

"(4) the use of the proceeds;

"(5) how many jobs were saved or wages preserved;

"(6) any loans forgiven or discharged;

"(7) the beneficial owners of the person; and

"(8) the pay ratio between the chief executive officer and the median pay of employees.

"(c) Restrictions.—The person may not, during the 2-year period beginning on the last date on which the person receives such funds—

"(1) acquire any company; or

"(2) make any distribution to a shareholder of the person.".

(b) Effective date.—The amendments made by this section shall apply with respect to funds received on or after January 1, 2027.

SEC. 217. INVESTOR PROTECTION AND MARKET TRANSPARENCY.

(a) Disclosure of fees and returns.—The Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.), as amended by this Act, is amended by adding at the end the following:

"Sec. 67. Disclosure of fees and returns.

"(a) Definitions.—In this section, the terms 'controlling private fund', 'private fund', and 'target firm' have the meanings given such terms in section 212 of the POPULIST Act.

"(b) Rules.—Not later than January 1, 2028, the Commission shall issue final rules that require a controlling private fund to, using generally accepted accounting principles, annually report the following information with respect to such controlling private fund:

"(1) The name, address, and vintage year of the fund.

"(2) The name of each general partner of the fund.

"(3) The name of each limited partner of the fund.

"(4) A list of each entity with respect to which the fund owns an equity interest.

"(5) In dollars, the total amount of regulatory assets under management by the fund.

"(6) In dollars, the total amount of net assets under management by the fund.

"(7) The percentage of fund equity contributed by the general partners of the fund and the percentage of fund equity contributed by the limited partners of the fund.

"(8) Information on the debt owed by the fund, including—

"(A) the dollar amount of total debt;

"(B) the percentage of debt for which the creditor is a financial institution in the United States;

"(C) the percentage of debt for which the creditor is a financial institution outside of the United States;

"(D) the percentage of debt for which the creditor is an entity that is located in the United States and is not a financial institution; and

"(E) the percentage of debt for which the creditor is an entity that is located outside of the United States and is not a financial institution.

"(9) The gross performance of the fund during the year covered by the report.

"(10) For the year covered by the report, the difference obtained by subtracting the fees that the general partners of the fund charged to the limited partners of the fund from the financial gains of the fund (commonly referred to as the 'performance net of fees').

"(11) For the year covered by the report, an annual financial statement, which shall include income statements, a balance sheet, and cash flow statements.

"(12) The average debt-to-equity ratio of all target firms with respect to the fund and the debt-to-equity ratio of each such target firm.

"(13) The total gross asset value of all target firms with respect to the fund and the gross asset value of each such target firm.

"(14) The total amount of debt held by all target firms with respect to the fund and the total amount of debt held by each such target firm.

"(15) The total amount of debt held by each target firm with respect to the fund that, as of the date on which the report is submitted, is categorized as liabilities, long-term liabilities, and payment in kind or zero coupon debt.

"(16) The total number of target firms with respect to the fund that experienced default during the period covered by the report, including the name of any such target firm.

"(17) The total number of the target firms with respect to the fund with respect to which a case was commenced under title 11, United States Code, during the period covered by the report, including the name of any such target firm.

"(18) The percentage of the equity of the fund that is owned by—

"(A) citizens of the United States;

"(B) individuals who are not citizens of the United States;

"(C) brokers or dealers;

"(D) insurance companies;

"(E) investment companies that are registered with the Commission under this Act;

"(F) private funds and other investment companies not required to be registered with the Commission;

"(G) nonprofit organizations;

"(H) pension plans maintained by State or local governments (or an agency or instrumentality of either);

"(I) pension plans maintained by nongovernmental employers;

"(J) State or municipal government entities;

"(K) banking or thrift institutions;

"(L) sovereign wealth funds; and

"(M) other investors.

"(19) The total dollar amount of aggregate fees and expenses collected by the fund, the manager of the fund, or related parties from target firms for which the fund is a controlling private fund, which shall—

"(A) be categorized by the type of fee; and

"(B) include a description of the purpose of the fees.

"(20) The total dollar amount of aggregate fees and expenses collected by the fund, the manager of the fund, or related parties from the limited partners of the fund, which shall—

"(A) be categorized by the type of fee; and

"(B) include a description of the purpose of the fees.

"(21) The total carried interest claimed by the fund, the manager of the fund, or related parties and the total dollar amount of carried interest distributed to the limited partners of the fund.

"(22) A description of, during the year covered by the report, any material changes in risk factors at the fund level, including—

"(A) concentration risk;

"(B) foreign exchange risk; and

"(C) extra-financial risk, including environmental, social, and corporate governance risk.

"(23) Disclosures that satisfy the Recommendations of the Task Force on Climate-related Financial Disclosures of the Financial Stability Board, as reported in June 2017.

"(24) A description of the human capital management practices of the fund, including—

"(A) fund workforce demographic information, including the number of full-time employees, the number of part-time employees, the number of contingent workers (including temporary and contract workers), and any policies or practices of the firm relating to subcontracting, outsourcing, and insourcing;

"(B) fund workforce composition, including data on the diversity of that workforce, including the racial and gender composition of that workforce, and any policies and audits relating to the diversity of that workforce;

"(C) any incident of alleged workplace harassment during the 5 years preceding the year in which the report is submitted; and

"(D) any health or safety incident during the 5 years preceding the year in which the report is submitted.

"(25) For the year preceding the year in which the report is submitted, the total amount of Federal support, if any, received by—

"(A) the fund; and

"(B) any entity with respect to which the fund is a beneficial owner, as that term is defined in section 5336(a)(3) of title 31, United States Code.

"(26) Any other information that the Commission determines is necessary and appropriate for the protection of investors.

"(c) Periodic review.—The Commission shall, with respect to the rules issued under subsection (b)—

"(1) review such rules once every 5 years; and

"(2) revise such rules as necessary to ensure that the disclosures required under such rules reflect contemporary trends and characteristics with respect to private investment markets.

"(d) Public availability.—Notwithstanding section 204 of the Investment Advisers Act of 1940 (15 U.S.C. 80b–4), the information disclosed under the rules issued under subsection (b) shall be made available to the public.".

(b) Fiduciary obligations.—

(1) Fiduciary duties under ERISA.—

(A) Plan assets.—Section 401(b)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1101(b)(1)) is amended—

(i) by inserting "or a private fund (as defined in section 212 of the POPULIST Act)" before ", the assets"; and

(ii) by inserting "or such private fund, as applicable" before the period at the end.

(B) Fiduciary obligations of fund managers.—Section 3(21)(A) of such Act (29 U.S.C. 1002(21)) is amended by inserting ", and, in the case of a plan which invests in a security issued by a private fund (as such term is defined in section 212 of the POPULIST Act), includes the manager of such private fund" before the period at the end.

(2) Prohibition against waiving fiduciary duties.—Section 211(h) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–11(h)) is amended—

(A) by striking "and" at the end of paragraph (1);

(B) by striking the period at the end of paragraph (2) and inserting "; and"; and

(C) by adding at the end the following:

"(3) promulgate rules that prohibit an investment adviser from requiring any person to which the investment adviser provides investment advice, including a pension plan (as defined in section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002)) that is subject to title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.), to, as a condition of the investment adviser providing that advice, sign a contract or other agreement in which that person waives a fiduciary duty owed by that person to another person.".

(3) Applicability of benefits.—

(A) In general.—The general partner of a controlling private fund that is a partnership may not provide any term or benefit to any limited partner of the fund unless the general partner provides such term or benefit to all limited partners of the fund.

(B) Enforcement.—A limited partner aggrieved by a violation of this paragraph may bring a civil action in an appropriate district court of the United States for declaratory, injunctive, or other equitable relief necessary to place the limited partners of the fund on equal terms with respect to the term or benefit at issue. In a successful action under this subparagraph, the court shall award the plaintiff reasonable attorney's fees and costs.

(c) Disclosures relating to the marketing of private equity funds.—Any investment adviser to a private fund shall disclose to potential investors, with respect to the other private funds, as defined in section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)), managed by such investment adviser (in this subsection referred to as "managed firms"), the following information:

(1) A list of all managed firms with respect to the investment adviser, including those managed firms that, as of the date on which the disclosure is made—

(A) have active investments; and

(B) have liquidated the assets of the firms.

(2) For each managed firm listed under paragraph (1), the following information:

(A) As applicable, the total term of the listed firm beginning with the commencement of the commitment period with respect to the firm and ending on the date on which the firm is dissolved, including, with respect to a listed firm that, as of the date on which the disclosure is made, is actively investing—

(i) the term specified by any limited partnership agreement; and

(ii) the nature of any provisions that would allow for the extension of that term.

(B) The performance of the listed firm, net of fees, as measured by the public market equivalent or a similar measure.

(C) A list of target firms with respect to which the listed firm was a control person, the nature of the control person relationship, and the period of such control.

(D) The number of employees at each target firm identified under subparagraph (C), as of the date on which the listed firm became a control person with respect to the target firm, and the date on which the listed firm ceased to be a control person with respect to the target firm.

(E) A list of target firms with respect to the listed firm with respect to which a case has been commenced under title 11, United States Code.

(F) For each target firm with respect to the listed firm, and with respect to which the listed firm is a control person—

(i) a list of actions taken by any State or local regulatory agency; and

(ii) any legal or regulatory penalties paid, or settlements entered into, by the general partners of the target firm or the target firm itself.

(3) The percentage breakdown of the means employed by the investment adviser to divest ownership or control of target firms, including—

(A) the sale of target firms to other private funds;

(B) the sale of target firms to private entities, other than private funds;

(C) the sale of target firms to issuers, the securities of which are traded on a national securities exchange;

(D) the commencement of cases under title 11, United States Code, with respect to target firms; and

(E) initial public offerings with respect to target firms.

(d) Greater visibility into nonbank direct lending and private credit.—Not later than July 1, 2027, the Commission shall amend the rules of the Commission to require investment advisers required to submit the form described in section 279.9 of title 17, Code of Federal Regulations (commonly known as "Form PF"), or any successor regulation, to report quarterly to the Commission all—

(1) investments of the private funds advised by the investment adviser; and

(2) loans made by the investment adviser during the period covered by the disclosure.

(e) Effective date.—Except as otherwise provided in this section, this section and the amendments made by this section shall take effect on January 1, 2027.

SEC. 218. RISK RETENTION REQUIREMENTS FOR SECURITIZATION OF CORPORATE DEBT.

(a) Amendments.—Section 15G of the Securities Exchange Act of 1934 (15 U.S.C. 78o-11) is amended—

(1) in subsection (a)(3)—

(A) in subparagraph (A), by striking "or" at the end;

(B) in subparagraph (B), by striking "and" at the end and inserting "or"; and

(C) by adding at the end the following:

"(C) a manager of a collateralized debt obligation; and";

(2) by redesignating subsection (i) as subsection (j); and

(3) by inserting after subsection (h) the following:

"(i) Rules of construction.—With respect to a securitizer described in subsection (a)(3)(C)—

"(1) any provision of this section that requires that securitizer to retain a portion of the credit risk for an asset that such securitizer does not hold, or has never held, shall be construed as requiring that securitizer to—

"(A) obtain that portion of the credit risk for that asset; and

"(B) retain that portion of the credit risk, either directly by the securitizer or through a wholly owned affiliate of the securitizer; and

"(2) any reference in this section to an asset transferred by the securitizer shall be construed to include any transfer caused by the securitizer.".

Subtitle B—Tax Base Integrity and Dynastic Wealth

SEC. 221. TAX ON TRADING TRANSACTIONS.

(a) In general.—Chapter 36 of the Internal Revenue Code of 1986 is amended by inserting after subchapter D the following new subchapter:

"SUBCHAPTER E—TAX ON TRADING TRANSACTIONS

"SEC. 4491. Tax on trading transactions.

"SEC. 4492. Derivative defined.

"Sec. 4491. Tax on trading transactions.

"(a) Imposition of tax.—There is hereby imposed a tax on each covered transaction with respect to any security.

"(b) Rate of tax.—The tax imposed under subsection (a) with respect to any covered transaction shall be 0.1 percent of the specified base amount with respect to such covered transaction.

"(c) Specified base amount.—For purposes of this section, the term 'specified base amount' means—

"(1) except as provided in paragraph (2), the fair market value of a security (determined as of the time of the covered transaction), and

"(2) in the case of any payment with respect to a derivative, the amount of such payment.

"(d) Covered transaction.—For purposes of this section—

"(1) In general.—The term 'covered transaction' means—

"(A) except as provided in subparagraph (B), any purchase if—

"(i) such purchase occurs on, or is subject to the rules of, a qualified board or exchange located in the United States, or

"(ii) the purchaser or seller is a United States person, and

"(B) any transaction with respect to a derivative if—

"(i) such derivative is traded on, or is subject to the rules of, a qualified board or exchange located in the United States, or

"(ii) any party to such derivative is a United States person.

"(2) Exception for initial issues.—No tax shall be imposed under subsection (a) on any covered transaction with respect to the initial issuance of any security described in subparagraph (A), (B), or (C) of subsection (e)(1).

"(e) Definitions and special rules.—For purposes of this section—

"(1) Security.—For purposes of this section, the term 'security' means—

"(A) any share of stock in a corporation,

"(B) any partnership or beneficial ownership interest in a partnership or trust,

"(C) except as provided in paragraph (2), any note, bond, debenture, or other evidence of indebtedness, and

"(D) any derivative (as defined in section 4492).

"(2) Exception for certain traded short-term indebtedness.—A note, bond, debenture, or other evidence of indebtedness which—

"(A) is traded on, or is subject to the rules of, a qualified board or exchange located in the United States, and

"(B) has a fixed maturity of not more than 100 days,

"shall not be treated as described in paragraph (1)(C).

"(3) Qualified board or exchange.—The term 'qualified board or exchange' has the meaning given such term by section 1256(g)(7).

"(f) By whom paid.—

"(1) In general.—The tax imposed by this section shall be paid by—

"(A) in the case of a transaction which occurs on, or is subject to the rules of, a qualified board or exchange located in the United States, such qualified board or exchange, and

"(B) in the case of a purchase not described in subparagraph (A) which is executed by a broker (as defined in section 6045(c)(1)) which is a United States person, such broker.

"(2) Special rules for direct, etc., transactions.—In the case of any transaction to which paragraph (1) does not apply, the tax imposed by this section shall be paid by—

"(A) in the case of a transaction described in subsection (d)(1)(A)—

"(i) the purchaser if the purchaser is a United States person, and

"(ii) the seller if the purchaser is not a United States person, and

"(B) in the case of a transaction described in subsection (d)(1)(B)—

"(i) the payor if the payor is a United States person, and

"(ii) the payee if the payor is not a United States person.

"(g) Treatment of exchanges and payments with respect to derivatives.—For purposes of this section—

"(1) Treatment of exchanges.—

"(A) In general.—An exchange shall be treated as the sale of the property transferred and a purchase of the property received by each party to the exchange.

"(B) Certain deemed exchanges.—In the case of a distribution treated as an exchange for stock under section 302 or 331, the corporation making such distribution shall be treated as having purchased such stock for purposes of this section.

"(2) Payments with respect to derivatives treated as separate transactions.—Except as otherwise provided by the Secretary, any payment with respect to any derivative shall be treated as a separate transaction for purposes of this section.

"(h) Application to transactions by controlled foreign corporations.—

"(1) In general.—For purposes of this section, a controlled foreign corporation shall be treated as a United States person.

"(2) Special rules for payment of tax on direct, etc., transactions.—In the case of any transaction which is a covered transaction solely by reason of paragraph (1) and which is not described in subsection (f)(1)—

"(A) payment by United States shareholders.—Any tax which would (but for this paragraph) be payable under subsection (f)(2) by the controlled foreign corporation shall, in lieu thereof, be paid by the United States shareholders of such controlled foreign corporation as provided in subparagraph (B).

"(B) pro rata shares.—Each such United States shareholder shall pay the same proportion of such tax as—

"(i) the stock which such United States shareholder owns (within the meaning of section 958(a)) in such controlled foreign corporation, bears to

"(ii) the stock so owned by all United States shareholders in such controlled foreign corporation.

"(C) definitions.—For purposes of this subsection, the terms 'United States shareholder' and 'controlled foreign corporation' have the meanings given such terms in sections 951(b) and 957(a), respectively.

"(i) Administration.—The Secretary shall carry out this section in consultation with the Securities and Exchange Commission and the Commodity Futures Trading Commission.

"(j) Guidance; regulations.—The Secretary shall—

"(1) provide guidance regarding such information reporting concerning covered transactions as the Secretary deems appropriate, and

"(2) prescribe such regulations as are necessary or appropriate to prevent avoidance of the purposes of this section, including the use of non–United States persons in such transactions.

"Sec. 4492. Derivative defined.

"(a) In general.—For purposes of this subchapter, except as otherwise provided in this section, the term 'derivative' means any contract (including any option, forward contract, futures contract, short position, swap, or similar contract) the value of which, or any payment or other transfer with respect to which, is (directly or indirectly) determined by reference to 1 or more of the following:

"(1) Any share of stock in a corporation.

"(2) Any partnership or beneficial ownership interest in a partnership or trust.

"(3) Any evidence of indebtedness.

"(4) Except as provided in subsection (b)(1), any real property.

"(5) Any commodity which is actively traded (within the meaning of section 1092(d)(1)).

"(6) Any currency.

"(7) Any rate, price, amount, index, formula, or algorithm.

"(8) Any other item as the Secretary may prescribe.

"Except as provided in regulations prescribed by the Secretary to prevent the avoidance of the purposes of this subchapter, such term shall not include any item described in paragraphs (1) through (8).

"(b) Exceptions.—

"(1) Certain real property.—

"(A) In general.—For purposes of this subchapter, the term 'derivative' shall not include any contract with respect to interests in real property (as defined in section 856(c)(5)(C)) if such contract requires physical delivery of such real property.

"(B) Options to settle in cash.—

"(i) In general.—For purposes of subparagraph (A), a contract which provides for an option of cash settlement shall not be treated as requiring physical delivery of real property unless the option is—

"(I) not exercisable unconditionally, and

"(II) exercisable only in unusual and exceptional circumstances.

"(ii) Option of cash settlement.—For purposes of clause (i), a contract provides an option of cash settlement if the contract settles in (or could be settled in) cash or property other than the underlying real property.

"(2) Securities lending, sale-repurchase, and similar financing transactions.—To the extent provided by the Secretary, for purposes of this subchapter, the term 'derivative' shall not include a contractual obligation to return the same or substantially identical securities transferred in a securities lending transaction, sale-repurchase transaction, or similar financing transaction.

"(3) Options received in connection with the performance of services.—For purposes of this subchapter, the term 'derivative' shall not include any option described in section 83(e)(3) received in connection with the performance of services.

"(4) Insurance contracts, annuities, and endowments.—For purposes of this subchapter, the term 'derivative' shall not include any insurance, annuity, or endowment contract issued by an insurance company to which subchapter L applies (or issued by any foreign corporation to which such subchapter would apply if such foreign corporation were a domestic corporation).

"(5) Derivatives with respect to stock of members of same worldwide affiliated group.—For purposes of this subchapter, the term 'derivative' shall not include any derivative (determined without regard to this paragraph) with respect to stock issued by any member of the same worldwide affiliated group (as defined in section 864(f)) in which the taxpayer is a member.

"(6) Commodities used in normal course of trade or business.—For purposes of this subchapter, the term 'derivative' shall not include any contract with respect to any commodity if—

"(A) such contract requires physical delivery with the option of cash settlement only in unusual and exceptional circumstances, and

"(B) such commodity is used (and is used in quantities with respect to which such derivative relates) in the normal course of the taxpayer's trade or business (or, in the case of an individual, for personal consumption).

"(c) Contracts with embedded derivative components.—

"(1) In general.—If a contract has derivative and nonderivative components, then each derivative component shall be treated as a derivative for purposes of this subchapter. If the derivative component cannot be separately valued, then the entire contract shall be treated as a derivative for purposes of this subchapter.

"(2) Exception for certain embedded derivative components of debt instruments.—A debt instrument shall not be treated as having a derivative component merely because—

"(A) such debt instrument is denominated in a nonfunctional currency (as defined in section 988(c)(1)(C)(ii)), or

"(B) payments with respect to such debt instrument are determined by reference to the value of a nonfunctional currency (as so defined).

"(d) Treatment of American depository receipts and similar instruments.—Except as otherwise provided by the Secretary, for purposes of this subchapter, American depository receipts (and similar instruments) with respect to shares of stock in foreign corporations shall be treated as shares of stock in such foreign corporations.".

(b) Information reporting with respect to controlled foreign corporations.—Section 6038(a)(1)(B) of such Code is amended by inserting "and transactions which are covered transactions for purposes of section 4491 by reason of the application of section 4491(h)(1) to such corporation" before the semicolon at the end.

(c) Disposition of revenues.—

(1) Trust Fund transfer.—Amounts equivalent to 99 percent of the taxes received in the Treasury under section 4491 of the Internal Revenue Code of 1986 shall be transferred to the American Industrial Reconstruction Trust Fund as provided in section 9512(b)(5) of such Code.

(2) Enforcement allocation.—There are hereby appropriated, out of amounts in the Treasury not otherwise appropriated, amounts equivalent to 1 percent of the taxes received in the Treasury under section 4491 of the Internal Revenue Code of 1986, to remain available without fiscal year limitation, as follows:

(A) 70 percent to the Secretary of the Treasury, acting through the Internal Revenue Service, for administration, collection, audit, information reporting, enforcement, and anti-avoidance activities relating to taxes imposed under section 4491 of such Code.

(B) 15 percent to the Securities and Exchange Commission for market data analysis, exchange and broker compliance support, securities market surveillance, and enforcement referrals relating to taxes imposed under section 4491 of such Code.

(C) 15 percent to the Commodity Futures Trading Commission for market data analysis, derivatives market surveillance, designated contract market and swap execution facility compliance support, and enforcement referrals relating to taxes imposed under section 4491 of such Code.

(3) Transfers.—The Secretary of the Treasury shall transfer amounts described under paragraphs (1) and (2) not less frequently than quarterly.

(4) Supplement not supplant.—Amounts appropriated under paragraph (2) shall supplement, and not supplant, any other amounts made available for the activities described in that paragraph.

(d) Conforming amendment.—The table of subchapters for chapter 36 of such Code is amended by inserting after the item relating to subchapter D the following new item: "SUBCHAPTER E. TAX ON TRADING TRANSACTIONS".

(e) Effective date.—The amendments made by this section shall apply to transactions after March 31, 2027.

(f) Interim final rules; final rules.—

(1) Interim final rules.—Not later than 90 days after the date of enactment of this Act, the Secretary of the Treasury shall issue interim final rules to carry out this section and the amendments made by this section, including rules for payment, collection, deposits, returns, information reporting, exchange and broker compliance, direct transactions, derivatives, controlled foreign corporations, and anti-avoidance.

(2) Waiver.—The Secretary shall issue the interim final rules under paragraph (1) without regard to section 553 of title 5, United States Code, chapter 6 of title 5, United States Code, and chapter 35 of title 44, United States Code. The interim final rules shall have the force and effect of law immediately upon publication.

(3) Public comment.—The Secretary shall provide a period of not less than 60 days for public comment after publication of the interim final rules.

(4) Final rules.—Not later than September 30, 2027, the Secretary shall issue final rules to carry out this section and the amendments made by this section.

SEC. 222. TAXING EXCESSIVE CEO PAY.

(a) In general.—Section 11 of the Internal Revenue Code of 1986 (26 U.S.C. 11) is amended by adding at the end the following new subsection:

"(e) Tax increase based on pay ratio.—

"(1) In general.—

"(A) Increase imposed.—In the case of any corporation (except as provided in subparagraph (B)(ii)(II)) the pay ratio of which is greater than 50 to 1 for a taxable year, the rate of tax under subsection (b) for such taxable year shall be increased by the penalty determined under paragraph (2).

"(B) Pay ratio.—For purposes of this subsection—

"(i) In general.—The term 'pay ratio' means the ratio described in section 229.402(u)(1)(iii) of title 17, Code of Federal Regulations (or any successor thereto), except that—

"(I) such ratio shall be determined with respect to any taxable year using the annualized average of the compensation amounts described in such section during the 5-year period ending on the last day of the taxable year, and

"(II) if the highest compensated employee of the corporation is not the principal executive officer, the ratio shall be determined based on the compensation of such highest compensated employee.

"(ii) Corporations not subject to SEC filing.—In the case of a corporation which (without regard to this clause) is not subject to the authorities described in section 229.10(a) of title 17, Code of Federal Regulations (or any successor thereto)—

"(I) Large corporations.—If the average annual gross receipts of such corporation for the 3-taxable-year period ending with the taxable year which precedes such taxable year are at least $100,000,000, such corporation shall calculate and report its pay ratio according to the method which the Secretary shall prescribe by regulations consistent with the regulation described in clause (i).

"(II) Other private corporations exempt.—Subparagraph (A) shall not apply to any such corporation if the average annual gross receipts of such corporation for the 3-taxable-year period ending with the taxable year which precedes such taxable year are less than $100,000,000.

"(iii) Special rules.—For purposes of clause (i)(I), if the corporation was not in existence for the entire 5-year period described in such clause, the annualized average shall be determined on the basis of the period during which the corporation was in existence, and any predecessor of the corporation shall be treated as the corporation. Rules similar to the rules of section 448(c)(3) shall apply for purposes of clause (ii).

"(2) Amount of penalty.—

"(A) In general.—The penalty determined under this paragraph is an increase, expressed in percentage points, equal to the quotient obtained by dividing—

"(i) the numerical component of the pay ratio representing the compensation of the highest compensated employee, by

"(ii) 100,

"rounded down to the nearest multiple of 0.5.

"(B) No maximum.—The increase determined under subparagraph (A) shall not be subject to a maximum percentage point limitation.".

(b) Conforming amendments.—

(1) The following sections of the Internal Revenue Code of 1986 are each amended by inserting "applicable to the corporation (after the application of section 11(e))" after "section 11(b)":

(A) Section 280C(c)(2)(B)(ii)(II).

(B) Paragraphs (2)(B) and (6)(A)(ii) of section 860E(e).

(C) Section 7874(e)(1)(B).

(2) Section 852(b)(3)(A) of such Code is amended by inserting "(after the application of section 11(e))" after "section 11(b)".

(3) Paragraphs (1) and (2) of section 1445(e) of such Code are each amended by striking "in effect for the taxable year under section 11(b)" and inserting "applicable to such corporation under section 11 for the taxable year".

(4) Section 1446(b)(2)(B) of such Code is amended by striking "specified in section 11(b)" and inserting "applicable to such corporation under section 11 for the taxable year".

(c) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2026.

(d) Regulations.—The Secretary of the Treasury (or the Secretary's delegate) shall issue regulations as necessary to prevent avoidance of the purposes of the amendments made by subsection (a), including regulations to prevent the manipulation of the compensation ratio under section 11(e) of the Internal Revenue Code of 1986 by changes to the composition of the workforce (including by using the services of contractors rather than employees).

SEC. 223. PUBLIC EQUITY MONETIZATION TAX.

(a) In general.—Chapter 36 of the Internal Revenue Code of 1986, as amended by this Act, is amended by inserting after subchapter E the following new subchapter:

"SUBCHAPTER F—TAX ON PUBLIC EQUITY MONETIZATION EVENTS

"SEC. 4493. Public equity monetization tax.

"Sec. 4493. Public equity monetization tax.

"(a) Definitions.—In this section:

"(1) Acquisition of a private company by a public company.—The term 'acquisition of a private company by a public company' means an acquisition, directly or indirectly, by a public company of a private company, or of all or substantially all of the assets of a private company.

"(2) American Value Fund.—The term 'American Value Fund' means the fund established under section 623(b)(5) of the POPULIST Act.

"(3) De-SPAC transaction.—The term 'de-SPAC transaction' means any merger, consolidation, share exchange, asset acquisition, reorganization, or similar transaction through which a private company combines with, is acquired by, or becomes the successor to a special purpose acquisition company, blank-check company, shell company, or other public company formed or used primarily to make the equity value of a private company publicly tradeable.

"(4) Depositary share.—The term 'depositary share' means a security, certificate, receipt, or other instrument representing an interest in 1 or more equity securities of a foreign issuer held by a depositary, custodian, or similar person.

"(5) Direct listing.—The term 'direct listing' means any transaction, listing, registration, or other arrangement through which equity securities of a private company become listed, quoted, traded, or otherwise made publicly tradeable on a national securities exchange or other public trading market other than through an underwritten initial public offering.

"(6) Equity security.—The term 'equity security' has the meaning given such term in section 3(a)(11) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(11)).

"(7) Foreign issuer.—The term 'foreign issuer' means an issuer that is not organized under the laws of the United States, any State, the District of Columbia, or any territory or possession of the United States.

"(8) Freely transferable equity security.—The term 'freely transferable equity security' means an equity security that—

"(A) is publicly traded on an established securities market; and

"(B) is not subject to a lock-up, resale restriction, contractual transfer restriction, holding period requirement, voting trust, shareholder agreement, registration limitation, or other legal, contractual, or practical restriction that would materially impair sale.

"(9) Fully diluted equity value.—The term 'fully diluted equity value' means, with respect to an issuer after a public equity monetization event, the aggregate equity value determined by multiplying—

"(A) the measurement price; by

"(B) the total number of common equivalent equity securities of the issuer outstanding after such event, determined without duplication by—

"(i) including all outstanding common shares and other equity securities that participate in the economic value of common shares, without regard to voting authority;

"(ii) treating preferred securities, options, warrants, restricted stock units, convertible securities, convertible debt instruments, and similar equity-linked entitlements or instruments as common equivalent equity securities to the extent such entitlements or instruments are convertible into, exercisable for, exchangeable for, or settleable in common shares or common share equivalents; and

"(iii) taking into account any exercise price, conversion price, purchase price, strike price, or other amount payable to the issuer in connection with such conversion, exercise, exchange, or settlement.

"(10) Initial public offering.—The term 'initial public offering' means the first registered offering of equity securities of a private company to the public under the Securities Act of 1933 (15 U.S.C. 77a et seq.).

"(11) Issuer.—The term 'issuer' has the meaning given such term in section 3(a)(8) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(8)).

"(12) Measurement price.—The term 'measurement price' means, with respect to an equity security, depositary share, or other instrument made publicly tradeable through a public equity monetization event, the greatest of—

"(A) the price at which such equity security, depositary share, or other instrument is sold, issued, listed, exchanged, or valued in connection with the public equity monetization event;

"(B) the closing price of such equity security, depositary share, or other instrument on the first trading day after the public equity monetization event; and

"(C) the 5-trading-day volume-weighted average price of such equity security, depositary share, or other instrument beginning with the first trading day after the public equity monetization event.

"(13) Private company.—The term 'private company' means any person whose equity securities are not listed, quoted, traded, or otherwise publicly tradeable on any securities exchange or other public trading market.

"(14) Public company.—The term 'public company' means any issuer—

"(A) that has a class of equity securities registered under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. 78l);

"(B) that is required to file reports under section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(d)); or

"(C) whose equity securities are listed, quoted, or traded on a national securities exchange or other public trading market in the United States.

"(15) Public equity monetization event.—The term 'public equity monetization event' means—

"(A) an initial public offering;

"(B) a direct listing;

"(C) a de-SPAC transaction;

"(D) a reverse merger;

"(E) an acquisition of a private company by a public company;

"(F) a United States listing event; or

"(G) any substantially similar transaction, series of transactions, plan, arrangement, or device through which equity value of a private company or foreign issuer becomes listed, traded, liquid, or otherwise monetized through public securities markets in the United States.

"(16) Reverse merger.—The term 'reverse merger' means any merger, consolidation, share exchange, acquisition, or similar transaction through which a private company becomes a public company, or becomes owned or controlled by a public company, without an underwritten initial public offering.

"(17) Secretary.—The term 'Secretary' means the Secretary of the Treasury or the Secretary's delegate.

"(18) Taxable value.—The term 'taxable value' means—

"(A) in the case of an initial public offering, direct listing, de-SPAC transaction, or reverse merger, the fully diluted equity value of the issuer after the public equity monetization event;

"(B) in the case of an acquisition of a private company by a public company, the total transaction value of such acquisition;

"(C) in the case of a United States listing event, the number of equity securities, depositary shares, or other instruments sold, issued, registered for resale, listed, deposited, or otherwise first made publicly tradeable in the United States through such event, multiplied by the measurement price for such equity securities, depositary shares, or other instruments; and

"(D) in the case of a substantially similar transaction, series of transactions, plan, arrangement, or device described in paragraph (15)(G), the taxable value determined under subparagraph (A), (B), or (C), as applicable, based on the public equity monetization event that such transaction, series of transactions, plan, arrangement, or device most closely resembles.

"(19) Total transaction value.—The term 'total transaction value' means the aggregate sum, without duplication, of—

"(A) the cash paid or payable in connection with an acquisition of a private company by a public company;

"(B) the fair market value of any equity securities, debt instruments, property, services, entitlements, or other noncash consideration paid, issued, transferred, or provided in connection with such acquisition;

"(C) the amount of any liabilities assumed, refinanced, guaranteed, or otherwise borne by the acquiring public company or any affiliated entity in connection with such acquisition; and

"(D) the fair market value, as determined under regulations prescribed by the Secretary, of any contingent consideration, earnout, option, warrant, derivative instrument, deferred payment, or similar arrangement.

"(20) United States listing event.—The term 'United States listing event' means the first issuer-sponsored listing, trading, registration, depositary share program, registered offering, or other arrangement through which equity securities of a foreign issuer, depositary shares representing such securities, or other instruments representing such securities become listed, traded, or otherwise publicly tradeable on a national securities exchange or other public trading market in the United States. Such term does not include an unsponsored depositary receipt or other trading arrangement established without the participation, consent, approval, or facilitation of the foreign issuer.

"(b) Imposition of tax.—There is hereby imposed a tax equal to 5 percent of the taxable value of each public equity monetization event.

"(c) Liability, return, and application.—

"(1) Liability.—The tax imposed under subsection (b) shall be paid by—

"(A) in the case of an initial public offering, direct listing, de-SPAC transaction, or reverse merger, the issuer, registrant, successor public company, or other person whose equity securities are sold, issued, registered for resale, listed, exchanged, or otherwise made publicly tradeable through the public equity monetization event;

"(B) in the case of an acquisition of a private company by a public company, the acquiring public company;

"(C) in the case of a United States listing event, the foreign issuer; and

"(D) in the case of a substantially similar transaction, series of transactions, plan, arrangement, or device described in subsection (a)(15)(G), the person that would be liable under subparagraph (A), (B), or (C), as applicable, based on the public equity monetization event that such transaction, series of transactions, plan, arrangement, or device most closely resembles.

"(2) Return.—Each person liable for tax under paragraph (1) shall file a return in such form and manner as the Secretary shall prescribe.

"(3) Due date.—The return and tax required under this subsection shall be due on the later of April 15, 2027, or 90 days after the date of the public equity monetization event.

"(4) Application.—This section shall apply to public equity monetization events occurring after December 31, 2025.

"(d) Acceptance of securities.—

"(1) Request.—A person liable for tax under this section may request that the Secretary accept freely transferable equity securities in satisfaction of all or part of the tax imposed under subsection (b).

"(2) Acceptance required.—The Secretary shall accept such securities proposed under paragraph (1) unless the Secretary determines in writing that—

"(A) the securities are not freely transferable equity securities;

"(B) the fair market value of the securities cannot be reliably determined;

"(C) acceptance, holding, or liquidation of the securities would violate Federal securities law;

"(D) liquidation of the securities is likely to produce materially less than the value asserted by the person liable for tax; or

"(E) the request is part of a transaction, series of transactions, plan, arrangement, or device to avoid or evade the tax imposed under subsection (b).

"(3) Valuation.—For purposes of this subsection, the fair market value of freely transferable equity securities accepted by the Secretary shall be determined after transfer to the Secretary under a method prescribed by the Secretary. Such method shall be based on the 5-trading-day volume-weighted average price of such securities beginning with the first trading day after transfer.

"(4) Satisfaction of liability; shortfall.—A tax liability under this section shall be satisfied only to the extent of the fair market value determined under paragraph (3). If such fair market value is less than the amount of tax liability intended to be satisfied by the transfer of securities, the remainder of the liability shall be due within 10 business days.

"(5) Temporary liquidation account.—Any equity securities accepted under this subsection shall be held in a temporary liquidation account established by the Secretary.

"(A) Automatic liquidation.—Beginning not later than 10 trading days after acceptance of equity securities, the Secretary shall sell such securities on each trading day on which such securities may lawfully be sold, until all such securities are liquidated.

"(B) Liquidation period.—The liquidation of such securities shall be done in substantially equal daily quantities, over a period of not fewer than 210 trading days and not more than 250 trading days, as the Secretary may determine.

"(e) Disposition of receipts.—

"(1) Notwithstanding any other provision of law, all amounts paid under this section, and all net proceeds from the liquidation of equity securities under subsection (d), shall be deposited into the general fund of the Treasury.

"(2) American Value Fund.—All amounts deposited pursuant to paragraph (1) shall be credited to the American Value Fund.

"(3) Budgetary treatment.—Amounts credited under this section shall be treated as offsetting receipts for purposes of the Congressional Budget Act of 1974 (2 U.S.C. 621 et seq.).

"(f) Anti-avoidance.—

"(1) Substance over form.—For purposes of this section, the Secretary shall disregard, recharacterize, or aggregate formally separate steps of a transaction, series of transactions, plan, arrangement, or device to reflect the substance of the transaction, series of transactions, plan, arrangement, or device and to prevent avoidance of the tax imposed under subsection (b).

"(2) Date and taxable value.—If the Secretary applies paragraph (1), the public equity monetization event shall be treated as occurring on the date on which the substance of the transaction, series of transactions, plan, arrangement, or device first results in a public equity monetization event described in subsection (a)(15). The taxable value shall be determined under subsection (a)(18) by reference to the full substance of the transaction, series of transactions, plan, arrangement, or device, and not merely by reference to the final step or form used.

"(g) Coordination with other taxes and fees.—

"(1) In general.—The tax imposed by this section shall be in addition to any fee imposed under section 6(b) of the Securities Act of 1933 (15 U.S.C. 77f(b)), any tax imposed under this title, and any other fee, tax, or assessment imposed under Federal or State law.

"(2) No duplicative application.—The Secretary shall prescribe regulations or other guidance to prevent the tax imposed by this section from being imposed more than once on the same equity securities or same transaction value in the same public equity monetization event.

"(h) Reporting and information sharing.—

"(1) Reporting.—The Secretary may require issuers, registrants, foreign issuers, acquiring public companies, underwriters, exchanges, transfer agents, brokers, dealers, depositaries, advisers, and other persons participating in or facilitating a public equity monetization event to report such information as the Secretary determines necessary to carry out this section.

"(2) Information sharing.—Notwithstanding any other provision of law, the Securities and Exchange Commission shall provide to the Secretary, on request, such filings, records, data, and other information as the Secretary determines necessary to administer or enforce this section.

"(i) Regulations.—

"(1) Interim final rules.—Not later than 120 days after the date of enactment of the POPULIST Act, the Secretary, in consultation with the Securities and Exchange Commission, shall issue interim final rules to carry out this section.

"(2) Effect.—The interim final rules shall take effect upon publication in the Federal Register, shall have the force and effect of law, and may be issued without regard to section 553 of title 5, United States Code.

"(3) Public comment.—The Secretary shall provide a public comment period of not less than 60 days after publication of the interim final rules.

"(4) Final rules.—Not later than December 1, 2027, the Secretary, in consultation with the Securities and Exchange Commission, shall issue final rules to carry out this section.".

(b) Conforming amendment.—The table of subchapters for chapter 36 of the Internal Revenue Code of 1986, as amended by this Act, is amended by inserting after the item relating to subchapter E the following new item:

"SUBCHAPTER F. TAX ON PUBLIC EQUITY MONETIZATION EVENTS".

SEC. 224. ENDING SUBSIDIES FOR GIANT MERGERS.

(a) Acquisitive reorganizations.—Section 368(a)(2) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(I) Special rules with respect to certain acquisitive reorganizations described in paragraph (1)(A), (1)(B), (1)(C), and (1)(D).—

"(i) In general.—A merger, consolidation, acquisition, or transfer which is described in clause (ii) shall not be treated as a merger, consolidation, acquisition, or transfer described in paragraph (1)(A), (1)(B), (1)(C), or (1)(D).

"(ii) Transactions described.—A merger, consolidation, acquisition, or transfer is described in this clause if—

"(I) such merger, consolidation, acquisition, or transfer is, or is treated as, the acquisition of the stock or assets of another corporation,

"(II) such merger, consolidation, acquisition, or transfer is not excepted under clause (iii), and

"(III) the combined average annual gross receipts of the acquiring corporation and the acquired corporation for the 3-taxable year period which precedes the taxable year in which the merger, consolidation, acquisition, or transfer is completed exceeds $500,000,000.

"(iii) Exceptions.—A merger, consolidation, acquisition, or transfer is excepted under this clause if—

"(I) either the acquiring corporation or the acquired corporation controls the other immediately before (and, if both corporations continue to exist, after) the merger, consolidation, acquisition, or transfer (as the case may be),

"(II) any other corporation controls both the acquiring corporation and the acquired corporation immediately before (and, if both corporations continue to exist, after) the merger, consolidation, acquisition, or transfer (as the case may be), or

"(III) either the acquiring corporation or the acquired corporation meets the gross receipts test of section 448(c)(1) for the taxable year in which the merger, consolidation, acquisition, or transfer is completed.

"(iv) Aggregation and other special rules.—Rules similar to the rules of paragraphs (2) and (3) of section 448(c) shall apply for purposes of clause (ii)(III), except that (unless otherwise provided by the Secretary) the rules of section 448(c)(2) shall not apply in determining the average annual gross receipts of the acquired corporation.

"(v) Inflation adjustment.—In the case of any taxable year beginning after 2026, the dollar amount in clause (ii)(III) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"If any amount as increased under the preceding sentence is not a multiple of $1,000,000, such amount shall be rounded up to the nearest multiple of $1,000,000.

"(vi) Regulations and guidance.—The Secretary may prescribe such regulations and other guidance as are necessary or appropriate to carry out, and to prevent the abuse of the purposes of, this subparagraph, including rules—

"(I) to prevent the avoidance of the application of this subparagraph through the use of a series of transactions designed and executed as parts of a unitary plan, and

"(II) for the nonapplication of the rules of clause (i) where such nonapplication is consistent with the purposes of this subparagraph.".

(b) Transfers to corporations controlled by transferors.—Section 351 of the Internal Revenue Code of 1986 is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

"(h) Special rule with respect to multiple transferors.—

"(1) In general.—Subsection (a) shall not apply to any transfer of property by 2 or more persons which are corporations if the combined average annual gross receipts of such persons for the 3-taxable year period which precedes the taxable year of the transfer exceeds $500,000,000.

"(2) Exception.—Paragraph (1) shall not apply if—

"(A) such persons control the corporation to which the property is transferred immediately before the transfer,

"(B) another corporation controls all such persons and the corporation to which the property is transferred immediately before the transfer, or

"(C) all such persons meet the gross receipts test of section 448(c)(1) for the taxable year in which the transfer is made.

"(3) Aggregation and other special rules.—Rules similar to the rules of paragraphs (2) and (3) of section 448(c) shall apply for purposes of paragraph (1).

"(4) Inflation adjustment.—In the case of any taxable year beginning after 2026, the dollar amount in paragraph (1) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"If any amount as increased under the preceding sentence is not a multiple of $1,000,000, such amount shall be rounded up to the nearest multiple of $1,000,000.

"(5) Regulations and guidance.—The Secretary may prescribe such regulations and other guidance as are necessary or appropriate to carry out, and to prevent the abuse of the purposes of, this subsection, including rules—

"(A) to prevent the avoidance of the application of this subsection through the use of a series of transactions designed and executed as parts of a unitary plan, and

"(B) for the nonapplication of the rules of paragraph (1) where such nonapplication is consistent with the purposes of this subsection.".

SEC. 225. LIMITATION ON BASIC EXCLUSION AMOUNT AND BASIS ADJUSTMENT AT DEATH.

(a) Findings.—Congress finds the following:

(1) The use of appreciated assets to finance consumption or investment without sale, combined with basis adjustment at death under section 1014 of the Internal Revenue Code of 1986, permits substantial tax avoidance and facilitates the accumulation and transmission of dynastic wealth.

(2) The concentration of large inheritances in a small number of families contributes to wealth inequality, entrenches economic privilege across generations, and undermines the principle that all people should have a fair opportunity to build economic security through their own labor and contributions to society.

(3) It is understandable that parents seek to provide stability and security to their children. But with the establishment of unconditional basic income through the American Union Jobs Program, the United States shall ensure basic economic security for every child and every family. In light of that guarantee, the amount of wealth that may pass tax-free at death may be limited to 100 times the annual basic wage without impairing the basic security of the decedent's offspring.

(b) Basic exclusion amount and portability.—Section 2010(c) of the Internal Revenue Code of 1986 (26 U.S.C. 2010) is amended—

(1) by amending paragraph (3) to read as follows:

"(3) Basic exclusion amount.—For purposes of this subsection, the basic exclusion amount is an amount equal to 100 times the basic wage as determined under section 1398c of title 42, United States Code."; and

(2) by amending paragraph (4)(B)(ii) to read as follows:

"(ii) the sum of—

"(I) the amount with respect to which the tentative tax is determined under section 2001(b)(1) on the estate of such deceased spouse; and

"(II) the aggregate increase in basis allowed under section 1014(g)(1) with respect to property acquired from such deceased spouse.".

(c) Limitation on basis adjustment at death.—Section 1014 of the Internal Revenue Code of 1986 (26 U.S.C. 1014) is amended by adding at the end the following:

"(g) Limitation on basis adjustment for property acquired from a decedent by subject transferees.—

"(1) In general.—In the case of property acquired from a decedent by a subject transferee, the aggregate increase in basis resulting from subsection (a) shall not exceed the unused exclusion remainder.

"(2) Unused exclusion remainder.—For purposes of this subsection, the term 'unused exclusion remainder' means the excess (if any) of—

"(A) the applicable exclusion amount determined under section 2010(c)(2), over

"(B) the sum of—

"(i) the adjusted taxable gifts of the decedent, as determined under section 2001(b), reduced by the amount of such gifts on which gift tax was paid; and

"(ii) the aggregate fair market value, determined as of the date of the decedent's death, of all property acquired from the decedent by subject transferees.

"(3) Subject transferee.—For purposes of this subsection, the term 'subject transferee', with respect to property acquired from a decedent, means any person other than—

"(A) a person acquiring such property with respect to which a deduction is allowable under section 2055 or 2106(a)(2) by reason of the transfer of such property; or

"(B) a person acquiring such property with respect to which a deduction is allowable under section 2056 or 2106(a)(3) by reason of the transfer of such property.

"(4) Pro rata allocation of allowable basis increase.—If the aggregate increase in basis that would otherwise result from subsection (a) with respect to property acquired from the decedent by subject transferees exceeds the unused exclusion remainder, the unused exclusion remainder shall be allocated pro rata among all items of such property for which subsection (a) would otherwise increase basis, based on the amount of such increase for each such item.

"(5) Basis of property with limited basis increase.—In the case of property to which paragraph (4) applies, the basis of such property shall be the adjusted basis of such property immediately before death, increased by the amount allocated to such property under paragraph (4). In no event shall the basis of such property exceed the amount determined under subsection (a).

"(6) Basis of marital deduction and community property.—In the case of property with respect to which a deduction is allowable under section 2056 or 2106(a)(3), or property described in subsection (b)(6), the basis of such property immediately after the decedent's death shall be the lesser of—

"(A) the adjusted basis of such property immediately before the decedent's death; or

"(B) the amount determined under subsection (a).

"(7) Regulations.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this subsection, including regulations for reporting, basis tracking, fractional interests, and coordination with chapters 11 and 12.".

(d) Effective date.—

(1) The amendments made by subsection (b) shall apply to estates of decedents dying and gifts made after December 31, 2026.

(2) The amendment made by subsection (c) shall apply to property acquired from decedents dying after December 31, 2026.

Subtitle C—Addressing Consolidation on Wall Street

SEC. 231. ADJUSTING HART-SCOTT-RODINO THRESHOLDS.

(a) Amendments.—Section 7A of the Clayton Act (15 U.S.C. 18a) is amended—

(1) in subsection (a)(2)(A)—

(A) by striking "2004" and inserting "2027"; and

(B) by striking "2003" and inserting "2026"; and

(2) by adding at the end the following:

"(l) Serial acquisitions.—For purposes of subsection (a), paragraph (2) of that subsection shall be treated as satisfied if, as a result of the acquisition at issue, or pursuant to a plan, series of transactions, agreement, or understanding (whether or not legally binding), the acquiring person would, during any 12-month period, directly or indirectly acquire voting securities, noncorporate interests, or assets of 6 or more persons, regardless of the size of any individual transaction.".

(b) Effective date.—The amendments made by this section shall take effect 90 days after the date of enactment of this Act.

SEC. 232. CLOSING THE FAILING BANK LOOPHOLE IN BANK MERGER APPROVALS.

(a) Amendment.—Section 3 of the Bank Merger Act (12 U.S.C. 1828(c)) is amended by adding at the end the following:

"(14) Failing bank exception narrowly construed.—

"(A) In general.—No proposed merger, acquisition, or consolidation involving an insured depository institution shall be approved on the basis that one party is in financial distress or failing unless the appropriate Federal banking agency determines, based on clear and convincing evidence, that—

"(i) there are no other willing or qualified bidders for the institution;

"(ii) no less anticompetitive transaction is reasonably available; and

"(iii) no other means of executing an orderly resolution or winddown under applicable law would adequately protect depositors and the Deposit Insurance Fund.

"(B) Burden of proof.—The burden of demonstrating compliance with subparagraph (A) shall rest with the parties to the transaction.

"(C) Prohibition on speculative justifications.—General assertions of financial weakness, market instability, or potential future distress shall not, by themselves, satisfy the requirements of this paragraph.

"(D) Written determination required.—Any approval relying on this paragraph shall include a written determination addressing each requirement under subparagraph (A), which shall be made publicly available.".

SEC. 233. PROHIBITION ON COMMON OWNERSHIP OF AIR CARRIERS.

(a) In general.—Section 20 of title 15, United States Code, is amended to read as follows:

"Sec. 20. Prohibition on common ownership of air carriers

"(a) Definitions.—In this section:

"(1) Air carrier.—The term 'air carrier' means a citizen of the United States undertaking, directly or indirectly, to provide air transportation.

"(2) Citizen of the United States.—The term 'citizen of the United States' means—

"(A) an individual who is a citizen of the United States;

"(B) a partnership each of whose partners is an individual who is a citizen of the United States; or

"(C) a corporation or association organized under the laws of the United States, a State, the District of Columbia, or a territory or possession of the United States, of which—

"(i) the president and at least two-thirds of the board of directors and other managing officers are citizens of the United States;

"(ii) the entity is under the actual control of citizens of the United States; and

"(iii) at least 75 percent of the voting interest is owned or controlled by persons that are citizens of the United States.

"(3) Own or control.—The term 'own or control' means beneficial ownership, voting authority, investment discretion, or proxy voting power, whether exercised directly or indirectly, and includes ownership interests held by affiliated persons or entities under common management or control.

"(b) Prohibition.—

"(1) In general.—It shall be unlawful for any person that, with respect to an air carrier, directly or indirectly owns or controls an interest described in paragraph (2) to directly or indirectly own or control, or attempt to own or control, an interest described in paragraph (2) with respect to any other air carrier.

"(2) Covered interests.—An interest described in this paragraph is—

"(A) 5 percent or more of any class of voting securities or other voting interests;

"(B) 5 percent or more of the total voting power; or

"(C) equity securities or other equity interests representing 5 percent or more of the total equity value.

"(3) Independent application.—Each threshold under paragraph (2) shall be applied independently, and percentages determined under different subparagraphs of paragraph (2) shall not be added together.

"(c) Passive investment.—The absence of intent to influence management or corporate governance shall not exempt any person from the prohibition under subsection (b).

"(d) Enforcement.—A violation of this section shall be treated as a violation of the Sherman Act (15 U.S.C. 1 et seq.) and shall be subject to all remedies and enforcement authorities applicable under the antitrust laws.".

(b) Effective date.—This section shall apply to ownership interests held on or after January 1, 2028.

SEC. 234. CODIFICATION OF HART-SCOTT-RODINO FILING REQUIREMENTS.

(a) In general.—

(1) Incorporation of specified rule.—The provisions of the final rule entitled "Premerger Notification; Reporting and Waiting Period Requirements", as issued by the Federal Trade Commission, with the concurrence of the Department of Justice, and published in the Federal Register on November 12, 2024 (89 Fed. Reg. 89216), are incorporated into this Act and shall be treated as though such provisions are set forth in this subsection.

(2) Effect of incorporation.—The rule incorporated under paragraph (1) may be altered only by means of an Act of Congress. To the extent that any provision of such rule does not conform with any other statutory provision of law enacted before the date of enactment of this Act, the provisions of this Act shall govern.

(3) Definition of rule.—In this section, the term "rule" means any rule, regulation, guideline, interpretation, order, or requirement of general applicability prescribed by any officer or employee of the executive branch or an independent establishment.

(b) Rulemaking authority.—

(1) In general.—The Federal Trade Commission is expressly authorized to prescribe rules of general applicability governing the form, content, and manner of filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (15 U.S.C. 18a), including rules requiring

the submission of such information and documentary material as the Commission determines necessary and appropriate to enable an initial assessment of whether a transaction may violate the antitrust laws.

(2) Minimum floor.—Rules prescribed under paragraph (1) may impose requirements that are more stringent than the requirements incorporated under subsection (a), but may not prescribe requirements that are less stringent than such incorporated requirements, except as expressly provided by an Act of Congress.

SEC. 235. PROHIBITING VERTICAL INTERLOCKING DIRECTORATES.

(a) Amendment.—Section 8 of the Clayton Act (15 U.S.C. 19) is amended—

(1) in subsection (a)(2) by striking "For the purposes of this paragraph, 'total sales' means" and inserting "For the purposes of this section, 'total sales' means";

(2) in subsection (a)(5) by striking "in this subsection" and inserting "in this section"; and

(3) by redesignating subsection (b) as subsection (c) and inserting after subsection (a) the following:

"(b) (1) No person shall, at the same time, serve as a director or officer in any 2 corporations (other than banks, banking associations, and trust companies) if—

"(A) each of the corporations has capital, surplus, and undivided profits aggregating more than $10,000,000, as adjusted pursuant to subsection (a)(5); and

"(B) they stand in a covered vertical relationship.

"(2) For purposes of this subsection, 2 corporations stand in a 'covered vertical relationship' if—

"(A) by virtue of their business, the elimination of such dealings between them would materially affect the ability of either corporation to compete in any line of commerce in any section of the country; and

"(B) either corporation—

"(i) has vertical sales to the other of more than $1,000,000, as adjusted pursuant to subsection (a)(5), and the summed vertical sales between such corporations are not less than 4 percent of the total sales of the smaller corporation;

"(ii) grants to the other a license to intellectual property that is material to such competition; or

"(iii) materially manages the other with respect to the production, marketing, or distribution of goods or services.

"(3) For purposes of this subsection, the term 'vertical sales' means the gross revenues from products and services sold by one corporation to the other during the last completed fiscal year.".

SEC. 236. REBUTTABLE PRESUMPTIONS FOR LARGE MERGERS AND ACQUISITIONS.

(a) Amendment.—The Clayton Act (15 U.S.C. 12 et seq.) is amended by inserting after section 7B the following:

"Sec. 7C. Rebuttable presumptions for large mergers and acquisitions.

"(a) Definitions.—In this section:

"(1) Covered transaction.—The term 'covered transaction' means any acquisition of stock or assets, merger, consolidation, or other transaction that is required to be reported under section 7A of the Clayton Act (15 U.S.C. 18a), or that is subject to section 7 of the Clayton Act (15 U.S.C. 18).

"(2) Herfindahl-Hirschman Index.—The term 'Herfindahl-Hirschman Index' means the sum of the squares of the market shares of all firms participating in a relevant market, expressed as whole numbers.

"(3) Materially.—The term 'materially' means more than a de minimis amount.

"(b) Rebuttable presumption.—For purposes of section 7 of the Clayton Act (15 U.S.C. 18), it shall be a rebuttable presumption that a covered transaction may create an appreciable risk of materially lessening competition or tend to create a monopoly or monopsony if any of the following conditions are true:

"(1) Size.—The value of the covered transaction is greater than $100,000,000,000 (as adjusted and published for each fiscal year beginning after September 30, 2026, in the same manner as provided in section 8(a)(5) to reflect the percentage change in the gross national product for such fiscal year compared to the gross national product for the year ending September 30, 2025).

"(2) Concentration and change in concentration.—In any relevant market, the covered transaction would result in a Herfindahl-Hirschman Index greater than 1,800 and would increase the Herfindahl-Hirschman Index by 100 or more.

"(3) Market share and change in concentration.—In any relevant market, the covered transaction would result in a market share of 30 percent or greater for any person and would increase the Herfindahl-Hirschman Index by 100 or more.

"(4) Serial acquisitions.—The covered transaction is part of a pattern or strategy of multiple acquisitions in the same or related business lines and, when evaluated cumulatively, such acquisitions would create or further a trend toward concentration or otherwise may create an appreciable risk of materially lessening competition.

"(5) Vertical foreclosure and limiting access.—The covered transaction may create an appreciable risk of materially lessening competition by enabling the merged firm to limit, foreclose, degrade, or otherwise impede rivals' access to a related product, service, input, or route to market, including by raising rivals' costs, impairing rivals' ability to compete, or otherwise reducing competition.".

Subtitle D—Addressing Electioneering by Corporations

SEC. 241. LIMITATION ON CORPORATE POWER TO ELECTIONEER.

(a) Findings.—Congress finds that—

(1) Corporations are artificial legal entities created by government charter to serve the public good and possess only those powers expressly granted to them by the sovereign authority that authorizes their existence.

(2) Corporate powers are not inherent, personal, or Constitutional in nature; they are delegated privileges that may be defined, limited, conditioned, or withheld in accordance with the public interest.

(3) Under Article I of the Constitution, Congress is the policy setting branch of the United States with principal responsibility to enact rules governing Federal elections and to safeguard democratic self-government.

(4) The Supreme Court's 2010 decision in *Citizens United v. FEC* held that restrictions on corporate election spending burdened free speech rights but assumed, without deciding, that corporations had been granted lawful power to engage in such spending under State or Federal charter law.

(5) Citizens United did not grant corporations an inherent Constitutional right to influence elections; rather, it presupposed the existence of such corporate power, which Congress retains full authority to define, regulate, or withhold in connection with Federal elections.

(6) Nothing in the Constitution requires Congress to grant corporations the power to influence Federal elections, and withholding such power does not restrict the ability of natural persons to participate in political debate, civic associations, and election activity using their own resources.

(7) Special government granted privileges such as limited liability and perpetual existence facilitate wealth accumulation by corporations, which can be used to influence electoral outcomes.

(8) Outside spending and dark money channels have expanded dramatically in recent decades, undermining public trust, reducing transparency, and weakening accountability in Federal elections.

(9) Decisions to use corporate funds for political contributions and expenditures are often made by corporate boards and executives, rather than by shareholders, who historically have lacked practical mechanisms to know of, approve, or meaningfully influence such political activity.

(10) Congress has authority under the Elections Clause, the Commerce Clause, the Necessary and Proper Clause, and its responsibility to preserve a republican form of government to structure and limit the activities of corporations operating in interstate commerce when necessary to safeguard the integrity of Federal elections.

(11) While corporations may petition and lobby elected officials regarding public policy relevant to their business purposes, allowing corporations to engage in electioneering directed at voters is inconsistent with the public good, threatens political equality, and undermines democratic self-government.

(12) Clarifying that corporations do not possess the power to engage in electioneering in connection with Federal elections, except as expressly authorized by Congress, is necessary to protect the integrity of Federal elections.

(b) Definitions.—In this section:

(1) Corporation.—The term "corporation" means any entity organized under the laws of a State or the laws of the United States, including any subsidiary, affiliate, or other entity that is substantially controlled by such entity.

(2) Disbursement for a political purpose.—The term "disbursement for a political purpose" has the meaning given such term in section 10F of the Securities Exchange Act of 1934 (as inserted by this Act).

(3) Electioneering communication.—The term "electioneering communication" means any publicly distributed communication that is intended to influence the outcome of a Federal election, but does not include—

(A) any bona fide news story, fact-check, interview, candidate debate or forum, investigative report, or other form of journalistic reporting distributed by a press entity acting in the normal course of its press function;

(B) any commentary, opinion, or endorsement expressed by an identifiable individual using such individual's own resources; or

(C) any communication exempted by regulations promulgated under subsection (j).

(4) Expenditure for political activities.—The term "expenditure for political activities" has the meaning given the term in section 13(t) of the Securities Exchange Act of 1934 (as inserted by this Act).

(5) Federal electioneering authorization.—The term "Federal electioneering authorization" means an Act of Congress that expressly and specifically extends to a corporation the privilege of engaging in an electioneering communication or political expenditure.

(6) Press entity.—The term "press entity" means a publisher, broadcaster, or other entity that disseminates news or information to the public and that is acting in the normal course of a bona fide journalistic function.

(7) Publicly distributed communication.—The term "publicly distributed communication" means any communication disseminated, or intended to be disseminated, to the general public or to any segment thereof, including through broadcast media, cable networks, satellite transmission, the internet, digital platforms, social media, search engines, streaming services, mobile applications, algorithmic targeting systems, print media, or mass distribution channels.

(8) Responsible person.—The term "responsible person" means any organizer, incorporator, director, officer, controlling shareholder, beneficial owner, or other individual who directly or indirectly exercises substantial control over a corporation or its activities.

(c) Corporate electioneering power withheld.—Notwithstanding any other provision of Federal or State law, no corporation shall possess any legal power, privilege, capacity, or authority to make, finance, authorize, direct, facilitate, or otherwise support an expenditure for political activities or an electioneering communication in connection with a Federal election unless pursuant to a Federal electioneering authorization that satisfies subsection (e).

(d) Voidness.—Any corporate action prohibited under subsection (c) is void and unenforceable as a matter of Federal law.

(e) Federal authorization enumerated.—A Federal electioneering authorization may be granted only within the framework of—

(1) chapter 301 of title 52, United States Code;

(2) section 527 of title 26, United States Code; and

(3) until December 31, 2029:

(A) section 501(c)(4) of title 26, United States Code; and

(B) the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

(f) Federal preemption.—No State, the District of Columbia, or any territory or possession of the United States may grant any corporate charter, or confer any corporate power, privilege, or authority, that permits a corporation to engage in an electioneering communication or expenditure for political activities in connection with a Federal election.

(g) Rule of construction.—Nothing in this section shall be construed to limit or restrict the ability of natural persons to engage in political speech or make expenditures for political activities using their own resources.

(h) Enforcement.—

(1) Federal enforcement.—The Attorney General may bring a civil action to enforce this section.

(2) State civil enforcement.—The attorney general of any State in which an electioneering communication was disseminated, published, or received may bring a civil action to enforce this section.

(i) Personal liability of responsible persons.—Any responsible person who knowingly authorizes, directs, finances, or participates in an activity prohibited under this section shall be personally liable, jointly and severally, for an amount equal to 3 times the value of the prohibited expenditure for political activities.

(j) Implementation.—

(1) Interim final rules.—Not later than April 30, 2027, the Federal Election Commission, in consultation with the Secretary of the Treasury and the Attorney General, shall issue interim final rules to implement this section—

(A) as needed to clarify coordination, aggregation, anti-avoidance, and reporting; and

(B) to establish procedures for exempting electioneering communications under subsection (b)(3) whose inclusion would be de minimis or duplicative of other provisions of law, provided that no such exceptions may narrow the exclusions in subparagraphs (A) and (B).

(2) Procedure.—The Commission shall issue the interim final rules without regard to section 553 of title 5, United States Code. The interim final rules shall have the force and effect of law immediately upon publication. The Commission shall provide a period of not less than 60 days for public comment after publication of the interim final rules.

(3) Final rules.—Not later than October 1, 2027, the Commission shall issue final rules to implement this section.

SEC. 242. UNAUTHORIZING CORPORATE PACS.

(a) Limitation.—

(1) In general.—Section 316(b)(2)(C) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30118(b)(2)(C)) is amended by striking "a corporation" and inserting "a nonprofit corporation".

(2) Definition.—Section 316(b) of such Act (52 U.S.C. 30118(b)) is amended by adding at the end the following new paragraph:

"(8) For purposes of this section, the term 'nonprofit corporation' means a corporation described in section 501(c) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code, other than a corporation which is ineligible to be exempt from taxation under section 501(a) of such Code if it establishes a separate segregated fund under this subsection.".

(b) Permitting solicitation of contributions only from executive and administrative personnel.—Section 316(b) of such Act (52 U.S.C. 30118(b)) is amended—

(1) in paragraph (4)(A)(i), by striking "its stockholders and their families and";

(2) in paragraph (4)(B)—

(A) by striking "a corporation" the first place it appears and inserting "a nonprofit corporation";

(B) by striking "any stockholder, executive or administrative personnel," and inserting "any executive or administrative personnel"; and

(C) by striking "stockholders, executive or administrative personnel," and inserting "executive or administrative personnel"; and

(3) in paragraph (4)(D)—

(A) by striking "stockholders and";

(B) by striking "such stockholders or personnel" and inserting "such personnel"; and

(C) by striking "such stockholders and personnel" and inserting "such personnel"; and

(4) in paragraph (5), by striking "stockholders and".

(c) Treatment of Government contractors.—Section 317(b) of such Act (52 U.S.C. 30119(b)) is amended—

(1) by striking "any corporation" and inserting "any nonprofit corporation"; and

(2) by striking "a corporation" and inserting "a nonprofit corporation".

(d) Transition for existing funds and committees.—In the case of a separate segregated fund established and operating under section 316(b)(2)(C) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30118(b)(2)(C)) as of the date of the enactment of this Act which is not a fund of a nonprofit corporation as defined in section 316(b)(8) of such Act (as added by subsection (a)(2)), the fund shall terminate and disburse its entire balance not later than June 30, 2027.

SEC. 243. POLITICAL TRANSPARENCY REPORTING REQUIREMENTS.

(a) Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m) is amended by adding at the end the following:

"(t) Reporting requirements relating to certain political expenditures.—

"(1) Definitions.—In this subsection:

"(A) Covered affiliate.—The term 'covered affiliate' means, with respect to an issuer, any entity that is a consolidated subsidiary of the issuer for financial reporting purposes, and any other entity that is controlled by the issuer, directly or indirectly, within the meaning of the rules of the Commission under this title, whether or not such entity is a consolidated subsidiary of the issuer.

"(B) Covered 501(c)(4) organization.—The term 'covered 501(c)(4) organization' means an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 that engaged in political intervention during the current 2-year election cycle or the immediately preceding 2-year election cycle.

"(C) Expenditure for political activities.—The term 'expenditure for political activities'—

"(i) means—

"(I) an independent expenditure (as defined in section 301(17) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30101(17)));

"(II) an electioneering communication (as defined in section 304(f)(3) of that Act (52 U.S.C. 30104(f)(3))) and any other public communication (as defined in section

301(22) of that Act (52 U.S.C. 30101(22))) that would be an electioneering communication if it were a broadcast, cable, or satellite communication;

"(III) a transfer of funds or anything of value to a covered 501(c)(4) organization, unless—

"(aa) the transferor prohibited, in writing, the use of the transfer for political intervention, independent expenditures, electioneering communications, or other disbursements for a political purpose; and

"(bb) the transferor reasonably relied on written representations of the covered 501(c)(4) organization that the transfer would be deposited and maintained in an account segregated from any account used by the covered 501(c)(4) organization to engage in political intervention; or

"(IV) dues or other payments to trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of that Code that are, or could reasonably be anticipated to be, used or transferred to another association or organization for the purposes described in subclause (I) or (II); and

"(ii) does not include—

"(I) direct lobbying efforts through registered lobbyists employed or hired by the issuer;

"(II) communications by an issuer to its shareholders and executive or administrative personnel and their families; or

"(III) the establishment and administration of contributions to a separate segregated fund to be utilized for political purposes by a corporation.

"(D) Issuer.—The term 'issuer' does not include an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a–8).

"(E) Political intervention.—The term 'political intervention' has the meaning given such term in section 4956 of the Internal Revenue Code of 1986.

"(F) 2-year election cycle.—The term '2-year election cycle' means the period beginning on the day after the most recent general election for Federal office and ending on the date of the next general election for Federal office.

"(2) Quarterly reports.—

"(A) Reports required.—Not later than June 30, 2027, the Commission shall amend the reporting rules under this section to require each issuer with a class of equity securities registered under section 12 of this title (15 U.S.C. 78l) to submit to the Commission and the shareholders of the issuer a quarterly report containing—

"(i) a description of any expenditure for political activities made during the preceding quarter by the issuer or any covered affiliate;

"(ii) the date of each expenditure for political activities;

"(iii) the amount of each expenditure for political activities;

"(iv) if the expenditure for political activities was made in support of or in opposition to a candidate, the name of the candidate and the office sought by, and the political party affiliation of, the candidate; and

"(v) the name or identity of trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code which receive dues or other payments as described in paragraph (1)(C).

"(B) Public availability.—The Commission shall ensure that the quarterly reports required under this paragraph are publicly available through the Internet website of the Commission and through the EDGAR system in a manner that is searchable, sortable, and downloadable, consistent with the requirements under section 24.

"(3) Annual reports.—Not later than June 30, 2027, the Commission shall, by rule, require each issuer to include in the annual report of the issuer to shareholders—

"(A) a summary of each expenditure for political activities made during the preceding year in excess of $10,000, and each expenditure for political activities for a particular election if the total amount of such expenditures for that election is in excess of $10,000;

"(B) the results of the shareholder assessment required by section 10F of the Securities Exchange Act of 1934, including—

"(i) the total amount of expenditures for political activities for the fiscal year authorized by holders of a majority of outstanding equity securities;

"(ii) a description of the specific nature of any expenditure for political activities the issuer intends to make for the forthcoming fiscal year, to the extent the specific nature is known to the issuer; and

"(iii) the results of the required assessments under subsection (b) of such section.

"(4) Reports to Congress.—

"(A) Assessment and report.—The Commission shall—

"(i) conduct an annual assessment of the compliance of issuers with this subsection; and

"(ii) submit to Congress an annual report containing the results of such assessment.

"(B) Government Accountability Office.—The Comptroller General of the United States shall periodically evaluate and report to Congress on the effectiveness of the oversight by the Commission of the reporting and disclosure requirements under this subsection.".

SEC. 244. CORPORATE POLITICAL SPENDING RESTRICTIONS AND CONSEQUENCES.

(a) Assessment required.—The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 10E the following new sections:

"Sec. 10F. Assessment of shareholder preferences for disbursements for political purposes.

"(a) Definitions.—In this section—

"(1) In general.—

"(A) Each of the terms 'candidate', 'election', 'political committee', and 'political party' has the meaning given such term under section 301 of the Federal Election Campaign Act of 1971 (52 U.S.C. 30101).

"(B) Each of the terms 'covered affiliate' and 'issuer' has the meaning given such term in section 13(t) of this Act.

"(2) Disbursement for a political purpose.—The term 'disbursement for a political purpose'—

"(A) means any of the following:

"(i) A disbursement for an independent expenditure, as defined in section 301(17) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30101(17)).

"(ii) A disbursement for an electioneering communication, as defined in section 304(f) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30104(f)).

"(iii) A disbursement for any public communication, as defined in section 301(22) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30101(22))—

"(I) which expressly advocates the election or defeat of a clearly identified candidate for election for Federal office, or is the functional equivalent of express advocacy because, when taken as a whole, it can be interpreted by a reasonable person only as advocating the election or defeat of a candidate for election for Federal office; or

"(II) which refers to a clearly identified candidate for election for Federal office and which promotes or supports a candidate for that office, or attacks or opposes a candidate for that office, without regard to whether the communication expressly advocates a vote for or against a candidate for that office.

"(iv) Any other disbursement which is made for the purpose of influencing the outcome of an election for a public office.

"(v) Any transfer of funds to another person which is made with the intent that such person will use the funds to make a disbursement described in clauses (i) through (iv), or with the knowledge that the person will use the funds to make such a disbursement.

"(B) does not include any of the following:

"(i) Any disbursement made from a separate segregated fund of the corporation under section 316 of the Federal Election Campaign Act of 1971 (52 U.S.C. 30118).

"(ii) Any transfer of funds to another person which is made in a commercial transaction in the ordinary course of any trade or business conducted by the corporation or in the form of investments made by the corporation.

"(iii) Any transfer of funds to another person which is subject to a written prohibition against the use of the funds for a disbursement for a political purpose.

"(b) Assessment and authorization required before making a disbursement for a political purpose.—An issuer with a class of equity securities registered under section 12 of this title (15 U.S.C. 78l) may not, directly or indirectly, make or cause to be made (including through any covered affiliate), a disbursement for a political purpose unless the issuer—

"(1) has in place procedures to assess the preferences of the shareholders of the issuer with respect to making such disbursements for that fiscal year;

"(2) has completed an assessment for such fiscal year, no earlier than the first day of the third fiscal quarter of the fiscal year immediately preceding the fiscal year in which the disbursement is made;

"(3) has obtained, through the assessment, the authorization of a majority of the number of the outstanding equity securities of the issuer for an aggregate dollar amount of disbursements for a political purpose for the fiscal year in which the disbursement is made, provided—

"(A) any outstanding equity security with respect to which a preference is not expressed in the assessment shall be treated as in opposition to authorizing any disbursement for a political purpose and a preference for an authorized amount of $0; and

"(B) any outstanding equity security held by a person who is prohibited from expressing partisan or political preferences by law, contract, or the requirement to meet a fiduciary duty shall be treated as in opposition to authorizing any disbursement for a political purpose and a preference for an authorized amount of $0; and

"(4) the disbursement, in the aggregate for the fiscal year, would not exceed such authorized amount.

"(c) Assessment requirements.—The assessment described under subsection (b) shall assess shareholder preferences for—

"(1) the aggregate amount of disbursements for a political purpose the shareholder authorizes for the forthcoming fiscal year, which may be $0, provided that the issuer may propose an amount to the respondent;

"(2) which types of disbursements for a political purpose the issuer should make;

"(3) whether such disbursements should be made in support of, or in opposition to, Republican, Democratic, Independent, or other political party candidates and political committees;

"(4) whether such disbursements should be made with respect to elections for Federal, State, or local office; and

"(5) such other information as the Commission may specify, by rule.

"Sec. 10G. Treatment of certain transfers to section 501(c)(4) organizations.

"(a) Definitions.—In this section:

"(1) In general.—Each of the terms 'covered affiliate' and 'issuer' has the meaning given such term in section 13(t) of this Act.

"(2) 2-year election cycle.—The term '2-year election cycle' means the period beginning on the day after the most recent general election for Federal office and ending on the date of the next general election for Federal office.

"(3) Covered 501(c)(4) organization.—The term 'covered 501(c)(4) organization' means an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 that engaged in political intervention during the current 2-year election cycle or the immediately preceding 2-year election cycle.

"(4) Covered transfer.—The term 'covered transfer' means any transfer of funds or anything of value, whether directly or indirectly, by an issuer or any covered affiliate to a covered 501(c)(4) organization.

"(5) Political intervention.—The term 'political intervention' has the meaning given such term in section 4956 of the Internal Revenue Code of 1986.

"(b) Rebuttable presumption.—It shall be a rebuttable presumption that any covered transfer is—

"(1) an expenditure for political activities for purposes of section 13(t); and

"(2) for purposes of section 10F of this Act and section 316(d) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30118(d)), a disbursement for a political purpose.

"(c) Affirmative defense.—The presumption under subsection (b) may be rebutted if—

"(1) the transferor prohibited, in writing, the use of the covered transfer for political intervention, independent expenditures, electioneering communications, or other disbursements for a political purpose; and

"(2) the transferor reasonably relied on written representations of the covered 501(c)(4) organization that the covered transfer would be deposited and maintained in an account segregated from any account used by the covered 501(c)(4) organization to engage in political intervention.

"Sec. 10H. Civil action by shareholders for unlawful disbursements.

"(a) Definition.—In this section the term 'covered violation' means any violation of section 10F of the Securities Exchange Act of 1934, section 13(t) of such Act, or section 316(d) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30118(d)).

"(b) Cause of action.—Any shareholder of an issuer who held an equity security of the issuer at the time a covered violation occurred may bring a civil action against the issuer for such covered violation.

"(c) Strict liability.—In an action brought under this section—

"(1) the issuer shall be liable without any showing of knowledge or intent; and

"(2) the court shall award to the shareholder bringing the action—

"(A) damages in the amount of $25,000; and

"(B) reasonable attorneys' fees and costs.

"(d) Jurisdiction and venue.—The district courts of the United States shall have jurisdiction over actions brought under this section. An action under this section may be brought in the United States district court for the district in which the issuer is incorporated, has its principal place of business, or is found or transacts business.

"(e) Nonwaiver.—Any provision of any contract, charter, bylaw, or other governing instrument that purports to waive, limit, or restrict the remedies of a shareholder under this section shall be void as against public policy.

"(f) Other remedies preserved.—Nothing in this section shall be construed to limit any authority of the Commission, the Attorney General, or a State attorney general, or any other remedy available under Federal or State law.

"Sec. 10I. Political transparency for controlling private funds.

"(a) Definitions.—In this section:

"(1) Affiliate.—The term 'affiliate' has the meaning given the term in section 212 of the POPULIST Act.

"(2) Commission.—The term 'Commission' means the Securities and Exchange Commission.

"(3) Controlling private fund.—The term 'controlling private fund' has the meaning given the term in section 212 of the POPULIST Act.

"(4) Covered 501(c)(4) organization.—The term 'covered 501(c)(4) organization' means an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 that engaged in political intervention during the current 2-year election cycle or the immediately preceding 2-year election cycle.

"(5) Expenditure for political activities.—The term 'expenditure for political activities'—

"(A) means—

"(i) an independent expenditure, as that term is defined in section 301(17) of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30101(17)]);

"(ii) an electioneering communication, as that term is defined in section 304(f)(3) of that Act ([52 U.S.C. 30104(f)(3)]), and any other public communication, as defined in section 301(22) of that Act ([52 U.S.C. 30101(22)]), that would be an electioneering communication if it were a broadcast, cable, or satellite communication; or

"(iii) dues or other payments to a trade association or to an organization described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of that Code that are, or could reasonably be anticipated to be, used or transferred to another association or organization for the purposes described in clause (i) or (ii); and

"(B) does not include—

"(i) direct lobbying efforts through registered lobbyists employed or hired by a controlling private fund; or

"(ii) communications by a controlling private fund to its investors, executive or administrative personnel, and their families.

"(6) Political intervention.—The term 'political intervention' has the meaning given that term in section 4956 of the Internal Revenue Code of 1986.

"(7) 2-year election cycle.—The term '2-year election cycle' means the period beginning on the day after the most recent general election for Federal office and ending on the date of the next general election for Federal office.

"(b) Treatment of certain transfers to covered 501(c)(4) organizations.—For purposes of this section, any transfer of funds or anything of value by a controlling private fund or any affiliate to a covered 501(c)(4) organization shall be treated as an expenditure for political activities unless—

"(1) the transferor prohibited, in writing, the use of the transfer for political intervention, independent expenditures, electioneering communications, or other disbursements for a political purpose; and

"(2) the transferor reasonably relied on written representations of the covered 501(c)(4) organization that the transfer would be deposited and maintained in an account segregated from any account used by the covered 501(c)(4) organization to engage in political intervention.

"(c) Annual reports.—Not later than January 1, 2028, the Commission shall issue final rules requiring each controlling private fund to submit to the Commission, provide to its investors, and make publicly available an annual report containing—

"(1) with respect to each expenditure for political activities made during the preceding year by the controlling private fund or any affiliate—

"(A) a description of the expenditure;

"(B) the date of the expenditure;

"(C) the amount of the expenditure;

"(D) if the expenditure was made in support of or in opposition to a candidate, the name of the candidate, the office sought by the candidate, and the political party affiliation of the candidate; and

"(E) if the expenditure consisted of dues or other payments described in subsection (a)(5)(A)(iii), the name or identity of the trade association or organization receiving such dues or payments;

"(2) a summary of expenditures for political activities with respect to each election for which the aggregate amount of expenditures for political activities by the controlling private fund or any affiliate during the preceding year was not less than $10,000;

"(3) a description of the specific nature of any expenditure for political activities that the controlling private fund intends to make for the year in which the report is submitted, to the extent that the specific nature is known to the controlling private fund; and

"(4) the total amount of expenditures for political activities that the controlling private fund intends to make for the year in which the report is submitted.

"(d) Public availability.—The Commission shall make the reports required under subsection (c) publicly available through the internet website of the Commission in a manner that is searchable, sortable, and downloadable.

"(e) Rule of construction.—Nothing in this section shall be construed to authorize any expenditure for political activities otherwise prohibited by Federal law, including section 241 of the POPULIST Act.".

(b) Conforming amendment to Federal Election Campaign Act of 1971 to prohibit disbursements by corporations failing to assess preferences.—Section 316 of the Federal Election Campaign Act of 1971 (52 U.S.C. 30118) is amended by adding at the end the following new subsection:

"(d) Prohibiting disbursements by corporations failing to assess shareholder preferences.—

"(1) Prohibition.—It shall be unlawful for a corporation to make, directly or indirectly (including through any covered affiliate, as defined in section 13(t) of the Securities Exchange Act of 1934), a disbursement for a political purpose unless the corporation—

"(A) has in place procedures to assess the preferences of its shareholders with respect to making such disbursements, as provided in section 10F of such Act;

"(B) is authorized to make such disbursement under section 10F(b) of such Act; and

"(C) does not make a disbursement that causes the corporation to exceed any aggregate authorized amount established under such section for the fiscal year in which the disbursement is made.

"(2) Definition.—In this section, the term 'disbursement for a political purpose' has the meaning given such term in section 10F of the Securities Exchange Act of 1934.".

(c) Conforming amendment.—The table of contents of the Securities Exchange Act of 1934 is amended by inserting after the item relating to section 10E the following:

"10F. Assessment of shareholder preferences for disbursements for political purposes.

"10G. Treatment of certain transfers to section 501(c)(4) organizations.

"10H. Civil action by shareholders for unlawful disbursements.

"10I. Political transparency for controlling private funds.".

(d) Effective date.—The amendments made by this section shall apply with respect to disbursements for a fiscal year beginning on or after July 1, 2027.

SEC. 245. DEBARMENT FOR UNLAWFUL CORPORATE POLITICAL SPENDING.

(a) Definitions.—In this section:

(1) Covered entity.—The term "covered entity" means—

(A) an issuer, including any covered affiliate (as such term is defined in section 13(t)(1) of the Securities Exchange Act of 1934); and

(B) a controlling private fund, including any affiliate of such fund.

(2) Covered violation.—The term 'covered violation' means—

(A) any covered violation, as defined in section 10H of the Securities Exchange Act of 1934; or

(B) any violation of section 10I of such Act.

(3) Final determination.—The term "final determination" means a final judgment, decree, or order of a court of competent jurisdiction, or a final order of the Securities and Exchange Commission, that determines that a covered entity committed a covered violation, including a consent judgment or consent order.

(4) Federal award.—The term "Federal award" means any contract, subcontract, grant, cooperative agreement, loan, loan guarantee, insurance, license, permit, concession, or other agreement or assistance that is awarded, approved, renewed, extended, or modified, in whole or in part, with Federal funds, and includes any award by any executive agency.

(5) Executive agency.—The term "executive agency" has the meaning given such term in section 105 of title 5, United States Code.

(b) Ineligibility.—Notwithstanding any other provision of law, a covered entity with respect to which a final determination has been made shall be ineligible to receive a Federal award during the ineligibility period described in subsection (c), except as provided in subsection (g).

(c) Ineligibility period.—The ineligibility period under this subsection shall begin on the date on which the final determination is made and shall end on the date that is 3 years after such date, except that if a final determination is made with respect to a subsequent covered violation during an ineligibility period, a new 3-year ineligibility period shall begin on the date of such subsequent final determination. A subsequent final determination relating to the same covered violation shall not begin a new ineligibility period.

(d) Certification requirement.—

(1) In general.—As a condition of receiving a Federal award, a covered entity shall certify, in a form and manner prescribed by the head of the executive agency making the award, that—

(A) the covered entity is not subject to an ineligibility period under subsection (c); or

(B) the covered entity is subject to an ineligibility period under subsection (c) and the head of the executive agency has granted a waiver under subsection (g) with respect to the Federal award.

(2) Duty to update.—A covered entity that has submitted a certification under paragraph (1) shall have a continuing obligation to update such certification if the covered entity becomes subject to an ineligibility period under subsection (c) or if a waiver granted under subsection (g) expires, is withdrawn, or is modified.

(e) Effect of false certification.—

(1) False claims.—A certification submitted under subsection (d) that is false, fictitious, or fraudulent, and any request for payment, reimbursement, disbursement, or other benefit made under a Federal award while a covered entity is subject to an ineligibility period under subsection (c) and no waiver under subsection (g) applies to such Federal award, shall be treated as a false or fraudulent claim for purposes of subchapter III of chapter 37 of title 31, United States Code.

(2) Other remedies preserved.—Nothing in this section shall be construed to limit any other remedy or authority available under Federal law, including suspension and debarment authorities, termination for default, recoupment, disgorgement, or the recovery of damages.

(f) Administration and enforcement.—

(1) Agency action.—Each executive agency shall include in its award documents such terms as are necessary to carry out this section, including certification, termination, and repayment terms.

(2) Government-wide listing.—The Administrator of General Services shall maintain a publicly available government-wide list of covered entities subject to an ineligibility period under subsection (c), and each executive agency shall consult such list before making a Federal award.

(3) Notice and updating.—

(A) Judicial determinations.—Not later than 10 days after a judgment, decree, or order of a court becomes a final determination under subsection (a)(3), the clerk of the court shall transmit a copy of the final determination to the Administrator of General Services.

(B) Commission determinations.—Not later than 10 days after an order of the Securities and Exchange Commission becomes a final determination under subsection (a)(3), the Commission shall transmit a copy of the final determination to the Administrator of General Services.

(C) Government-wide list.—Not later than 10 days after receiving a final determination under subparagraph (A) or (B), the Administrator shall add the covered entity to the list maintained under paragraph (2). Not later than 10 days after the applicable ineligibility period ends, the Administrator shall remove the covered entity from the list unless another ineligibility period remains in effect.

(4) Referral.—The head of an executive agency that has credible information that a covered entity has committed a covered violation or has made a false certification under subsection (d) shall refer such information to the Attorney General.

(g) Waiver.—

(1) In general.—The head of an executive agency may waive the application of subsection (b) with respect to a specific Federal award for a period of 6 months if the head of the executive agency—

(A) determines, in writing, that—

(i) the waiver is necessary to avoid—

(I) an imminent threat to public health or safety;

(II) an articulable threat to national security; or

(III) an imminent threat to the continuity of essential government operations; and

(ii) no practicable alternative source is reasonably available; and

(B) submits to the Committees on Oversight and Accountability and Judiciary of the House of Representatives and the Committees on Homeland Security and Governmental Affairs and Judiciary of the Senate a report describing the waiver and the reasons for the waiver.

(2) Renewal.—A waiver under this subsection may be renewed for additional 6-month periods if the requirements of paragraph (1) are satisfied with respect to each renewal.

Subtitle E—Financial Market Integrity and Corporate Accountability

SEC. 251. PROHIBITION ON STOCK BUYBACKS.

(a) Definitions.—In this section—

(1) Equity security.—The term "equity security" has the meaning given such term in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c).

(2) Exchange.—The term "exchange" has the meaning given such term in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c).

(3) Issuer.—The term "issuer" has the meaning given such term in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c).

(4) National securities exchange.—The term "national securities exchange" means an exchange registered under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f).

(b) Prohibition.—Notwithstanding any other provision of law, no issuer may purchase an equity security of the issuer on a national securities exchange.

(c) Elimination of safe harbor.—Section 240.10b–18 of title 17, Code of Federal Regulations, shall have no force or effect.

(d) Rule of construction.—Nothing in this section shall be construed to affect tender offers conducted pursuant to section 240.13e–4 or sections 240.14e–1 through 240.14f–1 of title 17, Code of Federal Regulations.

SEC. 252. FAILED BANK EXECUTIVES CLAWBACK AND HOLDING COMPANY LIABILITY.

(a) Clawback authority for insured depository institutions.—Section 8(b) of the Federal Deposit Insurance Act (12 U.S.C. 1818(b)) is amended by inserting after paragraph (8) the following:

"(9) Clawback.—

"(A) Definition.—In this paragraph, the term 'covered compensation' means—

"(i) salary;

"(ii) bonuses;

"(iii) any compensation that is granted, earned, or vested based wholly or in part upon the attainment of any financial reporting measure or other performance metric;

"(iv) equity-based compensation;

"(v) time- or service-based awards;

"(vi) awards based on nonfinancial metrics; and

"(vii) any profits realized from the buying or selling of securities.

"(B) Liability of institution-affiliated party.—An institution-affiliated party that is substantially responsible for the condition of an insured depository institution is liable to the Corporation for any covered compensation clawed back under subparagraph (C).

"(C) Required clawbacks.—In the case of insolvency or resolution of any insured depository institution, the Corporation shall claw back all or part of the covered compensation received by an institution-affiliated party during the preceding 5 years as is necessary to prevent unjust enrichment and assure that the party bears losses consistent with the responsibility of the party.

"(D) Deposit.—Any covered compensation clawed back under this paragraph shall be deposited into the Deposit Insurance Fund or into the general fund of the Treasury.".

(b) Clawback authority for covered financial companies.—Section 204 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5384) is amended by adding at the end the following:

"(e) Clawback.—

"(1) Definition.—In this subsection, the term 'covered compensation' means—

"(A) salary;

"(B) bonuses;

"(C) any compensation that is granted, earned, or vested based wholly or in part upon the attainment of any financial reporting measure or other performance metric;

"(D) equity-based compensation;

"(E) time- or service-based awards;

"(F) awards based on nonfinancial metrics; and

"(G) any profits realized from the buying or selling of securities.

"(2) Liability of institution-affiliated party.—An institution-affiliated party that is substantially responsible for the condition of a covered financial company is liable to the Corporation for any covered compensation clawed back under paragraph (3).

"(3) Required clawbacks.—In the case of insolvency or resolution of any covered financial company, the Corporation shall claw back all or part of the covered compensation received by an institution-affiliated party during the preceding 5 years as is necessary to prevent unjust enrichment and assure that the party bears losses consistent with the responsibility of the party.

"(4) Deposit.—Any covered compensation clawed back under this subsection shall be deposited into the Deposit Insurance Fund or into the general fund of the Treasury.".

(c) Bank holding company liability.—The Bank Holding Company Act (12 U.S.C. 1841 et seq.) is amended by adding at the end the following:

"Sec. 15. Liability to the Federal Deposit Insurance Corporation.

"(a) Definitions.—In this section:

"(1) Insured depository institution.—The term 'insured depository institution' has the meaning given the term in section 3 of the Federal Deposit Insurance Act.

"(2) Corporation.—The term 'Corporation' means the Federal Deposit Insurance Corporation.

"(b) In general.—Any bank holding company that has control over an insured depository institution for which the Corporation is appointed and acts as receiver under section 11 of the Federal Deposit Insurance Act shall be liable to the Corporation for—

"(1) any payments from the Deposit Insurance Fund to insured depositors of such insured depository institution;

"(2) any costs incurred by the Corporation as receiver of such insured depository institution; and

"(3) interest on each amount described in paragraph (1) or (2), accruing from the date the amount is paid or incurred by the Corporation, at the underpayment rate determined under section 6621(a)(2) of the Internal Revenue Code of 1986 and compounded daily under section 6622(a) of such Code.

"(c) Lien against all assets.—

"(1) In general.—Any liability of a bank holding company to the Corporation under subsection (b) shall be secured by a lien on all assets of such bank holding company.

"(2) Specifications.—Any lien arising under this subsection—

"(A) shall be deemed to be automatically perfected;

"(B) shall have priority over all other liens, irrespective of their date of creation or perfection; and

"(C) may not be avoided in a proceeding under title 11, United States Code.

"(d) Priority of liability.—

"(1) In general.—Any liability of a bank holding company to the Corporation under subsection (b) shall have payment priority over all other liabilities of and interests in the bank holding company.

"(2) Clarifying rule.—No payment shall be made to any other creditor or shareholder of the bank holding company until the liability to the Corporation under this section has been paid in full.

"(e) Treatment under systemic solvency rule.—

"(1) Separate entity determination.—For purposes of section 254 of the POPULIST Act, the liability of a bank holding company under this section shall be included in the separate entity determination of the bank holding company at an amount equal to the aggregate amount of the insured deposits of all insured depository institutions controlled by the bank holding company, determined as of the date of the systemic solvency determination, plus a standardized allowance for receivership costs and interest determined under paragraph (4). An equity or other ownership interest of the bank holding company in an insured depository institution shall not reduce the amount of the liability recognized under this paragraph.

"(2) Enterprise-group determination.—In a determination required under section 254(e)(2) of the POPULIST Act, the same underlying insured deposit liability may not be counted more than once solely because the liability is reflected both as a liability of the insured depository institution and as a liability of the bank holding company under this section. A receivership cost, interest obligation, or other amount included in the liability under this section that is not otherwise reflected in the enterprise-group determination shall be recognized separately.

"(3) Actual liability unaffected.—Nothing in paragraph (2)—

"(A) limits the liability of a bank holding company to the Corporation under this section;

"(B) affects the lien or priority established under subsections (c) and (d); or

"(C) limits the separate entity requirements of section 254(e)(1) of the POPULIST Act.

"(4) Rules.—The Office of Systemic Solvency established under section 254(h) of the POPULIST Act, in consultation with the Corporation, shall prescribe rules for determining and reporting liabilities under this subsection for purposes of section 254 of the POPULIST Act, including a conservative percentage of aggregate insured deposits to be used as the standardized allowance under paragraph (1), based on historical receivership costs and interest.".

SEC. 253. PROHIBITION ON PRIVATE EQUITY INVESTMENTS IN EMPLOYEE BENEFIT PLANS.

Section 404(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104(a)) is amended by adding at the end the following:

"(3) Prohibition on private equity and alternative investments.—

"(A) In general.—A fiduciary shall not cause the assets of an employee benefit plan to be invested, directly or indirectly, in—

"(i) a private equity fund;

"(ii) a hedge fund;

"(iii) a private credit fund;

"(iv) a venture capital fund; or

"(v) any other pooled investment vehicle or investment arrangement that is not publicly traded on a national securities exchange and that is characterized by illiquidity, a limited ability to redeem, or the absence of transparent market pricing.

"(B) Indirect investments prohibited.—The prohibition under subparagraph (A) applies regardless of whether the investment is made—

"(i) directly by the plan;

"(ii) through a fund of funds;

"(iii) through a target date fund or similar asset allocation vehicle; or

"(iv) through any other intermediary, special purpose vehicle, or structured product.

"(C) No waiver or exemption.—Any agreement, plan term, regulation, guidance, or other action that purports to permit an investment prohibited under this paragraph shall have no force or effect.

"(D) Fiduciary breach.—A violation of this paragraph shall constitute a breach of fiduciary duty under this title.

"(E) Effective date and transition.—

"(i) Effective date.—Subparagraphs (A) through (D) shall apply beginning on January 1, 2027.

"(ii) No additional plan assets.—Beginning on January 1, 2027, a fiduciary may not cause plan assets to be contributed, committed, invested, reinvested, recycled, or otherwise added, directly or indirectly, to an investment described in subparagraph (A), including pursuant to an agreement entered into before that date.

"(iii) Contract override.—Notwithstanding any other provision of law or the terms of any agreement, any provision requiring or permitting a contribution, investment, reinvestment, recycling, or other addition of plan assets prohibited under clause (ii) shall be void and unenforceable with respect to the plan and its fiduciaries. No person may impose a default, forfeiture, dilution, penalty, acceleration, fee, reduction in value or ownership, termination of rights, or other adverse consequence because a plan or fiduciary declines to provide plan assets in accordance with clause (ii).

"(iv) Existing funded interests.—A fiduciary may retain through June 30, 2028, an interest acquired before January 1, 2027, that would otherwise be prohibited under subparagraph (A), only while promptly and diligently pursuing the sale, transfer, redemption, or other disposition of the interest. The fiduciary shall complete the disposition of each such interest not later than June 30, 2028.

"(v) Automatic statutory redemption.—

"(I) In general.—Any interest described in clause (iv) held by a plan as of July 1, 2028, shall, by operation of law, be deemed redeemed as of that date. The plan shall cease to hold an interest in the applicable investment vehicle and shall instead hold a claim for the statutory redemption value determined under subclause (III).

"(II) Liability.—The applicable investment vehicle and each general partner, managing member, sponsor, investment adviser, or investment manager that controls or has authority over the management, redemption, or disposition of the interest shall be jointly and severally liable to the plan for payment of the statutory redemption value.

"(III) Statutory redemption value.—The statutory redemption value shall be the fair value of the plan's direct or indirect economic interest as of July 1, 2028, determined in accordance with rules issued under subparagraph (F), without reduction by reason of—

"(aa) a transfer restriction, consent requirement, right of first refusal, lockup, redemption limitation, or similar contractual restriction;

"(bb) an exit fee, default charge, penalty, forfeiture, dilution, or other consequence arising from compliance with this paragraph; or

"(cc) the fact that the redemption is required by this paragraph.

"(IV) Economic position fixed.—Except for interest on an unpaid statutory redemption obligation, no capital call, contribution obligation, management fee, exit fee, penalty, gain, loss, distribution entitlement, or other change associated with the investment shall accrue to or against the plan after July 1, 2028. A payment or distribution received by the plan after that date with respect to the redeemed interest shall be credited against the unpaid statutory redemption obligation.

"(V) Interest.—An unpaid statutory redemption obligation shall bear interest beginning on July 1, 2028, at the rate determined under section 1961(a) of title 28, United States Code, except that, for purposes of determining such rate, July 1, 2028, shall be treated as the date of the judgment. Interest shall be computed daily and compounded annually in accordance with section 1961(b) of such title.

"(VI) Enforcement.—The Secretary or the plan may bring a civil action in an appropriate district court of the United States to enforce this clause. In a successful action brought by a plan, the court shall award the unpaid statutory redemption value, accrued interest, and reasonable attorney's fees and costs.

"(F) Rulemaking.—

"(i) Interim final rules.—Not later than July 1, 2027, the Secretary, in consultation with the Securities and Exchange Commission, the Secretary of the Treasury, and the Pension Benefit Guaranty Corporation, shall issue interim final rules to carry out subparagraph (E). The Secretary shall issue the interim final rules without regard to section 553 of title 5, United States Code. The rules shall have the force and effect of law immediately upon publication.

"(ii) Public comment.—The Secretary shall provide a period of not less than 90 days for public comment after publication of the interim final rules.

"(iii) Final rules.—Not later than January 1, 2028, the Secretary shall issue final rules to carry out subparagraph (E).

"(iv) Subjects.—The rules issued under this subparagraph shall establish procedures and standards governing—

"(I) notice, documentation, reporting, and recordkeeping;

"(II) orderly sale, transfer, redemption, and other disposition of direct and indirect interests;

"(III) treatment of funds of funds, target date funds, pooled investment vehicles, intermediaries, special purpose vehicles, structured products, and distributions in kind;

"(IV) independent valuation and determination of statutory redemption value;

"(V) allocation of responsibility among investment vehicles, general partners, managing members, sponsors, investment advisers, investment managers, fiduciaries, custodians, and intermediaries;

"(VI) payment, distributions, valuation disputes, and enforcement of statutory redemption obligations; and

"(VII) prevention of evasion, artificial reductions in value, asset transfers, preferential payments, fees, penalties, or other actions inconsistent with this paragraph.

"(v) Limitations on authority.—The Secretary may not—

"(I) extend or waive the January 1, 2027, or July 1, 2028, dates established under subparagraph (E);

"(II) permit a contribution, investment, reinvestment, recycling, commitment, or other addition of plan assets prohibited under subparagraph (E);

"(III) exempt a person, plan, investment vehicle, investment arrangement, or class thereof from subparagraph (E); or

"(IV) authorize a contractual restriction, fee, penalty, forfeiture, dilution, reduction in value, or other adverse consequence prohibited under subparagraph (E).".

SEC. 254. SYSTEMIC SOLVENCY RULE.

(a) Definitions.—In this section:

(1) Affiliate.—The term "affiliate", with respect to a person, means any other person that directly or indirectly controls, is controlled by, or is under common control with that person. For purposes of this paragraph, the term "control" means the direct or indirect power to direct the management or policies of a person, whether through ownership, contract, guarantee, financing arrangement, or otherwise.

(2) Appropriate functional regulator.—The term "appropriate functional regulator" means—

(A) each Federal or State agency that has primary supervisory, regulatory, examination, or enforcement authority over a limited liability entity or a material activity of the entity, including—

(i) the Board;

(ii) the Office of the Comptroller of the Currency;

(iii) the Federal Deposit Insurance Corporation;

(iv) the National Credit Union Administration;

(v) the Securities and Exchange Commission;

(vi) the Commodity Futures Trading Commission;

(vii) the Federal Housing Finance Agency;

(viii) a State insurance, banking, credit union, securities, or other financial regulator; and

(ix) any other Federal or State agency designated by the Office based on the legal authority and responsibilities of the agency; and

(B) the Office, with respect to a limited liability entity or activity for which no other agency has primary supervisory, regulatory, examination, or enforcement authority.

(3) Board.—The term "Board" means the Board of Governors of the Federal Reserve System.

(4) Compliance ratio.—The term "compliance ratio" means the value of the real assets of a limited liability entity divided by the value of the liabilities of the entity in the worst financial state, after application of subsections (c) through (e). If the value of the liabilities is zero, the compliance ratio shall be deemed to be 1.

(5) Director.—The term "Director" means the Director of the Office of Systemic Solvency.

(6) Enforcing authority.—The term "enforcing authority" means—

(A) an appropriate functional regulator acting within its jurisdiction; or

(B) the Office acting pursuant to subsection (i)(4),

except that a State agency may exercise an authority provided under this section only to the extent permitted under Federal or State law.

(7) Enterprise group.—The term "enterprise group" means a limited liability entity and each affiliate or other person that is under common control with, economically integrated with, or materially linked to that entity through a guarantee, liquidity commitment, loss-sharing arrangement, financial support arrangement, transfer of risk, or other arrangement under which the assets, liabilities, or financial condition of one may materially affect the assets, liabilities, or financial condition of another.

(8) Financial asset.—

(A) In general.—The term "financial asset" means an asset the value of which consists principally of—

(i) a claim against, ownership interest in, or financial obligation of another person; or

(ii) an amount determined by reference to a financial event.

(B) Inclusions.—The term includes a deposit, loan, debt security, equity security, derivative, repurchase claim, securities lending claim, guarantee, insurance claim, liquidity commitment, participation interest, or similar financial instrument or contractual claim, whether recorded on or off the balance sheet.

(C) Exclusions.—The term does not include—

(i) an amount of Treasury Dollar Bills;

(ii) United States coins or currency; or

(iii) a bona fide commercial receivable described in paragraph (15)(B)(iii).

(9) Financial contract.—The term "financial contract" means any agreement, instrument, arrangement, or transaction that—

(A) creates a financial asset or liability;

(B) provides financing, liquidity, payment, settlement, redemption, repurchase, value support, or financial risk transfer; or

(C) provides for the payment or transfer of money, a financial asset, or another thing of value upon the occurrence of an event.

(10) Financial event.—The term "financial event" means—

(A) a change in the price, value, rate, yield, volatility, liquidity, creditworthiness, default status, or performance of an asset, liability, contract, instrument, currency, commodity, market, index, or benchmark, if that change determines the amount or existence of an obligation under a financial contract; or

(B) any other event or condition determined principally by reference to a financial instrument, financial market, market price, rate, index, or benchmark.

(11) Independently realizable value.—The term "independently realizable value" means the amount reasonably expected to be received, as of the date of determination, from an arm's-length sale, lease, license, collection, or other disposition of an asset within a commercially reasonable period, less direct disposition costs and any legally superior interest in the asset that is not otherwise included as a liability under this section, determined without regard to goodwill, going concern value, anticipated synergies, or anticipated governmental assistance.

(12) Liability.—The term "liability" means a present legal obligation arising from a past transaction or event, whether fixed or contingent, direct or indirect, and whether or not recorded on a balance sheet, under which a limited liability entity may be required to pay money, transfer property, redeem or support a financial claim, or perform under a guarantee, indemnity, insurance contract, liquidity commitment, or other financial contract. The term does not include an executory obligation to the extent that the entity has not received the corresponding property, goods, or nonfinancial services and may terminate the obligation without a material payment or penalty.

(13) Limited liability entity.—

(A) In general.—The term "limited liability entity" means any corporation, company, limited liability company, limited partnership, limited liability partnership, business trust, statutory trust, fund, cooperative, association, Government corporation, or other legal organization engaged in or affecting interstate or foreign commerce in which no natural person bears unlimited personal liability for all obligations of the organization.

(B) Exclusions.—The term does not include—

(i) a natural person;

(ii) a sole proprietorship;

(iii) a general partnership in which each partner is a natural person who bears unlimited personal liability for all obligations of the partnership;

(iv) a trust established solely for personal, family, charitable, or testamentary purposes that is not engaged in commercial or financial activity;

(v) the United States;

(vi) a State, Indian Tribe, or political subdivision of a State or Indian Tribe; or

(vii) a foreign sovereign.

(C) Separate governmental entities.—Subparagraph (B) does not exclude a corporation or other separate legal entity established, owned, or controlled by a government.

(14) Office.—The term "Office" means the Office of Systemic Solvency established under subsection (h).

(15) Real asset.—

(A) In general.—The term "real asset" means an asset whose value arises directly from—

(i) ownership of, or an enforceable entitlement to, tangible property;

(ii) ownership of, or an enforceable entitlement to, independently transferable intangible property;

(iii) an enforceable entitlement to labor, goods, nonfinancial services, productive capacity, or other activity in the real economy; or

(iv) its status as money issued directly by the United States, including an amount of Treasury Dollar Bills and United States coins or currency.

(B) Inclusions.—The term includes—

(i) land, structures, equipment, machinery, inventory, commodities, and other tangible property;

(ii) patents, copyrights, trade secrets, licenses, and other intangible property to the extent independently transferable and realizable apart from the continued operation or reputation of the limited liability entity; and

(iii) a bona fide account receivable arising in the ordinary course from the sale or lease of goods or the provision of nonfinancial services, to the extent that the goods have been delivered or made available or the services have been performed.

(C) Exclusions.—The term does not include—

(i) a financial asset;

(ii) goodwill, going concern value, brand value, organizational value, or another accounting intangible that is not independently transferable and realizable;

(iii) a deferred tax asset or other asset consisting solely of an anticipated accounting or tax benefit;

(iv) an internally generated accounting entry that does not represent an independently realizable asset; or

(v) a loan, extension of credit, or financing arrangement characterized as a commercial receivable for the purpose or effect of avoiding this section.

(16) Real event.—The term "real event" means an event or condition that is not a financial event and that arises principally from—

(A) death, illness, injury, disability, or another biological condition;

(B) physical damage, loss, destruction, theft, weather, natural disaster, or another physical or environmental condition;

(C) the production, supply, demand, delivery, condition, availability, or physical loss of a real asset, commodity, good, or nonfinancial service;

(D) the performance or nonperformance of an obligation to provide labor, goods, or nonfinancial services; or

(E) another event or condition arising principally from activity in the real economy.

(17) Responsible officer.—The term "responsible officer" means—

(A) the chief executive officer and chief financial officer of a limited liability entity;

(B) if the entity does not have an officer described in subparagraph (A), each officer or other person performing substantially equivalent functions; or

(C) such other officer or person with primary responsibility for the financial statements, financial condition, or risk management of the entity as the Office may designate by rule.

(18) Systemic solvency; systemically solvent.—The terms "systemic solvency" and "systemically solvent" mean the condition in which, after application of subsections (c) through (e), the value of the real assets of a limited liability entity is not less than the value of the liabilities of the entity in the worst financial state.

(19) Systemic solvency shortfall.—The term "systemic solvency shortfall" means the amount, if any, by which the value of the liabilities of a limited liability entity in the worst financial state exceeds the value of the real assets of the entity.

(20) Worst financial state.—The term "worst financial state" means the single internally consistent state of the world, permitted by the legal terms of the financial contracts and liabilities of a limited liability entity, in which all relevant financial events occur in the combination that produces the most adverse net financial position for the entity, determined—

(A) without regard to probability, expected value, historical correlation, regulatory risk weighting, or anticipated governmental assistance;

(B) by reference to the maximum legally enforceable obligations and valuation consequences that may arise in that state; and

(C) after recognizing only offsets, hedges, collateral, netting rights, and other protections permitted under subsection (c).

(b) Systemic solvency requirement.—

(1) General rule.—Except as provided in subsection (f), each limited liability entity shall maintain systemic solvency.

(2) Prohibited actions.—Subject to subsection (f), a limited liability entity may not take any action if, immediately after giving effect to the action, the entity would not be systemically solvent, including—

(A) issuing, assuming, renewing, extending, or materially modifying a liability or financial contract;

(B) providing a guarantee, indemnity, liquidity commitment, repurchase commitment, value support arrangement, or other financial support;

(C) making a dividend, distribution, redemption, repurchase, return of capital, or other transfer to an owner or holder of an equity interest;

(D) selling, transferring, pledging, encumbering, or otherwise disposing of a real asset;

(E) merging, consolidating, dividing, reorganizing, or transferring assets or liabilities; or

(F) entering into any other transaction or arrangement that creates, increases, transfers, or materially changes a liability or financial exposure.

(3) Effects to be included.—In applying paragraph (2), the limited liability entity shall take into account all direct, indirect, fixed, contingent, on-balance-sheet, and off-balance-sheet effects that may arise under the legal terms of the action, without regard to the accounting characterization, form, label, or expected probability of those effects.

(4) No reliance on future relief.—A determination of systemic solvency may not rely on—

(A) expected future earnings;

(B) an anticipated refinancing, rollover, renewal, capital contribution, or asset sale that is not legally binding and fully funded;

(C) anticipated governmental assistance, emergency lending, regulatory forbearance, or public loss absorption; or

(D) discretionary support from an affiliate or other person that is not recognized under subsection (c)(8).

(5) Ordinary equity financing preserved.—Nothing in this section shall prohibit a limited liability entity from issuing an equity interest that does not require redemption, repurchase, a fixed or guaranteed return, value support, or any other payment or performance that constitutes a liability under this section, if the issuance does not otherwise cause or increase a systemic solvency shortfall.

(c) Valuation of liabilities in the worst financial state.—

(1) General rule.—For purposes of determining systemic solvency, each liability of a limited liability entity shall be identified and valued as of the same date in accordance with this subsection, whether or not the liability is recognized, disclosed, reserved against, or recorded under generally accepted accounting principles or another accounting, regulatory, or reporting standard.

(2) Fixed and noncontingent liabilities.—A fixed or noncontingent liability shall be valued at the amount required, as of the date of determination, to satisfy or extinguish the liability in accordance with its legal terms, including outstanding principal, accrued interest, mandatory fees, and any then applicable termination or prepayment amount.

(3) Liabilities contingent on real events.—

(A) In general.—A liability contingent solely on 1 or more real events shall be valued at the greater of—

(i) the amount required to be maintained or recognized as a reserve under applicable law; or

(ii) the amount determined under generally accepted actuarial principles or another sound and consistently applied method prescribed by the Office.

(B) Probability permitted.—A valuation under this paragraph may take into account probability, expected value, historical experience, diversification of independent real risks, and the expected timing of payment.

(C) Financial component.—To the extent that the amount or existence of a liability described in subparagraph (A) also depends on a financial event, that portion of the liability shall be valued under paragraph (4).

(4) Liabilities contingent on financial events.—A liability contingent in whole or in part on a financial event shall be valued at the maximum amount that the limited liability entity may be legally obligated to pay, transfer, deliver, or perform in the worst financial state, without discount for probability, expected value, historical correlation, diversification, regulatory risk weighting, or anticipated governmental or private assistance.

(5) Financial contracts recorded as assets.—If a financial contract recorded or treated as an asset may require the limited liability entity to make a payment, transfer property, deliver a financial asset, or otherwise perform in the worst financial state—

(A) the contract shall be treated as a liability to the extent of the maximum net obligation arising in that state; and

(B) no positive accounting or market value assigned to the contract shall be treated as a real asset.

(6) Unbounded or indeterminate exposure.—

(A) In general.—If the maximum obligation arising from a liability contingent in whole or in part on a financial event, or from a financial contract, is unbounded, indeterminate, or incapable of being reduced to a finite amount under its legal terms, the resulting liability shall be treated as unlimited.

(B) Effect.—A limited liability entity with a liability described in subparagraph (A) shall be deemed not systemically solvent unless the exposure is completely and legally eliminated by an offset recognized under paragraph (8).

(C) No statistical cap.—A confidence interval, value-at-risk measure, stress-test percentile, historical maximum, or other statistical estimate may not be used to establish a finite value for an obligation that is legally unbounded.

(7) Single internally consistent state.—

(A) Portfolio-wide determination.—The worst financial state shall be determined across all liabilities, financial contracts, financial assets, offsets, hedges, and collateral of the limited liability entity using a single internally consistent combination of financial events.

(B) Consistent variables.—The same price, rate, index, default status, market condition, or other financial variable may not be assigned inconsistent values for different positions in the same determination.

(C) No selective scenarios.—A limited liability entity may not select different adverse states for different positions for the purpose or effect of reducing the aggregate value of its liabilities.

(8) Offsets, hedges, collateral, and netting.—

(A) General requirements.—An offset, hedge, collateral position, netting right, guarantee, or other protection may be recognized only to the extent that—

(i) it is valid and legally enforceable in the worst financial state, including during insolvency, bankruptcy, receivership, or resolution;

(ii) it is legally and operationally available to satisfy the relevant liability and is not subject to a conflicting claim, transfer restriction, or discretionary refusal that would prevent performance in that state;

(iii) its value, availability, and performance are determined in the same internally consistent state used to value the liability;

(iv) any obligation of another person relied upon as protection is supported, in that same state, by real assets sufficient to permit performance after satisfaction of the other liabilities of that person, or is fully collateralized by assets available under clauses (i) through (iii); and

(v) the same asset, contract, payment claim, collateral, or other protection is not counted more than once.

(B) Matched financial positions.—A financial asset or financial contract may offset a liability to the extent that—

(i) the asset or contract is legally deliverable in satisfaction of the liability; or

(ii) its value necessarily changes in a manner that offsets the liability in the same worst financial state.

(C) Netting.—A right of setoff, close-out netting, payment netting, or termination netting may be recognized only to the extent that the right—

(i) applies between the same legally obligated parties or pursuant to a legally enforceable multilateral arrangement;

(ii) remains enforceable notwithstanding insolvency, bankruptcy, receivership, resolution, or the imposition of a stay; and

(iii) does not depend on discretionary performance by the limited liability entity or another person.

(D) Collateral.—

(i) General rule.—Collateral shall be valued in the same worst financial state as the liability it supports.

(ii) Financial collateral.—Financial collateral may reduce the value of a liability to the extent permitted under subparagraph (A), but shall not be treated as a real asset.

(iii) Interest in real collateral owned by another person.—A perfected and legally enforceable interest in identifiable real collateral owned by another person may be recognized as a collateral position, but not as a real asset of the limited liability entity, only to the extent of the lesser of—

(I) the unpaid amount of the obligation secured by the collateral; or

(II) the net amount reasonably expected to be realized by the limited liability entity through enforcement of its interest within a commercially reasonable period in the same worst financial state, after deducting legally superior interests, taxes, carrying costs, enforcement costs, disposition costs, completion or stabilization costs, and adjustments for physical condition, incomplete construction, legal or operational delay, transfer restrictions, market depth, and uncertainty.

(iv) Aggregate recognition.—Collateral positions described in clause (iii) may be recognized on an aggregate basis across one or more liabilities, except that—

(I) the aggregate amount by which liabilities are reduced may not exceed the aggregate amount recognized under clause (iii);

(II) the aggregate amount shall be further reduced as necessary to reflect concentration or correlation among collateral, obligors, markets, geographic areas, purchasers, or uses, simultaneous enforcement or disposition, limited market capacity, or another condition that would reduce aggregate recovery;

(III) pooling, diversification, securitization, tranching, or a credit rating may not, by itself, increase the amount recognized; and

(IV) no collateral, interest, or value may be counted more than once.

(v) No duplicate treatment.—A real asset recognized under subsection (d) may not also be used to reduce the value of a liability under this paragraph.

(E) No assumed transactions.—An offset may not be based on an assumed refinancing, rollover, future purchase or sale, discretionary margin payment, voluntary capital contribution, or other transaction that is not legally binding and fully funded as of the date of determination.

(9) Guarantees, indemnities, and financial support.—

(A) Provider.—A guarantee, indemnity, liquidity commitment, repurchase commitment, value support arrangement, or similar financial support shall be valued as a liability of the provider at the maximum amount for which the provider may be responsible in the worst financial state.

(B) Beneficiary.—A beneficiary may recognize an arrangement described in subparagraph (A) as an offset only to the extent permitted under paragraph (8), and may not assume that the provider will receive governmental assistance, affiliate support, refinancing, or other relief in order to perform.

(10) Regulatory methodologies.—The Office shall prescribe standardized methodologies for applying this subsection, including methodologies for evaluating linked, circular, or recursive obligations of multiple persons, but no methodology may—

(A) substitute statistical probability, expected loss, historical correlation, or regulatory risk weighting for maximum legal exposure to a financial event;

(B) treat an unenforceable, unavailable, or unfunded protection as an offset; or

(C) permit inconsistent assumptions concerning the same financial event.

(d) Valuation of real assets.—

(1) General rule.—For purposes of determining systemic solvency, a real asset shall be valued at its independently realizable value as of the same date used to value liabilities under subsection (c), using conservative, verifiable, and consistently applied methods.

(2) Tangible property.—The value of land, structures, equipment, machinery, inventory, commodities, and other tangible property shall—

(A) reflect the amount reasonably obtainable in an arm's-length transaction within a commercially reasonable period;

(B) account for physical condition, depreciation, obsolescence, location, legal restrictions, disposition costs, and the depth and reliability of the relevant market; and

(C) exclude any value attributable solely to the continued operation, reputation, organization, or expected future profitability of the limited liability entity.

(3) Productive assets in use.—A real asset need not be sold or removed from productive use in order to be recognized, but its value shall be based on the independently realizable

value of the asset itself and not on goodwill, going concern value, anticipated synergies, or projected earnings of the enterprise.

(4) Intangible property.—A patent, copyright, trade secret, license, or other intangible property may be recognized as a real asset only to the extent that—

(A) the property is legally enforceable;

(B) the property is separately transferable or licensable apart from the continued operation or reputation of the limited liability entity;

(C) the limited liability entity possesses the legal authority necessary to transfer or license the property; and

(D) the assigned value is supported by verifiable arm's-length transactions, enforceable licensing arrangements, or another conservative valuation method prescribed by the Office.

(5) Commercial receivables.—

(A) In general.—A bona fide commercial receivable described in subsection (a)(15)(B)(iii) shall be valued at the amount reasonably expected to be collected, reduced by allowances for nonpayment, dispute, return, offset, warranty obligation, collection cost, and delay.

(B) Performance required.—A receivable may not be recognized as a real asset unless the goods have been delivered or made available under the sale or lease, or the nonfinancial services have been performed, to the extent giving rise to the receivable.

(C) Financing excluded.—A receivable arising principally from an extension of credit, financing arrangement, deferred payment investment, or transaction structured for the purpose or effect of creating a financial asset shall not be treated as a real asset.

(6) Money of the United States.—

(A) An amount of Treasury Dollar Bills shall be valued at par.

(B) United States coins and currency shall be valued at face value.

(C) No amount may be added for anticipated interest, appreciation, exchange value, scarcity, or resale value.

(7) Encumbrances and interests of other persons.—

(A) A lien or security interest securing a liability fully included under subsection (c) shall not, solely by reason of securing that liability, reduce the value of the real asset.

(B) The value of a real asset shall be reduced by the value of any ownership interest, beneficial interest, superior claim, use restriction, or other interest of another person that—

(i) limits the amount the limited liability entity may realize from the asset; and

(ii) is not otherwise included as a liability under subsection (c).

(C) A fractional or partial interest shall be recognized only to the extent of the limited liability entity's legally enforceable interest.

(8) Financial assets and offsets.—

(A) A financial asset shall not be valued as a real asset.

(B) A financial asset may be recognized only as an offset under subsection (c)(8).

(C) No asset, value, contractual claim, collateral position, or other protection may be counted both—

(i) as a real asset under this subsection; and

(ii) as an offset reducing a liability under subsection (c).

(9) Impairment and uncertainty.—The value of a real asset shall be reduced as necessary to reflect—

(A) illiquidity or the absence of a reliable market;

(B) technological, legal, physical, or economic obsolescence;

(C) pending litigation, contamination, remediation duties, title defects, or transfer restrictions;

(D) concentration or correlation among assets, obligors, markets, geographic areas, purchasers, or uses, including impairment arising from simultaneous enforcement or disposition;

(E) uncertainty concerning ownership, enforceability, condition, collectability, or transferability; and

(F) any other factor that materially reduces independently realizable value.

(10) No double counting.—A real asset or portion of a real asset may not be counted more than once by the same limited liability entity, by different members of an enterprise group, or through direct ownership, beneficial ownership, a participation interest, a trust, a special purpose vehicle, or another arrangement.

(11) Documentation, appraisal, and valuation independence.—

(A) Records.—A limited liability entity shall maintain records sufficient to establish the existence, ownership, condition, valuation method, and independently realizable value of each material real asset and each material collateral position.

(B) Independent review.—The Office may require an independent appraisal or valuation for a class of assets or collateral positions or for an asset or collateral position exceeding a threshold established by rule.

(C) Independence.—An appraisal or valuation relied upon under this section may not be prepared, directed, or compensated under an arrangement in which compensation, continued engagement, or another benefit depends on—

(i) the amount of the valuation;

(ii) completion of a loan, financing, securitization, acquisition, disposition, or other transaction; or

(iii) attainment of a requested or predetermined result.

(D) Prohibited influence.—A person engaged in origination, sales, underwriting, or transaction structuring may not direct or control the conclusion of an appraisal or valuation, and no interested person may coerce, influence, or attempt to influence such a conclusion.

(E) Office authority.—An appraisal or valuation shall not bind the Office. The Office may reject an appraisal or valuation, require an additional appraisal or valuation, apply a standardized benchmark or conservative adjustment, or recognize an amount less than the appraised or stated value if necessary to carry out this section.

(12) Valuation rules.—The Office shall prescribe standardized rules, valuation intervals, documentation requirements, impairment standards, and conservative valuation adjustments necessary to carry out this subsection, including rules governing aggregation of collateral positions, correlated stress, simultaneous enforcement or disposition, market capacity, and the independence of appraisals and valuations.

(e) Standalone and consolidated application.—

(1) Standalone compliance.—Each limited liability entity shall determine and maintain systemic solvency on a separate entity basis without regard to the systemic solvency of an affiliate, owner, parent, subsidiary, or other member of an enterprise group.

(2) Enterprise group compliance.—In addition to the requirement under paragraph (1), each enterprise group shall be systemically solvent on a consolidated basis.

(3) Scope of consolidation.—A consolidated determination under paragraph (2) shall include—

(A) each limited liability entity in the enterprise group;

(B) each special purpose vehicle, trust, partnership, fund, contractual arrangement, or other person through which a member of the enterprise group owns or controls assets, incurs or supports liabilities, transfers financial risk, or conducts financial activity;

(C) each domestic or foreign affiliate to the extent that—

(i) a member of the enterprise group directly or indirectly bears the risk of loss or obligation of performance of the affiliate;

(ii) the affiliate directly or indirectly guarantees, supports, or provides liquidity for a member of the enterprise group;

(iii) assets or liabilities have been transferred between the affiliate and a member of the enterprise group under circumstances indicating continuing economic integration or risk sharing; or

(iv) exclusion of the affiliate would materially understate the assets, liabilities, financial exposure, or systemic solvency shortfall of the enterprise group; and

(D) any other person or arrangement that the Office determines, based on economic substance, is used to hold, transfer, guarantee, insure, conceal, or allocate assets, liabilities, or financial exposure of the enterprise group.

(4) Natural persons and governments.—A natural person or governmental entity excluded under subsection (a)(13)(B) shall not be included in an enterprise group, except to the extent that—

(A) property of the person or governmental entity is legally pledged and available to satisfy a liability of the enterprise group; or

(B) a member of the enterprise group is legally obligated with respect to a liability, guarantee, or commitment of the person or governmental entity.

(5) Economic substance.—The Office shall determine the scope of an enterprise group and the treatment of assets and liabilities based on control, economic integration, allocation of risk, legally enforceable support arrangements, and the person that ultimately bears the risk of loss or obligation of performance, without regard to—

(A) formal ownership;

(B) accounting consolidation or nonconsolidation;

(C) corporate, contractual, trust, or partnership form;

(D) the location or jurisdiction of organization of a person; or

(E) whether an asset, liability, or arrangement is recorded on a balance sheet.

(6) Intercompany items.—

(A) In general.—In a consolidated determination under paragraph (2), an obligation and corresponding claim between members of the same enterprise group may be eliminated only to the extent that—

(i) the obligation and claim represent the same legally enforceable amount;

(ii) no person outside the enterprise group bears any portion of the associated risk of loss or obligation of performance; and

(iii) the elimination does not conceal or reduce an external liability, guarantee, support arrangement, or financial exposure.

(B) Standalone treatment preserved.—An elimination under subparagraph (A) shall not affect the separate entity determination required under paragraph (1).

(7) No double counting.—

(A) A real asset, financial asset, equity interest, offset, hedge, collateral position, guarantee, or other protection may not be counted more than once within an enterprise group.

(B) Ownership of an equity interest in a member of an enterprise group shall not be treated as a real asset of another member of the enterprise group in a consolidated determination.

(C) A transfer of a real asset within an enterprise group shall not increase the aggregate value of real assets recognized for the enterprise group.

(8) Deficiencies at either level.—A limited liability entity is not systemically solvent if—

(A) the entity fails the separate entity requirement under paragraph (1); or

(B) the enterprise group of which the entity is a member fails the consolidated requirement under paragraph (2).

(9) Rules.—The Office shall prescribe rules governing consolidation, allocation of assets and liabilities, intercompany eliminations, foreign affiliates, jointly controlled entities, minority interests, special purpose vehicles, and other matters necessary to carry out this subsection.

(f) Transition to systemic solvency.—

(1) New entities.—A limited liability entity organized after the date of enactment of this Act shall be systemically solvent before commencing operations, issuing a financial instrument, incurring a liability, or entering into a financial contract.

(2) Existing entities without a shortfall.—A limited liability entity in existence on the date of enactment of this Act that does not have a systemic solvency shortfall on the initial measurement date under paragraph (4) shall comply with subsection (b) beginning on that date and may not thereafter rely on the transition provided under this subsection to create or increase a systemic solvency shortfall.

(3) Existing entities with a shortfall.—A limited liability entity in existence on the date of enactment of this Act that has a systemic solvency shortfall on the initial measurement date shall achieve full systemic solvency not later than January 1, 2035, in accordance with this subsection.

(4) Initial measurement and remediation plan.—

(A) Initial measurement date.—The initial measurement date shall be June 1, 2027.

(B) Initial determination and submission.—

(i) Determination required.—Not later than July 1, 2027, each limited liability entity in existence on the date of enactment of this Act shall determine its systemic solvency shortfall and compliance ratio as of the initial measurement date.

(ii) Complete filing.—Not later than July 1, 2027, a limited liability entity shall file the determination under clause (i) with the Office and each appropriate functional regulator if the entity—

(I) is required to file under subsection (g)(2)(A);

(II) determines that it has a systemic solvency shortfall; or

(III) is not eligible to use the simplified compliance method under subsection (g)(11).

(iii) Simplified electronic certification.—A limited liability entity not required to file under clause (ii) shall submit the electronic certification required under subsection (g)(11)(C) according to the last digit of the Federal taxpayer identification number assigned to or used by the entity, as follows:

(I) For a number ending in 0 or 1, not later than July 31, 2027.

(II) For a number ending in 2 or 3, not later than August 31, 2027.

(III) For a number ending in 4 or 5, not later than September 30, 2027.

(IV) For a number ending in 6 or 7, not later than October 31, 2027.

(V) For a number ending in 8 or 9, not later than November 30, 2027.

(iv) Retention and production.—An entity submitting a certification under clause (iii) shall retain the complete determination and supporting records and shall provide them to the Office or an appropriate functional regulator upon request.

(C) Remediation plan.—Each limited liability entity described in paragraph (3) shall, not later than January 1, 2028, submit to the Office and each appropriate functional regulator a remediation plan for achieving systemic solvency not later than January 1, 2035.

(D) Requirements.—A remediation plan shall—

(i) identify each action the entity expects to take to reduce liabilities, acquire or retain real assets, raise equity, cap or terminate financial exposure, or otherwise achieve compliance;

(ii) include annual and quarterly milestones consistent with paragraphs (5) and (6); and

(iii) not depend on anticipated governmental assistance, regulatory forbearance, or public loss absorption.

(E) Annual updates.—A limited liability entity that has a systemic solvency shortfall shall update and resubmit its remediation plan with each annual determination required under subsection (g)(1) until the entity achieves systemic solvency.

(F) Preservation of records.—Beginning on the date of enactment of this Act, each limited liability entity shall preserve records reasonably necessary to determine its financial condition and systemic solvency on the initial measurement date.

(G) Use of fiscal year records.—For its initial determination, a limited liability entity may use records prepared as of the end of its most recently completed fiscal year to the extent that the entity identifies and accounts for each material change occurring between the end of that fiscal year and the initial measurement date.

(H) Initial valuation safe harbor.—A civil penalty may not be imposed solely because of an error in an initial classification or valuation that was made using reasonable, documented, and consistently applied methods and corrected not later than 90 days after notice from an enforcing authority. This subparagraph shall not apply to knowing or reckless falsification, concealment, evasion, double counting, or omission of material information.

(5) Minimum progress.—

(A) Cumulative annual reduction.—By the beginning of each calendar year, a limited liability entity shall have eliminated, in the aggregate, not less than the percentage of the systemic solvency shortfall existing on the initial measurement date specified in the following table:

(i) On January 1, 2028, 4 percent.

(ii) On January 1, 2029, 14 percent.

(iii) On January 1, 2030, 26 percent.

(iv) On January 1, 2031, 38 percent.

(v) On January 1, 2032, 52 percent.

(vi) On January 1, 2033, 66 percent.

(vii) On January 1, 2034, 82 percent.

(viii) On January 1, 2035, 100 percent.

(B) Compliance ratio.—The compliance ratio of a limited liability entity may not be less than—

(i) the compliance ratio of the entity on the initial measurement date; or

(ii) the minimum ratio required under the progressively increasing schedule prescribed under paragraph (6),

whichever is greater.

(C) No nominal expansion of shortfall.—The systemic solvency shortfall of a limited liability entity may not exceed the maximum shortfall permitted under subparagraph (A), subject only to an adjustment for inflation prescribed by the Office using a broad measure of prices in the United States.

(D) Earlier compliance.—Nothing in this subsection prohibits the Office or another regulator acting within its jurisdiction from requiring more rapid remediation when necessary to address concealment, evasion, unsafe expansion of financial exposure, or a material threat to creditors, counterparties, or the public.

(6) Progressive compliance schedule.—

(A) Initial schedule.—Not later than October 30, 2027, the Board, in consultation with the Director, shall prescribe a schedule of progressively increasing minimum compliance ratios applicable during the transition period. The schedule shall take effect on January 1, 2028.

(B) The schedule shall—

(i) establish thresholds not less frequently than quarterly;

(ii) require continuous and reasonably even progress toward full systemic solvency;

(iii) prohibit backloading of material remediation to the final portion of the transition period; and

(iv) require a compliance ratio of not less than 1 on January 1, 2035.

(C) Once a threshold takes effect, the Board may not reduce, waive, suspend, or delay that threshold.

(7) Actions during transition.—On and after January 1, 2028, a limited liability entity described in paragraph (3) may take an action described in subsection (b)(2) only if, immediately after giving effect to the action—

(A) the entity satisfies each applicable threshold and milestone under this subsection;

(B) except as provided in paragraph (12), the action does not increase the systemic solvency shortfall of the entity or reduce its compliance ratio;

(C) the action is consistent with the remediation plan required under paragraph (4); and

(D) the action does not create an unbounded or indeterminate exposure prohibited under paragraph (8).

(8) Unbounded or indeterminate exposures.—

(A) New exposures prohibited.—On and after the date of enactment of this Act, no limited liability entity may issue, assume, renew, extend, or materially modify a liability or financial contract for which the maximum obligation is unbounded, indeterminate, or incapable of being reduced to a finite amount under its legal terms.

(B) Existing exposures.—Not later than 1 year after the date of enactment of this Act, a limited liability entity shall terminate, novate, cap, restructure, fully offset, or otherwise remediate each outstanding liability or financial contract described in subparagraph (A).

(C) No grandfathering.—A liability or financial contract shall not be permissible solely because it was entered into before the date of enactment of this Act.

(9) Distributions and asset transfers.—During any period in which a limited liability entity has a systemic solvency shortfall, the entity may not make a dividend, equity redemption, stock repurchase, return of capital, transfer to an owner or affiliate, or other discretionary distribution of value unless—

(A) the distribution is expressly included in the remediation plan;

(B) the entity remains in compliance with paragraph (5) after the distribution; and

(C) the distribution does not increase the systemic solvency shortfall or reduce the compliance ratio of the entity or its enterprise group.

(10) Failure to satisfy transition requirements.—A failure to satisfy a threshold, milestone, or requirement under this subsection constitutes a violation of this section and is subject to enforcement under subsection (j). A limited liability entity that has such a failure shall—

(A) notify the Office and each appropriate functional regulator without delay;

(B) cease any action prohibited under subsection (b)(2) unless expressly authorized as part of a remediation order; and

(C) submit a revised remediation plan not later than 30 days after the failure.

(11) Rule of construction.—Nothing in this subsection shall be construed to—

(A) require the liquidation of a particular real asset;

(B) prohibit the raising of ordinary equity; or

(C) prohibit a nonfinancial business activity otherwise permitted by law.

(12) Successors, restructurings, and required divestitures.—

(A) Definitions.—In this paragraph:

(i) Covered transaction.—The term "covered transaction" means a merger, consolidation, division, spin-off, sale, transfer, assignment, reorganization, bankruptcy restructuring, or other transaction or series of related transactions that materially transfers, divides, or reallocates a business, operation, asset, liability, financial exposure, or systemic solvency obligation of a limited liability entity.

(ii) Required divestiture.—The term "required divestiture" means a divestiture required by an Act of Congress or by a final order of a Federal agency or court.

(iii) Reviewing authority.—The term "reviewing authority" means each Federal agency or court responsible for ordering, reviewing, or approving a required divestiture, including an appropriate functional regulator, the Federal Trade Commission, or the Antitrust Division of the Department of Justice, as applicable.

(iv) Transaction party.—The term "transaction party" means a limited liability entity that transfers, receives, retains, or assumes a material business, operation, asset, liability, financial exposure, or systemic solvency obligation in a covered transaction.

(B) General rule.—A covered transaction may allocate a systemic solvency position among resulting entities but may not erase, conceal, reset, postpone, or double count a systemic solvency shortfall or remediation obligation.

(C) Pretransaction determination.—Immediately before a covered transaction, each transaction party shall determine, in accordance with this section—

(i) its real assets;

(ii) its liabilities in the worst financial state;

(iii) its systemic solvency shortfall and compliance ratio;

(iv) the cumulative reduction in shortfall required as of the transaction date;

(v) its remaining milestones and remediation obligations; and

(vi) its position within any enterprise group.

(D) Allocation according to economic substance.—

(i) Each asset, liability, guarantee, liquidity commitment, financial support arrangement, contingent exposure, collateral position, customer obligation, and other protection shall be allocated among the resulting entities according to legal responsibility and economic substance.

(ii) In making an allocation under clause (i), the transaction parties and the Office shall consider—

(I) the entity that receives or retains an asset;

(II) the entity that assumes, retains, or remains legally obligated for a liability;

(III) the entity that conducts the activity or receives the economic benefit;

(IV) the entity that bears the risk of loss or obligation of performance;

(V) each guarantee, indemnity, support arrangement, and contingent exposure;

(VI) each legally enforceable collateral position and priority interest;

(VII) each customer, policyholder, depositor, investor, employee, and contractual obligation associated with the transferred business; and

(VIII) the personnel, systems, licenses, facilities, contracts, and operating capacity necessary to conduct the transferred business.

(E) Preservation of aggregate position.—Except to the extent of an approved transaction adjustment under subparagraph (H), immediately after a covered transaction—

(i) the aggregate systemic solvency shortfall of the resulting entities may not exceed the aggregate systemic solvency shortfall of the transaction parties immediately before the transaction;

(ii) the aggregate amount of shortfall required to have been eliminated as of the transaction date may not be reduced;

(iii) the aggregate remaining remediation obligation may not be reduced or postponed;

(iv) no liability, financial exposure, or adverse obligation may be treated as extinguished solely because it was transferred or reallocated;

(v) no real asset, collateral position, offset, guarantee, or other protection may be counted by more than 1 person; and

(vi) new equity or other qualifying real resources contributed in connection with the transaction shall be recognized in accordance with this section.

(F) Successor treatment.—

(i) Each resulting entity shall inherit the portion of the initial systemic solvency shortfall, cumulative reduction requirement, and remaining remediation obligation allocated to it under this paragraph.

(ii) Each inherited portion shall remain subject to the transition schedule and final deadline that applied to the applicable transaction party immediately before the covered transaction.

(iii) A limited liability entity organized to receive a business, operation, asset, or liability in a covered transaction shall not be treated as a new entity under paragraph (1) with respect to an inherited shortfall allocated under this paragraph.

(iv) No resulting entity may receive a new transition period or a deadline extending beyond January 1, 2035.

(G) Allocation plan and systemic solvency impact determination.—

(i) Submission required.—Before consummating a covered transaction, the transaction parties shall submit a systemic solvency allocation plan to the Office and each appropriate functional regulator if—

(I) the transaction is a required divestiture;

(II) any transaction party has a systemic solvency shortfall; or

(III) the transaction exceeds a materiality threshold prescribed by the Office.

(ii) Contents.—The allocation plan shall include—

(I) the determinations required under subparagraph (C);

(II) the proposed allocation under subparagraph (D);

(III) the projected systemic solvency shortfall and compliance ratio of each resulting entity;

(IV) each proposed transfer of real assets, liabilities, collateral, guarantees, support arrangements, or financial exposure;

(V) each proposed capital contribution, reserve, escrow, financing arrangement, or transitional service; and

(VI) any proposed transaction adjustment under subparagraph (H).

(iii) Office determination.—The Office shall issue a written systemic solvency impact determination that—

(I) determines whether the proposed allocation complies with this section;

(II) identifies the systemic solvency effect of the transaction on each transaction party and resulting entity;

(III) determines the amount and cause of any proposed transaction adjustment;

(IV) identifies any double counting, concealed exposure, unsupported valuation, or other inconsistency; and

(V) specifies any correction necessary to calculate compliance accurately.

(iv) Effect.—The determination under clause (iii) shall be binding for purposes of calculating compliance with this section but shall not independently authorize, prohibit, delay, or condition the covered transaction.

(v) Required divestiture.—For a required divestiture, the Office shall provide the determination to each reviewing authority in sufficient time for consideration before the reviewing authority issues its final decision.

(H) Approved transaction adjustment.—

(i) In general.—Notwithstanding subparagraph (E) and paragraphs (5)(B), (5)(C), and (7)(B), a reviewing authority may approve a temporary increase in systemic solvency shortfall or reduction in compliance ratio directly and reasonably necessary to complete a required divestiture.

(ii) Permissible causes.—An adjustment under clause (i) may include an amount directly attributable to—

(I) establishing separate facilities or operating locations;

(II) separating or duplicating information, accounting, compliance, payroll, recordkeeping, risk management, cybersecurity, or other operational systems;

(III) obtaining separate personnel, licenses, permits, insurance, contracts, or professional services;

(IV) providing necessary working capital;

(V) reasonable separation and transaction costs; or

(VI) acquisition financing reasonably necessary to transfer the divested business to an operationally independent person.

(iii) Exclusions.—An approved transaction adjustment may not include an amount attributable to—

(I) a dividend, stock repurchase, equity redemption, return of capital, or other discretionary distribution;

(II) an insider payment or compensation enhancement;

(III) asset stripping or dissipation of real assets;

(IV) a transaction premium or financing cost that is not reasonably necessary to complete the required divestiture;

(V) a payment or obligation incurred primarily to transfer value to an owner, affiliate, officer, or director; or

(VI) evasion, concealment, false valuation, double counting, or another violation of this section.

(iv) Required findings.—A reviewing authority may approve an adjustment only after considering the Office determination and finding in writing that—

(I) the adjustment is necessary to complete the required divestiture;

(II) the adjustment is no greater than reasonably necessary;

(III) no reasonably practicable alternative structure would materially reduce the adjustment;

(IV) each resulting entity will be operationally viable and capable of satisfying its remediation obligations;

(V) the transaction does not create an unbounded or indeterminate exposure;

(VI) the transaction does not depend on anticipated governmental assistance, public loss absorption, or regulatory forbearance; and

(VII) the adjustment will be eliminated under the supplemental remediation plan required under subparagraph (I).

(I) Supplemental remediation plan.—

(i) An entity receiving an approved transaction adjustment shall submit a supplemental remediation plan to the Office and each appropriate functional regulator before consummation or at such earlier time as the reviewing authority requires.

(ii) The plan shall—

(I) identify the approved adjustment separately from each inherited shortfall;

(II) specify the real assets, equity, liability reductions, retained earnings, or other measures by which the adjustment will be eliminated;

(III) establish annual and quarterly milestones requiring continuous and reasonably even progress;

(IV) prohibit backloading of material remediation;

(V) eliminate the adjustment as soon as reasonably practicable; and

(VI) eliminate the adjustment in full not later than January 1, 2035.

(iii) The supplemental remediation plan shall be updated with each annual determination until the adjustment is eliminated.

(J) Effect on violations and penalties.—

(i) The creation of an approved transaction adjustment in accordance with this paragraph shall not, solely by reason of the adjustment, constitute a violation of this section or give rise to a civil penalty.

(ii) Clause (i) does not waive, limit, suspend, or delay—

(I) any other substantive requirement or restriction under this section;

(II) any inherited milestone or remediation obligation;

(III) the distribution restrictions under paragraph (9);

(IV) any remediation order or restriction otherwise applicable to a transaction party or resulting entity; or

(V) any penalty or remedy for conduct other than creation of the approved adjustment.

(iii) An entity violates this section if the entity—

(I) exceeds the amount of the approved adjustment;

(II) uses the adjustment for a purpose not approved under this paragraph;

(III) fails to satisfy a milestone or requirement of the supplemental remediation plan;

(IV) conceals or materially misstates an asset, liability, exposure, cost, or transaction term; or

(V) otherwise fails to comply with this section.

(iv) No transaction adjustment may remain outstanding on or after January 1, 2035.

(K) Restrictions on transaction parties.—

(i) Each resulting entity that has an inherited systemic solvency shortfall or an approved transaction adjustment remains subject to paragraph (9) and every other applicable restriction under this section until the shortfall or adjustment is eliminated.

(ii) A divesting entity remains subject to the allocation plan until each capital contribution, transfer of real assets, assumption or retention of liabilities, reserve, escrow, or other obligation assigned to that entity has been completed.

(iii) Until the Office confirms completion of the obligations described in clause (ii), no transaction party may—

(I) make a discretionary distribution of transaction proceeds; or

(II) transfer transaction proceeds or other transaction value to an owner, affiliate, officer, or director,

except for ordinary compensation or a bona fide payment for goods or services provided in the ordinary course on arm's-length terms.

(iv) After the obligations assigned to a divesting entity have been completed, that entity shall not remain responsible solely by reason of the covered transaction for a subsequent failure by an operationally independent resulting entity, unless the divesting entity remains legally obligated through a guarantee, support arrangement, retained liability, or other obligation.

(L) Operational independence.—

(i) A covered transaction may not preserve or create a continuing guarantee, liquidity commitment, shared capital arrangement, loss-sharing arrangement, or financial support arrangement that recreates common control, economic integration, or common financial risk inconsistent with the purpose of the transaction.

(ii) Clause (i) does not prohibit—

(I) a finite and fully disclosed transitional service provided on arm's-length terms;

(II) a legally enforceable obligation that is fully recognized and valued under this section; or

(III) another temporary arrangement approved by the applicable reviewing authority that does not recreate common control or permit double counting.

(M) Proportional administration.—The Office shall prescribe rules to carry out this paragraph, including—

(i) materiality thresholds;

(ii) forms and procedures for allocation plans and impact determinations;

(iii) standards for transaction adjustments and supplemental remediation plans;

(iv) procedures coordinated with review under section 256 and other Federal divestiture provisions; and

(v) a simplified electronic certification for a covered transaction below the applicable materiality threshold if every transaction party and resulting entity is systemically solvent.

Nothing in this subparagraph authorizes an exemption from the substantive allocation, no-double-counting, anti-evasion, or final compliance requirements of this section.

(g) Certification, reporting, and auditing.—

(1) Annual determination.—Each limited liability entity shall, not less frequently than annually—

(A) determine its systemic solvency, systemic solvency shortfall, and compliance ratio on a standalone basis and, if applicable, on a consolidated enterprise group basis;

(B) maintain records sufficient to reproduce each material assumption, valuation, classification, scenario, offset, and calculation used in the determination; and

(C) obtain a certification from each responsible officer that the determination is complete and accurate after reasonable inquiry.

(2) Filing requirement.—

(A) In general.—A limited liability entity shall file the determination and certification required under paragraph (1) with the Office and each appropriate functional regulator if the entity—

(i) is required to file reports under section 13 or 15(d) of the Securities Exchange Act of 1934;

(ii) is a financial institution, insurance company, investment bank, Government corporation, or issuer of securities offered to the public;

(iii) is a parent or material member of an enterprise group described in clause (i) or (ii);

(iv) has assets, liabilities, financial exposure, or annual revenues exceeding a threshold prescribed by the Office; or

(v) is designated by the Office based on complexity, leverage, contingent exposure, interconnectedness, use of off-balance-sheet arrangements, or a material risk of noncompliance.

(B) Other entities.—A limited liability entity not required to file under subparagraph (A) shall retain the determination and certification required under paragraph (1) and provide them to the Office or an appropriate functional regulator upon request.

(C) Filing frequency.—A filing under this paragraph shall be made not later than 90 days after the end of the fiscal year of the entity, or at such earlier time as the Office may prescribe for a class of entities.

(3) Quarterly reporting.—The Office may require quarterly reporting from a limited liability entity or class of limited liability entities described in paragraph (2)(A) based on size, financial activity, leverage, contingent exposure, systemic importance, prior noncompliance, or another risk factor established by rule.

(4) Material-change notice.—A limited liability entity required to file under paragraph (2)(A) shall notify the Office and each appropriate functional regulator not later than 5 business days after the entity knows or reasonably should know of—

(A) a systemic solvency shortfall;

(B) a material reduction in its compliance ratio;

(C) a material increase in a liability contingent on a financial event;

(D) the creation or discovery of an unbounded or indeterminate exposure;

(E) the loss, impairment, unavailability, or unenforceability of a material real asset, hedge, offset, guarantee, netting right, or collateral position relied upon for compliance; or

(F) another material event that would reasonably be expected to affect systemic solvency.

(5) Independent audit.—

(A) Audit required.—A limited liability entity required to file under paragraph (2)(A) shall obtain an annual examination of its systemic solvency determination by an independent public accountant or other qualified independent auditor meeting standards prescribed by the Office.

(B) Scope.—The examination shall evaluate—

(i) the existence and valuation of material real assets;

(ii) the completeness and valuation of liabilities;

(iii) the determination of the worst financial state;

(iv) the legal enforceability and operational availability of material offsets, hedges, collateral, netting rights, guarantees, and other protections;

(v) standalone and consolidated treatment under subsection (e);

(vi) compliance with subsection (f), if applicable; and

(vii) the adequacy of internal controls supporting the determination.

(C) Opinion.—The auditor shall issue an opinion stating whether the determination is fairly presented, in all material respects, in accordance with this section and rules prescribed under this section.

(D) Reliance on legal expertise.—An auditor may rely on an opinion of qualified legal counsel concerning whether a contract, netting arrangement, collateral interest, guarantee, or other legal protection is enforceable, but such reliance shall not excuse an unreasonable or knowing failure to identify a material inconsistency or omission.

(6) Auditor reporting duty.—

(A) An auditor that identifies a material violation, material misstatement, unbounded exposure, or substantial doubt concerning systemic solvency shall notify the responsible officers and governing body of the limited liability entity without delay.

(B) If the entity does not provide satisfactory evidence of correction or notification to the Office and each appropriate functional regulator not later than 10 business days after receiving notice under subparagraph (A), the auditor shall notify the Office and each appropriate functional regulator directly.

(C) A contractual or professional duty of confidentiality may not prohibit a notification required under this paragraph.

(7) Record retention.—A limited liability entity shall retain the records required under this subsection for not less than 7 years after the date of the applicable determination, or for such longer period as the Office may prescribe for a material contract, asset, liability, investigation, or enforcement matter.

(8) Standardized reporting and use of existing information.—

(A) The Office shall prescribe standardized forms, data definitions, electronic filing methods, and audit standards necessary to carry out this subsection.

(B) In administering this subsection, the Office and appropriate functional regulators shall comply with subsection (i)(11) and, to the maximum extent practicable, permit incorporation by reference of reliable information contained in an existing regulatory filing.

(9) Proportional administration.—In prescribing thresholds and reporting requirements under this subsection, the Office shall minimize unnecessary burden on smaller and nonfinancial entities, but may not exempt any limited liability entity from the substantive systemic solvency requirement or from maintaining records sufficient to demonstrate compliance.

(10) Confidentiality and public reporting.—

(A) Information filed under this subsection that constitutes trade secrets, confidential commercial or financial information, personal information, or supervisory information shall be exempt from disclosure under section 552 of title 5, United States Code.

(B) The Office shall publish aggregate and anonymized information sufficient to describe trends in systemic solvency, financial exposure, real assets, and compliance without identifying confidential information of a particular limited liability entity.

(11) Simplified compliance and electronic certification.—

(A) Eligible entity.—This paragraph applies to a limited liability entity that—

(i) is not required to file under paragraph (2)(A);

(ii) has no unbounded or indeterminate exposure; and

(iii) has no material liability contingent on a financial event.

(B) Simplified method.—The Office shall prescribe a simplified method for an eligible entity. The method may rely on ordinary course financial statements, tax records, appraisals, and officer certifications and may not require scenario modeling beyond that necessary to identify and value a material financial event exposure.

(C) Initial electronic certification.—The Office shall establish a secure electronic system through which an eligible entity that determines it has no systemic solvency shortfall may submit a brief certification stating that—

(i) the entity completed the determination required under subsection (f)(4);

(ii) the entity determined that it had no systemic solvency shortfall as of the initial measurement date;

(iii) the entity is eligible to use the simplified method under subparagraph (A);

(iv) the certification is complete and accurate after reasonable inquiry; and

(v) the entity will retain and, upon request, provide the determination and supporting records.

(D) Authentication and existing information.—The electronic system under subparagraph (C) shall, to the maximum extent practicable—

(i) authenticate an entity using the Federal taxpayer identification number assigned to or used by the entity or another existing Federal identification number associated with the entity;

(ii) permit use of credentials already issued by the Internal Revenue Service or another Federal agency;

(iii) permit incorporation by reference or automatic population of reliable information contained in an existing Federal filing; and

(iv) provide an electronic confirmation of submission.

(E) No exemption or limitation on review.—Submission of a certification under this paragraph does not—

(i) exempt an entity from the substantive requirements of this section;

(ii) constitute approval of the determination by the Office or an appropriate functional regulator;

(iii) limit the authority to require production of the determination or supporting records; or

(iv) limit correction, examination, audit, or enforcement relating to an inaccurate, incomplete, or false certification.

(h) Office of Systemic Solvency.—

(1) Establishment.—There is established within the Board an office to be known as the Office of Systemic Solvency.

(2) Director.—

(A) Appointment.—The Office shall be headed by a Director appointed by a majority of the Board. Not later than 30 days after the date of enactment of this Act, the Board shall appoint the initial Director or designate an acting Director under subparagraph (E).

(B) Qualifications.—The Director shall be appointed on the basis of demonstrated expertise in accounting, auditing, financial contracts, actuarial science, financial regulation, corporate finance, insolvency, risk management, or another field directly relevant to the administration of this section.

(C) Term.—The Director shall serve for a term of 6 years and may be reappointed.

(D) Removal.—The Director may be removed by a majority of the Board. The Board shall publish a written statement of the reasons for removal not later than 7 days after the removal.

(E) Vacancy.—A vacancy in the position of Director shall not affect the authority of the Office. The Board may designate an acting Director until a successor is appointed.

(3) Independence and reporting.—

(A) The Director shall report directly to the Board.

(B) In carrying out the duties of the Office, the Director shall not be subject to the supervision or direction of an individual member, officer, employee, or component of the Federal Reserve System except through an action of the Board or as expressly provided by law.

(C) No officer or employee of the Federal Reserve System may prevent or prohibit the Director from communicating directly with Congress concerning the administration or enforcement of this section.

(4) Duties.—The Office shall—

(A) administer and implement this section;

(B) develop and maintain uniform methodologies and reporting standards for determining the worst financial state, valuing real assets and liabilities, recognizing protections, applying standalone and consolidated requirements, and calculating systemic solvency shortfalls and compliance ratios;

(C) recommend rules to the Board and issue forms, instructions, interpretations, and supervisory guidance consistent with those rules;

(D) receive, analyze, and verify reports, certifications, audits, and remediation plans and conduct examinations, reviews, and investigations authorized under this section;

(E) coordinate appropriate functional regulators and identify and address evasion, concealment, double counting, inconsistent valuation, and transfers of financial exposure; and

(F) maintain the personnel, data systems, technical capacity, and proportional procedures necessary to carry out this section.

(5) Powers.—In carrying out this section, the Office may—

(A) require the production of records, contracts, valuations, models, legal opinions, audit workpapers, data, and other information reasonably necessary to determine compliance;

(B) conduct or direct examinations and require an independent appraisal, audit, legal analysis, actuarial analysis, or other expert review when reasonably necessary;

(C) require a limited liability entity to conduct or submit, or permit the Office to conduct, a supervisory stress evaluation, reclassification of assets or liabilities, or consolidated analysis reasonably necessary to verify compliance, except that no stress evaluation may substitute for the worst financial state determination required under subsection (c);

(D) enter into information sharing, coordinated supervision, joint examination, and enforcement arrangements with appropriate functional regulators and obtain details of Federal personnel on a reimbursable basis;

(E) contract for professional and technical services; and

(F) exercise such other lawful powers as are necessary and appropriate to carry out this section.

(6) Availability of Federal Reserve information.—The Board and each Federal Reserve Bank shall make available to the Office, without reimbursement, any supervisory, regulatory, examination, market, or other data or information that the Director determines is reasonably necessary to carry out this section, subject to applicable confidentiality and information security requirements. The sharing of information under this paragraph shall not waive any privilege or protection from public disclosure.

(7) Personnel.—The Director may appoint and fix the compensation of such officers and employees as are necessary to carry out this section and shall establish qualifications for personnel performing accounting, auditing, actuarial, legal, valuation, data, financial contract, examination, and enforcement functions.

(8) Annual report.—

(A) Not later than April 1 of each year, the Director shall submit to Congress and make available to the public a report on the administration of this section during the preceding calendar year.

(B) Each report shall include—

(i) aggregate trends in systemic solvency, systemic solvency shortfalls, compliance ratios, real assets, liabilities, and financial event exposure;

(ii) the number and general categories of limited liability entities subject to filing, audit, remediation, examination, and enforcement requirements;

(iii) material forms of evasion, concealment, valuation abuse, or unbounded exposure identified by the Office;

(iv) progress toward compliance during the transition period;

(v) coordination activities with appropriate functional regulators;

(vi) an accounting of the expenses, assessments, staffing, and contracts of the Office; and

(vii) recommendations for legislative or administrative action.

(C) A report under this paragraph may not disclose trade secrets, confidential commercial or financial information, personal information, or protected supervisory information concerning a particular limited liability entity.

(9) Funding.—

(A) Startup advance.—During the first 3 fiscal years beginning after the date of enactment of this Act, the Board shall make available to the Office, from amounts otherwise available to the Board and without further appropriation, not more than $500,000,000 in aggregate for the organization, staffing, rulemaking, data infrastructure, and initial operations of the Office.

(B) Annual assessments.—Beginning not later than the second fiscal year beginning after the date of enactment of this Act, the Board shall, on the recommendation of the Director, collect annual assessments from limited liability entities required to file under subsection (g)(2)(A) in amounts sufficient to recover the reasonable expenses of administering this section.

(C) Allocation.—An assessment under subparagraph (B) shall be allocated among assessed entities based on—

(i) total assets;

(ii) the value of liabilities in the worst financial state;

(iii) the amount and complexity of financial event exposure;

(iv) membership in and complexity of an enterprise group;

(v) the reporting, examination, and supervisory resources reasonably attributable to the entity; and

(vi) the ability of the entity to pay the assessment without materially impairing compliance with this section.

(D) Minimum thresholds and exemptions.—The Board may establish minimum thresholds and exempt a class of smaller entities from assessments if the cost of collection would be disproportionate to the amount collected, but no exemption under this subparagraph shall affect substantive compliance, recordkeeping, reporting, examination, or enforcement under this section.

(E) Repayment of startup advance.—Amounts collected under subparagraph (B) shall first be used, in such proportions as the Board determines appropriate, to reimburse the amounts advanced under subparagraph (A). The advance shall be fully reimbursed not later than 7 years after the date of enactment of this Act.

(F) Separate accounting.—Amounts collected under this paragraph shall—

(i) be maintained in a separate account;

(ii) remain available until expended;

(iii) be used only to administer and enforce this section; and

(iv) not be used for monetary policy operations, assistance to a limited liability entity, or another activity of the Board unrelated to this section.

(i) Coordination with functional regulators.—

(1) Administration within existing jurisdiction.—

(A) Federal regulators.—Except as provided in this subsection, each appropriate functional regulator that is a Federal agency shall administer, examine, supervise, and enforce compliance with this section with respect to each limited liability entity and activity within the existing jurisdiction of that regulator.

(B) State regulators.—A State appropriate functional regulator may administer, examine, supervise, or enforce compliance with this section pursuant to State law or a memorandum of understanding under paragraph (8). Nothing in this section shall be construed to require a State or an officer or agency of a State to administer or enforce Federal law.

(2) Uniform Federal standard.—

(A) The substantive requirements, definitions, valuation rules, methodologies, and minimum reporting standards prescribed under this section shall apply uniformly without regard to which appropriate functional regulator supervises a limited liability entity.

(B) An appropriate functional regulator may prescribe additional procedures, reporting requirements, examination standards, or remedial measures that are consistent with and not less protective than this section.

(C) An appropriate functional regulator may not authorize, approve, waive, or tolerate conduct that would cause or increase a systemic solvency shortfall in violation of this section.

(3) Office coordination authority.—The Office shall—

(A) establish uniform supervisory and examination manuals for implementation of this section;

(B) coordinate examinations and information requests involving more than 1 appropriate functional regulator;

(C) provide technical assistance and interpretations to appropriate functional regulators;

(D) identify inconsistent applications of this section and recommend corrective action;

(E) maintain a secure system through which appropriate functional regulators may exchange information necessary to carry out this section; and

(F) convene appropriate functional regulators as necessary to address enterprise groups, cross-market exposures, financial contracts, or transactions that cross jurisdictional boundaries.

(4) Backstop authority.—The Office may directly examine, supervise, investigate, or enforce compliance with this section if—

(A) no other appropriate functional regulator has jurisdiction over the limited liability entity or material activity;

(B) an enterprise group, transaction, or financial exposure crosses the jurisdiction of multiple regulators and no single regulator can effectively address the matter;

(C) an appropriate functional regulator has failed to take timely and effective action after receiving written notice from the Office of a material violation or risk of violation;

(D) the Office reasonably determines that an entity, affiliate, special purpose vehicle, contractual arrangement, or other person is being used to evade, conceal, delay, or obscure compliance; or

(E) immediate action is necessary to prevent the creation or material increase of an unbounded exposure, systemic solvency shortfall, fraudulent transfer, concealment of liabilities, or dissipation of real assets.

(5) Notice before backstop action.—

(A) Except as provided in subparagraph (B), before exercising authority under paragraph (4)(C), the Office shall—

(i) provide the appropriate functional regulator with written notice describing the apparent violation and the action the Office considers necessary; and

(ii) allow the regulator not fewer than 30 days to take or commit to effective corrective action.

(B) The Office may act without prior notice or before expiration of the period under subparagraph (A)(ii) if delay would materially increase the likelihood of loss, concealment, dissipation of assets, unbounded exposure, or evasion.

(C) The Office shall notify the appropriate functional regulator promptly after taking an action under subparagraph (B).

(6) Lead regulator for enterprise groups.—

(A) If an enterprise group is subject to the jurisdiction of more than 1 appropriate functional regulator, the Office shall designate a lead functional regulator that is a Federal agency or a consenting State agency for purposes of coordinated examination and supervision under this section.

(B) In making a designation under subparagraph (A), the Office shall consider—

(i) the nature and location of the principal activities of the enterprise group;

(ii) the regulator with authority over the parent or principal operating entity;

(iii) the amount and location of financial event exposure;

(iv) the distribution of real assets and liabilities among members of the enterprise group; and

(v) the ability of the regulator to conduct effective consolidated supervision.

(C) Designation of a lead functional regulator shall not eliminate the jurisdiction of another appropriate functional regulator or the backstop authority of the Office.

(7) Information sharing.—

(A) The Office and each appropriate functional regulator shall share information reasonably necessary to administer and enforce this section.

(B) The sharing of information under subparagraph (A) shall not constitute a waiver of any privilege, confidentiality protection, or limitation on public disclosure.

(C) The Office and appropriate functional regulators shall establish safeguards against unauthorized use or disclosure of confidential information.

(D) An appropriate functional regulator may rely on information, examination findings, audit work, or analysis produced by the Office or another appropriate functional regulator if the regulator determines that such reliance is reasonable.

(8) Memoranda of understanding.—Not later than 1 year after the date of enactment of this Act, the Office shall enter into memoranda of understanding with appropriate Federal functional regulators and shall offer substantially similar agreements to State functional regulators concerning—

(A) allocation of examination and supervisory responsibilities;

(B) coordinated reporting and data standards;

(C) information sharing and confidentiality;

(D) designation of lead regulators;

(E) referral and coordination of enforcement matters;

(F) avoidance of duplicative examinations and information requests; and

(G) resolution of interpretive and jurisdictional disagreements.

(9) Resolution of inconsistent interpretations.—

(A) The Board, acting through rules prescribed under this section, shall have final authority concerning the interpretation of—

(i) systemic solvency;

(ii) the worst financial state;

(iii) the classification and valuation of real assets and liabilities;

(iv) recognition of offsets, hedges, collateral, netting rights, guarantees, and other protections;

(v) standalone and consolidated compliance; and

(vi) the calculation of systemic solvency shortfalls and compliance ratios.

(B) Nothing in subparagraph (A) shall limit the authority of an appropriate functional regulator to interpret or enforce another law within the jurisdiction of that regulator.

(10) Preservation of State authority.—

(A) Nothing in this section shall preempt or limit a State law, regulation, order, reserve requirement, capital requirement, solvency requirement, insurance requirement, corporate law restriction, or other protection that is consistent with and more stringent than this section.

(B) A State law or regulatory action may not authorize a limited liability entity to engage in conduct prohibited by this section.

(C) Nothing in this section shall displace the authority of a State insurance regulator over insurance contracts, reserves, rates, market conduct, receivership, or insurer solvency, except that the valuation and systemic solvency requirements of this section shall constitute a Federal minimum.

(11) Nonduplication.—The Office and appropriate functional regulators shall, to the maximum extent practicable—

(A) use information already collected under other Federal or State law;

(B) coordinate examinations and information requests;

(C) accept joint or common filings;

(D) avoid imposing inconsistent reporting formats or valuation dates; and

(E) avoid duplicative supervisory or enforcement actions that do not materially improve compliance.

(12) Other authority preserved.—Nothing in this subsection shall limit an authority, duty, remedy, enforcement power, capital standard, reserve requirement, or solvency requirement otherwise available to the Office, the Board, or an appropriate functional regulator under another provision of Federal or State law.

(j) Enforcement and remediation.—

(1) Authority.—

(A) In general.—An enforcing authority may administer, examine, investigate, and enforce compliance with this section with respect to a limited liability entity within the jurisdiction of the enforcing authority.

(B) Existing and additional powers.—In carrying out this subsection, an enforcing authority may—

(i) exercise any examination, investigative, supervisory, administrative, or enforcement authority otherwise available to the enforcing authority;

(ii) require the production of books, records, contracts, financial statements, audit workpapers, valuations, models, legal opinions, data, and other information reasonably necessary to determine compliance;

(iii) issue a subpoena for testimony or documentary evidence, if the enforcing authority is otherwise authorized by Federal or State law to issue a subpoena;

(iv) issue an order requiring compliance, remediation, restitution, correction of records, preservation of assets, or cessation of an unlawful practice;

(v) impose a civil penalty authorized under this subsection; and

(vi) commence a civil action in a court of competent jurisdiction to enforce this section or an order issued under this section.

(2) Determination of noncompliance.—

(A) Written determination.—If an enforcing authority determines that a limited liability entity has violated, is violating, or is reasonably likely to violate this section, the enforcing authority shall issue a written determination that—

(i) identifies the conduct, transaction, condition, calculation, valuation, omission, or exposure giving rise to the determination;

(ii) states the factual and legal basis for the determination;

(iii) identifies any systemic solvency shortfall, unbounded exposure, reporting deficiency, or other material condition requiring correction; and

(iv) specifies the corrective action or further proceeding required.

(B) Opportunity to respond.—Except as provided in paragraph (3), before issuing a final order, the enforcing authority shall provide the limited liability entity with notice and a reasonable opportunity to submit evidence and argument.

(C) No delay from disputed accounting treatment.—A disagreement concerning accounting characterization, regulatory classification, reporting treatment, or corporate form shall not delay enforcement if the economic substance and legal exposure are sufficient to establish noncompliance.

(3) Temporary and emergency orders.—

(A) Authority.—An enforcing authority may issue a temporary order taking immediate effect if the enforcing authority reasonably determines that delay would create a material risk of—

(i) an increase in a systemic solvency shortfall;

(ii) the creation, renewal, concealment, or transfer of an unbounded or indeterminate exposure;

(iii) dissipation, transfer, concealment, encumbrance, or material impairment of a real asset;

(iv) payment of a dividend, redemption, repurchase, affiliate transfer, or other distribution prohibited under this section;

(v) destruction, alteration, concealment, or removal of material records; or

(vi) evasion of this section.

(B) Contents.—A temporary order may prohibit or condition a transaction, preserve or restrict the transfer of an asset, require retention of records, suspend a distribution, or impose another temporary restriction reasonably necessary to prevent the harm described in subparagraph (A).

(C) Review.—A limited liability entity subject to a temporary order may request an expedited hearing. The enforcing authority shall commence such hearing not later than 10 business days after receiving the request unless the entity agrees to a later date.

(D) Duration.—A temporary order shall remain in effect until modified, terminated, or replaced by a final order, except that, unless the limited liability entity consents to a longer period or a court grants an extension for good cause, the order shall expire 60 days after commencement of the hearing under subparagraph (C) if no final order has been issued.

(4) Remediation order.—

(A) Order required.—Upon a final determination of material noncompliance, the enforcing authority shall issue an order requiring the limited liability entity to restore compliance within a specified period.

(B) Required measures.—A remediation order may require the limited liability entity to—

(i) cease issuing, assuming, renewing, extending, guaranteeing, or materially modifying liabilities or financial contracts;

(ii) terminate, novate, cap, restructure, collateralize, or fully offset a financial exposure;

(iii) retain earnings, raise ordinary equity, reduce liabilities, or acquire or preserve real assets;

(iv) suspend discretionary distributions or compensation;

(v) correct a valuation, classification, report, certification, financial statement, or public disclosure;

(vi) revise and implement a remediation plan;

(vii) obtain an independent audit, appraisal, actuarial analysis, legal opinion, valuation, or review;

(viii) establish or improve internal controls, data systems, governance procedures, and risk management systems;

(ix) retain an independent monitor approved by the enforcing authority; and

(x) take such other lawful action as is necessary to restore and maintain compliance.

(C) Terms.—A remediation order shall establish measurable milestones, reporting requirements, responsible officers, and a final compliance date.

(D) No dependence on public assistance.—A remediation order may not depend on public funds, governmental guarantees, emergency lending, regulatory forbearance, or public absorption of losses.

(5) Restrictions during noncompliance.—Until a limited liability entity has corrected a material violation and complied with each applicable remediation order, the entity may not—

(A) take an action prohibited under subsection (b)(2), except as expressly authorized by the enforcing authority as necessary to restore compliance or prevent a greater loss;

(B) make a discretionary distribution of value to an owner, officer, director, affiliate, or holder of an equity interest;

(C) increase the amount of its systemic solvency shortfall;

(D) reduce its compliance ratio; or

(E) transfer a real asset outside the ordinary course of business unless the transfer is approved under the remediation order and the proceeds remain available to satisfy liabilities.

(6) Civil penalties.—

(A) General violation.—A limited liability entity that violates this section, a rule prescribed under this section, or an order issued under this section may be subject to a civil penalty of not more than $100,000 for each violation.

(B) Aggravated violation.—For a violation that is knowing, reckless, fraudulent, concealed, repeated, or undertaken for the purpose or effect of evading this section, the civil penalty may not exceed the greater of—

(i) $1,000,000;

(ii) 3 times the financial gain obtained or loss avoided as a result of the violation;

(iii) 3 times the amount by which the violation created or increased a systemic solvency shortfall; or

(iv) 3 times the greatest reasonably ascertainable amount of the obligation, transaction, assets, or consideration involved in the violation.

(C) Continuing violation.—Each day that a violation continues after the limited liability entity receives written notice of the violation shall constitute a separate violation.

(D) Factors.—In determining the amount of a civil penalty, the enforcing authority shall consider—

(i) the gravity and duration of the violation;

(ii) the amount of financial exposure or systemic solvency shortfall involved;

(iii) the degree of knowledge, recklessness, concealment, or cooperation;

(iv) the financial resources and ability to pay of the person subject to the penalty;

(v) any history of prior violations;

(vi) any loss or risk imposed on creditors, counterparties, employees, consumers, or the public; and

(vii) such other matters as justice may require.

(E) Use of penalties.—A civil penalty collected by a Federal enforcing authority under this paragraph shall be deposited into the general fund of the Treasury.

(7) Individual accountability.—

(A) Prohibited conduct.—An officer, director, manager, responsible officer, auditor, attorney, appraiser, actuary, or other person may not knowingly or recklessly—

(i) cause or participate in a material violation of this section;

(ii) certify, approve, prepare, or submit a materially false or misleading determination, report, valuation, audit, legal opinion, or record required under this section;

(iii) conceal, destroy, alter, falsify, or withhold material information;

(iv) authorize a prohibited distribution, transfer, financial contract, or liability;

(v) obstruct an examination, investigation, audit, or remediation required under this section; or

(vi) aid or abet another person in conduct described in clauses (i) through (v).

(B) Remedies.—A person that violates subparagraph (A) may be subject to—

(i) a civil penalty under paragraph (6);

(ii) restitution or disgorgement;

(iii) removal from the position held with the limited liability entity;

(iv) an order prohibiting the person, for a period not exceeding 10 years, from serving as an officer, director, manager, responsible officer, auditor, or other controlling person of an entity subject to the jurisdiction of the enforcing authority; and

(v) any other remedy available under applicable law.

(C) Professional duties preserved.—Nothing in this paragraph shall limit a professional, fiduciary, ethical, or reporting duty otherwise imposed by law.

(8) Referrals and resolution.—

(A) Criminal and professional referrals.—An enforcing authority shall refer evidence of a possible criminal violation, professional misconduct, fraud, obstruction, or knowing false statement to the Department of Justice, an appropriate licensing authority, or another agency with jurisdiction.

(B) Failure to remediate.—If a limited liability entity fails to restore systemic solvency within the period required by a final remediation order, or if the enforcing authority determines that restoration is no longer reasonably achievable without an orderly insolvency proceeding, the enforcing authority shall take any action within its authority, and make any referral authorized by law, to commence or facilitate conservatorship, receivership, resolution, liquidation, bankruptcy, or another applicable insolvency proceeding.

(C) Applicable proceeding.—A referral under subparagraph (B) shall be made—

(i) for an investment bank, in accordance with section 255;

(ii) for an insured depository institution or credit union, in accordance with applicable Federal or State resolution law;

(iii) for an insurance company, to the appropriate State insurance regulator or receivership authority;

(iv) for a Government corporation, in accordance with the law governing that corporation; and

(v) for another limited liability entity, in accordance with title 11, United States Code, or other applicable insolvency law.

(D) No rescue authority.—Nothing in this paragraph authorizes an enforcing authority to provide or arrange public funds, guarantees, capital support, asset purchases, loss sharing, or other financial assistance to prevent or delay an applicable insolvency proceeding.

(9) Judicial enforcement and review.—

(A) Enforcement.—Upon application by a Federal enforcing authority, a district court of the United States may issue an injunction, order compliance, enforce a subpoena or administrative order, preserve assets or records, appoint a receiver if otherwise authorized by law, or grant such other equitable relief as may be appropriate.

(B) Review.—A final order issued by a Federal enforcing authority shall be subject to judicial review under chapter 7 of title 5, United States Code.

(C) No automatic stay.—The commencement of judicial review shall not automatically stay a temporary order, final order, restriction, or remediation requirement issued under this subsection.

(D) Stay standard.—A court may stay an action described in subparagraph (C) only upon a clear and convincing showing that—

(i) the applicant is likely to prevail on the merits;

(ii) the applicant will suffer irreparable harm absent a stay;

(iii) the stay will not materially increase a systemic solvency shortfall, unbounded exposure, dissipation of real assets, or risk of evasion; and

(iv) the public interest favors the stay.

(10) No discretionary forbearance based on consequences.—An enforcing authority may not waive, suspend, delay, or decline enforcement of a material requirement of this section on the basis that enforcement may—

(A) reduce the market value of a financial asset;

(B) impose losses on an owner, creditor, counterparty, or holder of a financial instrument;

(C) adversely affect a particular market or institution;

(D) reveal that an entity is large, interconnected, systemically important, or difficult to resolve; or

(E) create political, economic, or administrative inconvenience.

(k) Anti-evasion.—

(1) General rule.—No person may, directly or indirectly, use an entity, transaction, instrument, relationship, or course of conduct for the purpose or effect of evading, concealing, delaying, or materially reducing compliance with this section.

(2) Substance over form.—Compliance with this section shall be determined according to economic substance, legal exposure, control, allocation of risk, and the person that ultimately bears the obligation of performance or risk of loss, without regard to form, label, accounting treatment, jurisdiction, balance sheet presentation, or the use of multiple persons or transactions.

(3) Corrective treatment.—If an enforcing authority determines that an arrangement violates this subsection, the enforcing authority may—

(A) disregard, recharacterize, or aggregate related persons, transactions, assets, liabilities, or financial contracts;

(B) attribute an asset, liability, obligation, guarantee, or financial exposure to the person that bears the economic benefit, risk of loss, or obligation of performance;

(C) require consolidation or disallow a valuation, offset, hedge, collateral position, netting right, guarantee, or other protection; and

(D) restate a systemic solvency shortfall or compliance ratio and order such corrective treatment as is necessary to apply this section according to economic substance.

(4) Records.—A limited liability entity shall maintain and, upon request, provide records sufficient to establish the economic substance, lawful business purpose, legal enforceability, funding, risk allocation, and systemic solvency treatment of each material arrangement.

(5) Lawful transactions preserved.—Nothing in this subsection prohibits a transaction having independent economic substance and a bona fide commercial purpose merely because the transaction affects systemic solvency, if the transaction is fully and accurately accounted for and does not violate another provision of this section.

(l) Rulemaking, implementation, and construction.—

(1) Temporary guidance.—Not later than 90 days after the date of enactment of this Act, the Office shall publish temporary guidance addressing the initial identification of limited liability entities, liabilities, real assets, financial event exposures, unbounded exposures, enterprise groups, and reporting obligations.

(2) Interim and final rules.—

(A) Interim final rules.—Not later than 180 days after the date of enactment of this Act, the Board, acting on the recommendation of the Director, shall issue interim final rules sufficient to implement this section, including the transition schedule required under subsection (f)(6).

(B) Effect.—The interim final rules shall take effect upon publication in the Federal Register, shall have the force and effect of law, and may be issued without regard to section 553 of title 5, United States Code.

(C) Public comment and final rules.—The Board shall provide a public comment period of not less than 90 days after publication of the interim final rules and shall issue final rules not later than 18 months after the date of enactment of this Act.

(D) Consultation.—Before prescribing a rule of general applicability, the Board and the Office shall consult with appropriate functional regulators, accountants, auditors, actuaries, valuation professionals, representatives of nonfinancial businesses, labor organizations, consumer and public interest organizations, and other persons with relevant expertise.

(3) Failure to issue rules.—

(A) No delay.—A failure to issue guidance or rules by a deadline under this subsection shall not delay a prohibition, duty, or authority expressly applicable before issuance of the guidance or rules.

(B) New entities.—Before applicable rules take effect, a limited liability entity described in subsection (f)(1) shall determine and maintain systemic solvency using reasonable, documented, and consistently applied methods that conform as closely as practicable to the text and purposes of this section.

(C) Enforcement before rules.—The absence of a rule may not be asserted as a defense to—

(i) failure of a new entity to comply with subsection (f)(1);

(ii) the issuance, assumption, renewal, extension, or material modification of an unbounded or indeterminate exposure prohibited under subsection (f)(8);

(iii) failure to preserve records required under subsection (f)(4)(F); or

(iv) a violation of subsection (k).

(4) Reporting, audits, and existing obligations.—

(A) Reporting and audit requirements.—A reporting, filing, or independent audit requirement under subsection (g) shall first apply on the date specified in the applicable interim final or final rule, except that such date may not be later than 18 months after the date of enactment of this Act.

(B) Existing obligations.—Except as provided in subsection (f), this section does not require an existing liability or financial contract to be terminated solely because the liability or contract existed before the date of enactment of this Act.

(5) Relation to other law.—

(A) Federal minimum.—This section establishes a Federal minimum and shall not be construed to limit a capital, reserve, solvency, fiduciary, disclosure, corporate governance, insurance, securities, banking, consumer protection, or other requirement imposed under another provision of Federal or State law.

(B) Stricter protections preserved.—A person shall comply with any other applicable law that provides stricter protection against insolvency, leverage, financial exposure, concealment, asset dissipation, or risk transfer.

(C) Insolvency law preserved.—Except as expressly provided in this section, nothing in this section shall alter the priority, avoidance, setoff, netting, receivership, conservatorship, resolution, liquidation, or bankruptcy rules otherwise applicable to a limited liability entity.

(6) Protection of innocent contracting parties.—

(A) No automatic invalidation.—Except as expressly provided by this section or another provision of law, a violation of this section shall not automatically render a financial contract or other agreement void or unenforceable against a person that—

(i) did not know and had no reasonable cause to know of the violation; and

(ii) did not cause, participate in, or materially benefit from the violation.

(B) Enforcement preserved.—Subparagraph (A) shall not limit—

(i) an order terminating, capping, restructuring, transferring, or otherwise remediating a financial exposure;

(ii) avoidance, restitution, disgorgement, rescission, or other relief available under applicable law;

(iii) enforcement against a person that caused, participated in, knew of, or knowingly benefited from the violation; or

(iv) the authority to disregard or recharacterize an arrangement under subsection (k).

(7) No governmental guarantee or public loss absorption.—

(A) No governmental guarantee.—Compliance with this section, approval of a remediation plan, acceptance of a filing, completion of an audit, or action or inaction by an enforcing authority shall not constitute—

(i) a determination that a limited liability entity or financial instrument is safe or free from risk;

(ii) an obligation or guarantee of the United States, a State, an Indian Tribe, or any agency or instrumentality thereof;

(iii) a commitment to provide liquidity, capital, insurance, loss absorption, or financial assistance; or

(iv) a defense to a claim under another provision of law.

(B) No rescue authority.—Nothing in this section shall be construed to authorize—

(i) an appropriation, expenditure, loan, guarantee, asset purchase, capital contribution, insurance payment, or other use of public funds to satisfy or support a liability of a limited liability entity;

(ii) the creation or issuance of Treasury Dollar Bills for the benefit of a limited liability entity;

(iii) Federal Reserve credit, emergency lending, or monetary support for the purpose of preventing losses on a financial instrument; or

(iv) regulatory forbearance based on the anticipated consequences of enforcing this section.

SEC. 255. SPECIAL RESOLUTION OF INVESTMENT BANKS.

(a) Definitions.—In this section:

(1) Affiliate.—The term "affiliate" means a person that controls, is controlled by, or is under common ownership or control with another person.

(2) Appropriate Federal financial regulator.—The term "appropriate Federal financial regulator" has the meaning given the term in section 256(a)(2).

(3) Board.—The term "Board" means the Board of Governors of the Federal Reserve System.

(4) Capital markets intermediation.—The term "capital markets intermediation" has the meaning given the term in section 256(a)(5).

(5) Common ownership or control.—The term "common ownership or control" has the meaning given the term in section 256(a)(7).

(6) Control.—The term "control" has the meaning given the term in section 256(a)(8).

(7) Director.—The term "Director" means the Director of the Office of Systemic Solvency established under section 254(h).

(8) Financial services vertical.—The term "financial services vertical" has the meaning given the term in section 256(a)(11).

(9) Investment bank.—The term "investment bank" means a person authorized under applicable law to engage in capital markets intermediation as its financial services vertical, to issue investment instruments, and to maintain accounts designated for risk bearing financial activity, but not to accept deposits or maintain an account or other liability that is payable on demand at par and usable to make payments or transfers to another person.

(10) Investment bank business.—The term "investment bank business" means the operations, operating assets, contracts, systems, and other property used to conduct capital markets intermediation as an investment bank.

(11) Investment instrument.—The term "investment instrument" means a security, share, unit, participation, note, or contractual claim issued by an investment bank to finance risk bearing financial activity, the value or payment of which is subject to loss based on the financial performance of the investment bank or the underlying activity and that is not payable on demand at par. The term does not include a deposit, an account or other liability that is payable on demand at par and usable to make payments or transfers to another person, or Treasury Dollar Bills.

(12) Office.—The term "Office" means the Office of Systemic Solvency established under section 254(h).

(13) Person.—The term "person" has the meaning given the term in section 256(a)(14).

(14) Receiver.—The term "receiver" means the Office acting as receiver under subsection (e).

(15) Receivership estate.—The term "receivership estate" means all legal or equitable interests of the investment bank in property as of the appointment of the receiver and all property acquired by the receiver in administering the receivership. The term does not include property excluded from the receivership estate under subsection (g).

(b) Bailouts prohibited.—

(1) Prohibition.—It shall be unlawful for any officer, employee, agency, or instrumentality of the United States to provide public funds, credit facilities, capital contributions, guarantees, asset purchases, loss-sharing arrangements, or other financial assistance for the purpose of preventing, delaying, or mitigating losses borne by an investment bank or a holder of an investment instrument.

(2) No exception based on systemic importance.—No investment bank shall be deemed too big to fail, too interconnected to fail, or too strategic to fail.

(3) Exceptions.—Paragraph (1) does not prohibit—

(A) payment at fair market value for goods or services procured for a bona fide public purpose; or

(B) a generally applicable fiscal measure that is not directed to the rescue or support of a particular investment bank or investment instrument.

(c) Applicability and relationship to other law.—

(1) Exclusive applicability.—Notwithstanding any other provision of Federal or State law, this section shall exclusively govern the resolution of an investment bank and the administration of its receivership estate.

(2) Separate entities.—An affiliate of an investment bank shall not be placed into resolution under this section solely because of common ownership or control, unless the affiliate independently satisfies the definition of an investment bank and a trigger under subsection (d).

(3) Relationship to systemic solvency rule.—

(A) Before appointment of the receiver, section 254 shall govern systemic solvency supervision, examination, remediation, and enforcement with respect to an investment bank.

(B) Upon appointment of the receiver, this section shall govern administration and resolution of the investment bank, except that records, valuations, findings, orders, and other information developed under section 254 may be used in the resolution.

(C) Appointment of the receiver shall not terminate or limit an investigation, enforcement action, or claim against an officer, director, controlling person, affiliate, auditor, or other person arising from conduct occurring before appointment.

(d) Resolution triggers and referral.—

(1) Mandatory appointment.—The Board shall appoint a receiver for an investment bank upon the written recommendation of the Director and a finding that—

(A) the investment bank is not systemically solvent under section 254 and has failed to restore compliance within the period required by a final remediation order;

(B) the Office has determined under section 254(j)(8)(B) that restoration of systemic solvency is no longer reasonably achievable outside an orderly resolution proceeding; or

(C) the investment bank has failed to satisfy a material obligation when due and cannot promptly cure the failure without violating section 254 or receiving assistance prohibited under subsection (b).

(2) Referral by Federal financial regulator.—

(A) An appropriate Federal financial regulator may refer an investment bank to the Office upon identifying facts indicating that a trigger under paragraph (1) has occurred or is imminent.

(B) The Office shall promptly evaluate a referral and submit to the Board either—

(i) a recommendation for appointment of a receiver; or

(ii) a written determination explaining why appointment is not warranted.

(3) Emergency appointment.—

(A) The Board may appoint a receiver before completion of otherwise applicable notice or remediation procedures if the Director certifies in writing that—

(i) a trigger under paragraph (1) has occurred or is substantially certain to occur; and

(ii) delay would materially increase losses, permit dissipation or concealment of assets, impair payment obligations, or frustrate an orderly resolution.

(B) The Board shall issue final written findings supporting an appointment under subparagraph (A) not later than 5 business days after the appointment.

(4) Insufficient grounds.—A decline in market value, the systemic importance of an investment bank, or anticipated adverse market consequences shall not, standing alone, constitute a trigger for resolution under this subsection.

(e) Appointment and authority of receiver.—

(1) Appointment.—Upon a finding under subsection (d), the Board shall appoint the Office, acting through the Director, as receiver for the investment bank.

(2) Succession.—Upon appointment, the receiver shall succeed by operation of law to all rights, titles, powers, and privileges of the investment bank and of its officers, directors, managers, and equity holders with respect to the investment bank and its property.

(3) Exclusive resolution authority.—

(A) The receiver shall have exclusive authority to administer and resolve the investment bank and its receivership estate.

(B) After appointment of the receiver, no bankruptcy, conservatorship, receivership, liquidation, or other insolvency proceeding concerning the investment bank may be commenced or continued under Federal or State law except as authorized by this section.

(C) An appropriate Federal financial regulator may continue to exercise authority over violations of law, responsible persons, and entities outside the receivership estate, but may not direct or control administration of the receivership.

(4) General powers.—The receiver may—

(A) take possession and control of the property, books, records, contracts, systems, and operations of the investment bank;

(B) preserve, operate, suspend, terminate, transfer, or sell an activity, business line, asset, or liability as necessary to carry out this section;

(C) collect obligations owed to the investment bank and enforce or repudiate contracts, subject to this section and other applicable limitations of law;

(D) determine claims against the receivership estate and distribute proceeds in accordance with this section;

(E) exercise any right or power of the investment bank and appoint such agents and professionals as are reasonably necessary to administer the receivership; and

(F) sue and be sued in the name of the receiver.

(5) Administrative expenses and limitations.—

(A) Appropriation and use.—There is appropriated to the Board, out of amounts in the Treasury not otherwise appropriated, $500,000,000, to remain available until expended, for use by the Office to pay reasonable and necessary expenses of administering receiverships under this section. Use of amounts appropriated under this subparagraph shall not constitute financial assistance prohibited under subsection (b). An amount paid under this subparagraph shall be an administrative expense of the receivership estate and shall be reimbursed from the estate to the extent assets are available. An amount reimbursed under this subparagraph shall be deposited into the general fund of the Treasury.

(B) Funds may not be used under subparagraph (A) to satisfy a preappointment obligation of the investment bank, provide capital or liquidity to the investment bank, or preserve the value of an investment instrument.

(C) Except for an expenditure authorized under subparagraph (A), a liability incurred by the receiver in administering the receivership shall be payable solely from the receivership estate and shall not constitute a debt or obligation of the United States.

(f) Immediate actions and continuation of essential operations.—

(1) Immediate actions.—Upon appointment, the receiver shall—

(A) take control of the investment bank and suspend the authority of its officers, directors, managers, and equity holders;

(B) prohibit dividends, distributions, redemptions, repurchases, transfers to affiliates, and other discretionary payments;

(C) secure and preserve the property, books, records, data, systems, and communications of the investment bank; and

(D) prevent the transfer, concealment, destruction, dissipation, or material impairment of property of the receivership estate.

(2) Management and personnel.—

(A) The receiver may remove or retain an officer, employee, contractor, or other agent as necessary to preserve value, maintain essential operations, or complete the resolution.

(B) A person retained under subparagraph (A) shall act under the direction of the receiver and shall have no authority except as delegated by the receiver.

(3) Essential operations.—The receiver may continue an operation or perform an obligation only to the extent reasonably necessary to—

(A) preserve or realize the value of property;

(B) protect customer or custodial property;

(C) maintain critical records, systems, security, or settlement functions;

(D) complete an orderly transfer or sale; or

(E) prevent a greater loss to the receivership estate.

(4) No continuation for rescue.—An operation may not be continued to rescue or perpetuate the investment bank, protect the value of an investment instrument, or delay loss recognition. This paragraph does not prohibit temporary continuation solely to preserve value for a prompt sale or transfer under subsection (j).

(g) Customer, custodial, and other nonestate property.—

(1) Exclusion from estate.—Property in the possession or control of the investment bank that is beneficially owned by another person shall not constitute property of the receivership estate, including—

(A) customer owned or custodial property;

(B) property held in trust, agency, or fiduciary capacity;

(C) collateral required by law or contract to be held in segregation;

(D) Treasury Dollar Bills or other property held for the account of another person; and

(E) property of a legally separate fund or entity that is not beneficially owned by the investment bank.

(2) Identification and segregation.—The receiver shall promptly identify, secure, and segregate property described in paragraph (1) from property of the receivership estate.

(3) Return or transfer.—Subject to verification of ownership and any valid lien or other legally enforceable interest, the receiver shall return property described in paragraph (1) to its owner or transfer the property to a qualified custodian or successor designated by the owner.

(4) Shortfall or dispute.—

(A) If property claimed under this subsection is missing, commingled, deficient, or subject to a material ownership dispute, the receiver shall determine the claimant's interest using available books, records, transaction data, and other reliable evidence.

(B) A verified claim for property that cannot be specifically returned shall be allowed under subsection (i) as a customer property deficiency claim entitled to priority under subsection (l)(1)(C).

(5) No use for estate obligations.—The receiver may not sell, pledge, transfer, or otherwise use property excluded under paragraph (1) to satisfy an obligation of the investment bank or the receivership estate.

(h) Temporary stay.—

(1) Automatic stay.—Upon appointment of the receiver, and until 5 p.m. eastern time on the second business day after the appointment, no person may, without the consent of the receiver—

(A) terminate, accelerate, or enforce a contract solely because of the appointment of the receiver or the financial condition of the investment bank;

(B) foreclose on, seize, or exercise control over property of the receivership estate;

(C) exercise a right of setoff or netting against the investment bank; or

(D) commence or continue an action to collect, recover, or enforce a claim against the investment bank or its property.

(2) Exclusions.—Paragraph (1) shall not—

(A) prevent the return or transfer of property excluded from the receivership estate under subsection (g);

(B) stay a criminal, regulatory, or enforcement action against a person other than the investment bank or the receivership estate; or

(C) prohibit an action authorized by the receiver.

(3) Limited extension.—A court of competent jurisdiction may extend the stay for not more than 5 additional business days upon a showing by the receiver that the extension is necessary to prevent material loss, preserve property, or complete an imminent transfer and will not provide financial support prohibited under subsection (b).

(4) Actions after expiration.—Except as otherwise provided by this section, an action prohibited under paragraph (1) may be taken upon expiration of the stay.

(i) Claims determination and asset valuation.—

(1) Notice and submission of claims.—The receiver shall publish notice of the receivership and establish a reasonable period and procedure for the submission of claims against the receivership estate.

(2) Determination of claims.—

(A) The receiver shall allow or disallow each claim according to applicable law as of the date of appointment.

(B) A contingent, unmatured, or unliquidated claim may be estimated at the amount reasonably necessary to permit an orderly distribution.

(C) Allowance of a claim under this paragraph shall not determine the priority of the claim under subsection (l).

(3) Asset valuation.—The receiver shall value property of the receivership estate using a commercially reasonable method appropriate to its disposition, taking into account current market conditions, enforceable contractual rights, disposition costs, and the value reasonably obtainable through a competitive sale.

(4) Use of section 254 information.—A valuation, classification, report, audit, finding, order, or other record developed under section 254 may be relied upon by the receiver as evidence but shall not conclusively bind the receiver in determining ownership, claims, asset value, or recoveries in resolution.

(5) Independent review.—The receiver may obtain an independent appraisal, audit, legal opinion, or other expert review when reasonably necessary to resolve a material valuation, ownership, or claims issue.

(6) Records of determination.—The receiver shall maintain a written record of each material claims and valuation determination and the basis for that determination.

(j) Competitive sales and auctions.—

(1) Initiation.—Not later than 72 hours after appointment, the receiver shall initiate one or more public auctions or other open competitive processes for the sale of all or substantially all property of the receivership estate.

(2) Manner of disposition.—The receiver may sell the investment bank business as a whole or divide the property into business lines, asset pools, contracts, or other commercially reasonable units if the receiver determines that separate dispositions are likely to increase aggregate recovery or facilitate an orderly resolution.

(3) Timing.—

(A) The receiver shall complete each disposition as expeditiously as practicable and presumptively not later than 30 days after appointment.

(B) The receiver may extend the period under subparagraph (A) to a date not later than 60 days after appointment upon a written public determination that the extension is reasonably necessary to increase aggregate recovery, resolve a material ownership or claims issue, or complete an imminent transfer.

(C) A court of competent jurisdiction may authorize a further extension, in periods not exceeding 30 days, upon clear and convincing evidence that—

(i) the receiver is proceeding diligently;

(ii) the extension is necessary to prevent a material reduction in net recovery or resolve a material ownership or claims issue; and

(iii) the extension will not result in financial assistance prohibited under subsection (b).

(4) Competitive procedures.—The receiver shall provide reasonable notice, equal access to material information, and a fair opportunity to submit bids under uniform procedures, taking into account the need for prompt resolution and protection of confidential information.

(5) Selection of bids.—The receiver shall accept the qualified bid or combination of qualified bids that the receiver determines will produce the greatest aggregate recovery, after accounting for execution risk, required conditions, disposition costs, and compliance with this section.

(6) Public disclosure.—Promptly after consummation of a disposition, the receiver shall publish the identity of the purchaser, the property transferred, the consideration received, and the material terms of the transaction.

(7) Prohibited public support.—Neither the Board, a Federal Reserve Bank, the Department of the Treasury, nor any other Federal entity may—

(A) submit or finance a bid;

(B) guarantee, backstop, subsidize, or insure a bidder or disposition;

(C) purchase property for the purpose of supporting the sale price; or

(D) assume a loss arising from a disposition under this subsection.

(k) Bidder eligibility and compliance with section 256.—

(1) Uniform criteria.—The receiver shall establish uniform, objective eligibility criteria concerning financial capacity, operational capability, legal eligibility, and ability to consummate the proposed transaction without public financial assistance.

(2) Discrete assets.—Subject to paragraph (1), any person may bid on a discrete asset or asset pool that does not by itself constitute an investment bank business or confer control over such a business.

(3) Investment bank business.—The receiver may not consummate a sale or transfer of an investment bank business, a controlling interest in an investment bank, or substantially all operating assets necessary to conduct capital markets intermediation unless—

(A) the purchaser is authorized to engage in the acquired activity;

(B) the acquisition complies with section 256; and

(C) the acquisition does not create, continue, or facilitate prohibited common ownership, control, affiliation, or engagement in more than 1 financial services vertical.

(4) Indirect acquisitions.—Paragraph (3) applies to an acquisition made directly or indirectly, through an affiliate, intermediary, common-control arrangement, contractual relationship, or series of related transactions.

(5) Rejection of bid.—The receiver shall reject a bid that fails to satisfy this subsection or is conditioned on financial assistance prohibited under subsection (b).

(l) Distribution of property and proceeds.—

(1) Order of distribution.—After compliance with subsection (g), property and proceeds of the receivership estate shall be distributed in the following order:

(A) reasonable and necessary expenses incurred in administering the receivership, payable from unencumbered property;

(B) valid secured claims, to the extent of the value of the collateral remaining after payment of expenses described in paragraph (2)(A);

(C) verified customer property deficiency claims determined under subsection (g)(4);

(D) unpaid wages, salaries, and employee-benefit contributions earned before appointment;

(E) tax claims and other claims entitled to priority under Federal law;

(F) general unsecured claims other than claims arising from investment instruments;

(G) senior investment instruments;

(H) subordinated investment instruments; and

(I) any remaining value to equity holders.

(2) Secured claims.—

(A) Reasonable and necessary expenses incurred to preserve or dispose of collateral shall be paid from the proceeds of that collateral before payment of the secured claim.

(B) A secured claim shall be paid from the remaining value of the collateral securing the claim.

(C) The portion of a secured claim exceeding the remaining value of the collateral shall be treated as an unsecured claim in the class otherwise applicable to the obligation.

(3) Equal treatment.—Claims within the same class shall be paid pro rata unless a valid contractual subordination provision requires a lower priority.

(4) Limitation on recovery.—No claimant may receive more than the allowed amount of the claim, and no investment instrument shall be redeemed or satisfied at par unless property of the receivership estate is sufficient to pay all claims of equal or higher priority in full.

(5) Losses borne by investors.—Losses allocated to an investment instrument or equity interest may not be imposed on a depositor, a holder of an account or other liability payable on demand at par and usable to make payments or transfers, a holder of Treasury Dollar Bills, the Federal Reserve System, the Department of the Treasury, or the public fisc.

(m) Management and individual accountability.—

(1) Preservation of claims.—The receiver shall preserve, investigate, and, when appropriate, pursue any claim of the investment bank or receivership estate against an officer, director, controlling person, auditor, contractor, or other responsible person whose act or omission contributed to a loss, violation of law, dissipation of assets, false valuation, or failure of the investment bank.

(2) Available remedies.—In pursuing a claim under paragraph (1), the receiver may seek damages, restitution, disgorgement, avoidance of a fraudulent or preferential transfer, recovery of compensation or distributions, or other relief otherwise available under law.

(3) No estate funded indemnification.—The receiver may not use property of the receivership estate to indemnify or reimburse a person for liability arising from fraud, knowing misconduct, gross negligence, breach of fiduciary duty, or a violation of this section or section 254.

(4) Relationship to other enforcement.—This subsection does not limit any civil, administrative, or criminal investigation, action, penalty, or remedy available under section 254 or any other provision of law.

(n) Judicial review.—

(1) Expedited review.—A person adversely affected by the appointment of the receiver, an authorization of a sale or transfer that determines or materially impairs the legal interest of the person, or a final action of the receiver may, not later than 30 days after the appointment, authorization, or final action, as applicable, seek judicial review in the United States District Court for the District of Columbia or the district in which the investment bank had its principal place of business. The court shall consider the action on an expedited basis.

(2) No automatic stay.—The commencement of an action under paragraph (1) shall not stay, enjoin, or delay the appointment of the receiver, administration of the receivership, or a sale or transfer under this section.

(3) Temporary relief.—A court may grant temporary relief before consummation of a sale or transfer only upon clear and convincing evidence that—

(A) the challenged action is plainly contrary to this section;

(B) the applicant is likely to suffer irreparable harm that cannot be remedied by monetary relief; and

(C) the relief will not materially impair an orderly resolution or increase losses to the receivership estate.

(4) Finality of completed transactions.—A sale or transfer consummated in good faith under this section may not be stayed, rescinded, reversed, or otherwise unwound by a court.

(5) Monetary relief.—

(A) If a court determines that the Board, the Office, or the receiver acted unlawfully, the United States waives sovereign immunity with respect to a claim under this paragraph, and the court may award monetary relief for actual loss directly caused by the unlawful action.

(B) A final judgment under subparagraph (A) shall be paid under section 1304 of title 31, United States Code, and not from the receivership estate or by a purchaser.

(C) A court may not award relief that protects an investment instrument from a loss properly allocated under this section or requires the rescue, recapitalization, or continued operation of the investment bank.

(o) Rulemaking and systemwide stabilization.—

(1) Rulemaking.—

(A) In general.—Not later than 180 days after the date of enactment of this Act, the Board, in consultation with the Director and appropriate Federal financial regulators, shall issue rules necessary to carry out this section, including rules governing—

(i) referrals, receivership administration, competitive sales, bidder eligibility under section 256, claims procedures, and distributions;

(ii) the identification, valuation, preservation, transfer, termination, repudiation, and treatment of contracts and financial arrangements of an investment bank; and

(iii) coordination among the Board, the Office, the receiver, appropriate Federal financial regulators, clearing organizations, custodians, and other persons necessary to conduct an orderly resolution.

(B) Qualified financial contracts.—The rules issued under subparagraph (A) shall govern qualified financial contracts (as defined in section 11(e)(8)(D) of the Federal Deposit Insurance Act (12 U.S.C. 1821(e)(8)(D))) and related master agreements, netting sets, collateral rights, security arrangements, and credit enhancements, including rules—

(i) implementing the temporary stay under subsection (h);

(ii) governing the transfer or termination of such contracts and related property;

(iii) preserving legally enforceable netting, setoff, collateral, and credit-enhancement rights except to the extent expressly limited by this section;

(iv) requiring that, with respect to a person that is a party to 1 or more qualified financial contracts with the investment bank, all qualified financial contracts between the person or any affiliate of the person and the investment bank, together with all claims, property, collateral, security arrangements, and credit enhancements related to those contracts, be transferred to the same transferee, or that none be transferred, and prohibiting selective enforcement or repudiation within an integrated master agreement or netting set; and

(v) coordinating such contracts with the claims, customer-property, sale, and distribution provisions of this section.

(C) Cross-border resolution.—The rules issued under subparagraph (A) shall govern cross-border resolution matters, including—

(i) coordination with and, to the extent permitted by law, giving effect to a foreign insolvency, liquidation, or resolution proceeding;

(ii) cooperation and information sharing with a foreign financial or resolution authority, to the extent permitted by law and subject to appropriate confidentiality safeguards;

(iii) protection of property located in the United States and claims arising under United States law;

(iv) prevention of duplicative proceedings, inconsistent transfers, double recovery, or evasion of this section; and

(v) standards prohibiting the transfer of a qualified financial contract, netting agreement, collateral arrangement, security arrangement, credit enhancement, or related property to a foreign person unless the receiver determines that the applicable contractual, netting, collateral, security, and credit-enhancement rights will remain enforceable to substantially the same extent as under this section.

(D) Limitations.—A rule, agreement, recognition, transfer, or cooperative arrangement under this paragraph may not—

(i) authorize financial assistance prohibited under subsection (b);

(ii) subordinate customer or custodial property protected under subsection (g);

(iii) transfer a loss to the United States, the Federal Reserve System, the Department of the Treasury, a holder of Treasury Dollar Bills, or the public fisc;

(iv) protect an investment instrument from a loss otherwise allocable under this section; or

(v) authorize an ownership arrangement, affiliation, or acquisition prohibited under section 256.

(2) Self-executing authority.—A failure to issue a rule under paragraph (1) shall not delay or prevent the appointment of a receiver or the exercise of authority expressly granted by this section when a trigger under subsection (d) has occurred.

(3) Systemwide stabilization.—In the event of systemwide financial stress, stabilization shall be accomplished through generally applicable fiscal measures authorized by law, including direct public spending or per capita distributions, and not through financial assistance directed to an individual investment bank, purchaser, creditor, equity holder, or investment instrument.

(4) Construction.—Nothing in this section authorizes an activity, acquisition, ownership arrangement, or affiliation prohibited under section 256.

SEC. 256. STRUCTURAL SEPARATION OF FINANCIAL CONGLOMERATES.

(a) Definitions.—In this section:

(1) Antitrust Division.—The term "Antitrust Division" means the Antitrust Division of the Department of Justice, acting through the Assistant Attorney General in charge of the Antitrust Division.

(2) Appropriate Federal financial regulator.—The term "appropriate Federal financial regulator" means the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Securities and Exchange Commission, the Commodity Futures Trading Commission, or any other Federal agency that the Council determines has primary supervisory or regulatory jurisdiction over an entity or activity of a person subject to this section.

(3) Appropriate State insurance regulator.—The term "appropriate State insurance regulator" means the insurance commissioner or other State officer or agency with primary supervisory authority over an insurance company.

(4) Asset management.—

(A) In general.—The term "asset management" means the business of managing, advising, sponsoring, or exercising discretionary authority over assets beneficially owned by 1 or more unaffiliated persons, including the activities of—

(i) an investment adviser or investment company, as those terms are defined in section 202(a)(11) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(11)) and section 3(a)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)(1)), respectively;

(ii) a commodity pool operator or commodity trading advisor, as those terms are defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a); or

(iii) a sponsor, general partner, managing member, or manager of a private fund, as defined in section 202(a)(29) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(29)), or a similar pooled investment vehicle.

(B) Exclusions.—The term "asset management" does not include custody, safekeeping, recordkeeping, nondiscretionary administrative services, or trust and fiduciary activities permitted under subsection (b)(2).

(5) Capital markets intermediation.—The term "capital markets intermediation" means the business of—

(A) underwriting, placing, or distributing securities of another person;

(B) acting as a broker or dealer, as those terms are defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a));

(C) market making, prime brokerage, or securities lending as an intermediary;

(D) acting as a futures commission merchant, swap dealer, security-based swap dealer, major swap participant, or major security-based swap participant; or

(E) operating a national securities exchange, alternative trading system, securities clearing agency, derivatives clearing organization, or comparable capital markets trading or clearing facility.

(6) Commission.—The term "Commission" means the Federal Trade Commission.

(7) Common ownership or control.—The term "common ownership or control" means ownership or control, direct or indirect, of 2 or more entities by the same person or group of persons.

(8) Control.—The term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management, policies, or operations of an entity. A person shall be rebuttably presumed to control an entity if such person—

(A) owns, controls, or has the power to vote 25 percent or more of any class of voting securities of the entity;

(B) has the power to appoint 25 percent or more of the board of directors or equivalent governing body of the entity; or

(C) has contractual or other authority to direct or materially influence the lending, underwriting, dealing, trading, investment advisory, insurance underwriting, custody, clearing, settlement, capital-allocation, risk management, or customer-access decisions of the entity.

(9) Council.—The term "Council" means the Financial Stability Oversight Council established under section 111 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5321).

(10) Depository banking and balance sheet lending.—

(A) In general.—The term "depository banking and balance sheet lending" means the business of—

(i) operating as a depository institution, as defined in section 3(c)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)(1)), a credit union, as defined in section 2(9) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5301(9)), or a branch or agency of a foreign bank, as those terms are defined in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101(b));

(ii) receiving deposits or issuing deposit-like liabilities; or

(iii) extending consumer, commercial, real estate, or other credit as principal and retaining the predominant economic interest in such credit.

(B) Exclusions.—The term "depository banking and balance sheet lending" does not include—

(i) margin, settlement, or securities lending credit extended solely as an incident to capital markets intermediation;

(ii) an extension of credit made by a pooled investment vehicle using assets beneficially owned by the investors in such vehicle, if the asset manager does not guarantee the credit or fund it from the asset manager's own balance sheet;

(iii) a policy loan, premium financing arrangement, or investment made from the general or separate account of an insurance company; or

(iv) trade credit extended solely as an incident to the sale of nonfinancial goods or services.

(11) Financial services vertical.—The term "financial services vertical" means any of the following:

(A) Asset management.

(B) Capital markets intermediation.

(C) Depository banking and balance sheet lending.

(D) Insurance underwriting.

(12) Insurance underwriting.—The term "insurance underwriting" means the business of assuming insurance, reinsurance, or annuity risk in return for a premium or other consideration, including life, health, property, casualty, title, mortgage, financial guaranty, and other insurance risk. Such term does not include acting solely as an insurance agent or broker without assuming insurance risk.

(13) Lead financial regulator.—The term "lead financial regulator" means the appropriate Federal financial regulator designated by the Council under subsection (b)(5)(C).

(14) Person.—The term "person" has the meaning given the term in section 1 of the Clayton Act (15 U.S.C. 12).

(15) Profits.—The term "profits" means, with respect to any person and any month, the amount equal to the greater of—

(A) the net income (or loss) of such person before provision for income taxes for such month, as determined in accordance with generally accepted accounting principles and consistent with the accounting principles used in the most recent audited consolidated financial statements of such person; and

(B) 4 percent of the gross revenues of such person for such month, as so determined.

(16) Reviewing agencies.—The term "reviewing agencies" means the lead financial regulator, the Commission, and the Antitrust Division.

(17) Unaffiliated.—The term "unaffiliated", with respect to 2 persons, means that the persons are not under common ownership or control, directly or indirectly.

(b) Prohibition on ownership of more than 1 financial services vertical.—

(1) (A) In general.—Notwithstanding any other provision of Federal or State law, it shall be unlawful for any person to directly or indirectly own, operate, control, or direct the operation of any entity or combination of entities engaged in more than 1 financial services vertical, in or affecting interstate or foreign commerce.

(B) Prohibition on new acquisitions.—After the date of enactment of this Act, no person may acquire, directly or indirectly, control of assets or operations in a financial services vertical other than the financial services vertical in which such person already engages, in violation of subparagraph (A).

(2) Permitted incidental activities.—

(A) General rule.—A person engaged in a financial services vertical may conduct an activity associated with another financial services vertical only to the extent expressly permitted under this paragraph, necessary and incidental to the person's selected financial services vertical, and not used to preserve, recreate, or continue common ownership or control across financial services verticals.

(B) Depository banking and balance sheet lending.—A person engaged in depository banking and balance sheet lending may—

(i) purchase or sell investments for the account of a customer, or provide financial or investment advice to a customer, pursuant to authorized trust and fiduciary activities;

(ii) provide custody, safekeeping, recordkeeping, payment, and settlement services;

(iii) acquire and hold assets for liquidity, reserves, capital, foreclosure, debt collection, or resolution, provided that an asset acquired through foreclosure, debt collection, or resolution is disposed of as soon as practicable and not later than 2 years after acquisition, unless the appropriate Federal financial regulator with primary supervisory jurisdiction over the person authorizes a temporary extension necessary to avoid material loss; and

(iv) enter into a bona fide transaction to hedge a risk arising from the person's permitted activities.

(C) Capital markets intermediation.—A person engaged in capital markets intermediation may extend margin or settlement credit, provide custody of customer assets or collateral, provide research or advice incidental to brokerage, hold trading inventory, and enter into bona fide hedging transactions, in each case only as an incident to capital markets intermediation.

(D) Asset management.—A person engaged in asset management may cause a managed investment vehicle to purchase or sell securities, make or acquire loans, use derivatives, and maintain cash or collateral, provided that the person does not guarantee the obligations of the vehicle or fund the vehicle's activities from the person's own balance sheet except for seed capital permitted by joint rule.

(E) Insurance underwriting.—A person engaged in insurance underwriting may invest general-account and separate-account assets, enter into bona fide hedging transactions, make policy loans, finance premiums, and manage assets solely to support insurance or annuity obligations.

(F) Narrow construction.—An activity permitted under this paragraph shall be construed narrowly and may not be offered as a separate line of business to unaffiliated persons except to the extent expressly authorized under this paragraph.

(G) Treasury interface services.—Providing interface services for Treasury transaction accounts under section 623(h) shall not, by itself, constitute engagement in a financial services vertical.

(3) Rulemaking.—Not later than January 30, 2027, the Council, the Commission, and the Antitrust Division shall, in consultation with the appropriate Federal financial regulators and appropriate State insurance regulators, issue a joint interim final rule defining for purposes of this section—

(A) a de minimis threshold of revenue, assets, or activity within a financial services vertical below which an activity may be excluded from the prohibition under paragraph (1), except that any exclusion under this subparagraph shall be construed narrowly and shall not permit the preservation, recreation, or continuation of integrated control across financial services verticals inconsistent with the purposes of this section;

(B) standards for applying the definitions of "common ownership or control" and "control" under subsection (a), including standards addressing contractual arrangements of operational control, indirect means of control, interlocking management, guarantees, shared capital or liquidity, and functions materially comparable to a financial services vertical;

(C) standards for applying paragraph (2), including limitations necessary to ensure that an incidental activity does not become a separate line of business or a means of evading paragraph (1);

(D) milestones for divestiture to ensure compliance within the deadline under subsection (c), provided such milestones may not be later than permitted under subsection (d), including—

(i) filing of a divestiture plan;

(ii) the length of time the reviewing agencies will review such plan;

(iii) filing of a revised plan, if necessary;

(iv) notification of the person acquiring such divestiture;

(v) the submission of any transaction filing required by section 7A of the Clayton Act (15 U.S.C. 18a) by the person acquiring such divestiture; and

(vi) completion of such divestiture; and

(E) for each milestone, whether, in the case of a person's knowing and willful failure to meet the milestone, the reviewing agencies shall seek—

(i) penalties under subsection (e)(3);

(ii) appointment of a divestiture trustee under subsection (e)(4); or

(iii) both clauses (i) and (ii).

(4) Effect of interim final rule.—The interim final rule under paragraph (3) shall take effect upon publication in the Federal Register, shall have the force and effect of law, and may be issued without regard to section 553 of title 5, United States Code. The issuing agencies shall provide a public comment period of not less than 60 days after publication and shall issue final rules not later than October 30, 2027. A delay in issuance or finalization of rules under this paragraph shall not delay, limit, extinguish, or reduce any prohibition, duty, enforcement authority, or divestiture obligation established by this section.

(5) Notice of divestiture requirement.—

(A) In general.—Not later than 60 days after the date of enactment of this Act, the Council, the Commission, and the Antitrust Division shall, using the best information available, identify each person that they jointly determine is required to divest under subsection (c) and notify such person of the determination.

(B) 60-day notice not exhaustive.—Notwithstanding subparagraph (A), if the Council, the Commission, and the Antitrust Division later jointly determine, using the best information available, that a person not identified under subparagraph (A) is required to divest under subsection (c), the Commission and the Antitrust Division shall promptly notify such person.

(C) Lead financial regulator.—For each person identified under subparagraphs (A) or (B), the Council shall designate an appropriate Federal financial regulator to act as the lead financial regulator, based on the regulator's primary supervisory jurisdiction, the person's predominant financial services vertical, and the need to protect customers, depositors, investors, and policyholders. If the person engages in insurance underwriting, the lead financial regulator shall consult with each State insurance regulator having primary supervisory jurisdiction over a material insurance entity of the person.

(D) No immunity.—Failure to identify or notify a person under this paragraph shall not limit, extinguish, or otherwise affect any prohibition, duty, enforcement authority, or divestiture obligation established by this section.

(6) Determination upon request.—

(A) Request.—Any person that has not received notice under paragraph (5) may submit to the Council, the Commission, and the Antitrust Division a written request for a determination of whether that person is required to divest under subsection (c).

(B) Determination.—Not later than the later of 30 days after receipt of a request under subparagraph (A) or the expiration of the 60-day period under paragraph (5)(A), the Council, the Commission, and the Antitrust Division shall jointly issue to the person a written determination that states whether the person is required to divest under subsection (c). If the determination states that the person is required to divest, the Council shall designate a lead financial regulator in accordance with paragraph (5)(C). Notice issued under paragraph (5) after receipt of a request under subparagraph (A) shall satisfy this requirement.

(C) No admission or tolling.—Submission of a request under subparagraph (A) shall not—

(i) constitute an admission that the person is subject to subsection (b) or required to divest under subsection (c); or

(ii) toll or extend any prohibition, duty, enforcement authority, divestiture obligation, or deadline under this section.

(7) Judicial review.—

(A) Petition for review.—

(i) Determination.—A person receiving notice under paragraph (5) or a written determination under paragraph (6) may, not later than 30 days after receipt of such notice or determination, file a petition for review of the determination in the United States Court of Appeals for the District of Columbia Circuit.

(ii) Failure to act.—A person that submits a request under paragraph (6)(A) and does not receive a written determination within the period required under paragraph (6)(B) may, at any time before receipt of such determination, file a petition in the United States Court of Appeals for the District of Columbia Circuit to compel issuance of the determination.

(B) Application of chapter 7.—Chapter 7 of title 5, United States Code, shall apply to a petition under subparagraph (A). For purposes of such chapter—

(i) a determination under paragraph (5) or (6) shall constitute final agency action; and

(ii) a failure to issue a determination within the period required under paragraph (6)(B) shall constitute agency action unlawfully withheld.

(C) Expedited consideration.—The court shall expedite consideration of a petition filed under subparagraph (A) to the greatest extent practicable.

(c) Divestiture.—Not later than July 1, 2028, any person in violation of subsection (b) shall divest such interests as are necessary to come into compliance.

(d) Financial and antitrust review.—

(1) Divestiture plan required.—Not later than April 1, 2027, any person required to divest under subsection (c) shall submit to the lead financial regulator, the Commission, and the Antitrust Division a divestiture plan. Such plan—

(A) shall be submitted in the same manner, and contain substantially similar information, as a transaction filing under section 7A of the Clayton Act (15 U.S.C. 18a), without respect to any threshold, exemption, or other limitation of such section; and

(B) shall include—

(i) identification of the business, assets, entities, operations, licenses, contracts, or interests to be divested to come into compliance with subsection (b);

(ii) identification of the proposed acquiring person, if known;

(iii) a timetable for execution;

(iv) any transitional services proposed;

(v) a plan to separate capital, liquidity, funding, customer and client assets, personnel, data, systems, guarantees, contractual obligations, and regulatory licenses and permissions;

(vi) a plan to preserve operational continuity and protect depositors, borrowers, customers, clients, investors, and policyholders; and

(vii) such other information as the reviewing agencies may require by joint rule.

(2) Agency review process.—Not later than 180 days after receipt of a divestiture plan under paragraph (1), but in no case later than October 1, 2027, the reviewing agencies shall review the plan.

(A) Financial review.—The lead financial regulator shall coordinate review by the appropriate Federal financial regulators and, where applicable, appropriate State insurance regulators. The lead financial regulator shall review the effect of the proposed divestiture on safety and soundness, financial stability, financial viability, operational continuity, customer-asset protection, policyholder protection, and the ability of each resulting enterprise to operate independently.

(B) Antitrust review.—The Commission and the Antitrust Division shall review the effect on competition, concentration, independent market access, conflicts of interest, and the public interest—

(i) of the divestiture; and

(ii) of the subsequent acquisition of the divested business, assets, entities, operations, licenses, contracts, or interests by the acquiring person.

(C) Additional information.—Any request for additional information by a reviewing agency shall be made within 30 days of receipt of the plan.

(D) Acquiring person.—

(i) A divestiture plan that identifies a proposed acquiring person may be approved only if the following requirements are satisfied—

(I) the proposed acquisition is consistent with subsection (b);

(II) the proposed acquisition would not materially harm competition, increase concentration, recreate integrated control across financial services verticals, or otherwise undermine the purposes of this section;

(III) each resulting enterprise will be financially viable, operationally independent, and adequately protect depositors, borrowers, customers, clients, investors, and policyholders; and

(IV) each statutory reporting, waiting period, licensing, supervisory, or approval requirement applicable to the proposed acquisition will be satisfied before consummation.

(ii) A divestiture plan may be submitted and reviewed without identifying a proposed acquiring person, but no sale, transfer, assignment, or other disposition to an acquiring person may be consummated if the lead financial regulator, the Commission, or the Antitrust Division disapproves in writing.

(E) Notice of decision.—Not later than the end of the review period, the lead financial regulator shall notify the person in writing—

(i) whether the plan is approved, approved with conditions, or disapproved; and

(ii) the reasons for any disapproval or conditions.

(F) Approval standard.—A divestiture plan shall be treated as approved only if, before the end of the review period, the lead financial regulator has approved the plan in writing, whether unconditionally or subject to conditions accepted in writing by the person submitting the plan, and neither the Commission nor the Antitrust Division has disapproved the plan in writing.

(3) Revised plan following disapproval.—If a plan is disapproved under paragraph (2), the person shall submit a revised divestiture plan not later than 60 days after receipt of the disapproval notice.

(A) Review deadline.—Not later than 150 days after receipt of a revised plan, but in no case later than May 1, 2028, the reviewing agencies shall review the revised plan under the procedures set forth in paragraph (2).

(4) No tolling.—No submission, resubmission, agency review, negotiation, request for additional information, waiting period, court proceeding, or other matter shall toll or extend any deadline under this section.

(5) Consequences of noncompliance.—A person required to divest under subsection (c) shall be subject to subsection (e)(3), subsection (e)(4), or both, if such person fails to—

(A) submit a divestiture plan under paragraph (1);

(B) submit a revised plan under paragraph (3), if required to do so;

(C) obtain approval of either—

(i) a plan under paragraph (2); or

(ii) a revised plan under paragraph (3);

(D) conform to agreed upon conditions of an approved plan; or

(E) conclude the divestiture required by subsection (c).

(6) Blocking of actions.—The lead financial regulator, the Commission, and the Antitrust Division, jointly or separately, may bring a civil action in any court of competent jurisdiction to block any action that would materially increase financial risk, harm competition, recreate integrated control across financial services verticals, or otherwise undermine the purposes of this section.

(e) Enforcement.—

(1) Civil enforcement.—When the Commission, the Antitrust Division, a lead financial regulator, an appropriate Federal financial regulator, or an attorney general of a State has reason to believe that a person is in violation of this section or a rule promulgated under this section, such agency or attorney general may bring a civil action in an appropriate district court of the United States.

(2) Injunctive and equitable relief.—In any action described in paragraph (1), the applicable court, on a finding that a person is in violation of this section or a rule promulgated under this section, shall issue an order requiring such person—

(A) to cease and desist from such violation and, if applicable, divest such interests as are necessary to come into compliance with this section; and

(B) to pay an amount equal to the profits derived from any business, asset, operation, or interest subject to divestiture during the period of the violation.

(3) Penalties.—

(A) Written determination and transfer.—If a person knowingly and willfully fails to comply with a milestone specified under subsection (b)(3)(D), the lead financial regulator, an appropriate Federal financial regulator with primary jurisdiction over the missed milestone, or the Commission and the Antitrust Division acting jointly shall issue a written determination identifying the missed milestone, the month for which escrow is required, the amount required to be transferred, and the method used to calculate such amount. Beginning not later than 15 days after receipt of such written determination, the person shall transfer into escrow on a monthly basis 10 percent of the profits of the person, to be—

(i) returned to the person if divestiture occurs by the deadline under subsection (c); or

(ii) deposited into the general fund of the Treasury if divestiture does not occur by the deadline under subsection (c).

(B) Escrow administration and certification.—Any transfer into escrow under subparagraph (A) shall be deposited with the Secretary of the Treasury into a segregated account established for purposes of this section.

(i) Not later than 15 days after the end of each month for which a transfer is required, the person shall submit to the lead financial regulator, the Chair of the Commission, and the Antitrust Division a certification, signed by the chief executive officer and chief financial officer, attesting to the calculation of profits and gross revenues for such month and the amount transferred.

(ii) Not later than 120 days after the end of each fiscal year, the person shall submit a reconciliation based on audited financial statements and shall pay any underpayment, together with interest on the underpayment from the date the underpayment was required to be transferred into escrow, at the underpayment rate determined under section 6621(a)(2) of the Internal Revenue Code of 1986 and compounded daily under section 6622(a) of such Code, or receive a return of any overpayment, as applicable.

(C) Judicial review.—A person subject to a transfer requirement under subparagraph (A) may, not later than 30 days after notice of such requirement, petition for review in the United States Court of Appeals for the District of Columbia Circuit. The filing of a petition for review shall not stay any obligation to transfer amounts into escrow unless the court orders otherwise.

(4) Trustee.—The lead financial regulator, the Commission, or the Antitrust Division may apply to a court of competent jurisdiction for the appointment of a divestiture trustee.

(A) Authority.—The divestiture trustee shall have the authority, at the expense of the person required to divest, to take such actions as are necessary to effectuate the divestiture required under this section, including selling, transferring, assigning, or otherwise disposing of the business, assets, entities, operations, licenses, contracts, or interests required to be divested.

(B) Cooperation.—The person required to divest shall cooperate fully with the divestiture trustee and shall take no action to interfere with, delay, or impede the divestiture.

(C) Approval.—Any proposed sale by the divestiture trustee shall be subject to approval under subsection (d).

(D) Duty of trustee.—The divestiture trustee shall act in the interest of effectuating prompt compliance with this section, preserving financial stability and operational continuity, and restoring competition, and shall not be required to maximize the value received by the person required to divest.

(5) Deposit.—Any amount paid under paragraph (2)(B) shall be deposited into the general fund of the Treasury.

(6) Other relief.—In addition to any relief obtained under paragraph (1) or (2), the court may grant any other equitable relief necessary to redress and prevent recurrence of the violation.

(f) Anti-circumvention.—It shall be unlawful for any person to evade or attempt to evade this section, including by entering into an agreement or contract, engaging in a transaction, structuring an entity, sharing capital, liquidity, guarantees, personnel, data, systems, or risk, or recreating through contractual means the common ownership, control, conflicts of interest, or financial integration prohibited under subsection (b).

(g) Rulemaking authority.—The Council, the Commission, and the Antitrust Division shall, in consultation with the appropriate Federal financial regulators and appropriate State insurance regulators, jointly promulgate regulations to carry out this section.

(h) Reports required.—The Chairperson of the Council, the Chair of the Commission, and the Antitrust Division shall submit to the appropriate congressional committees quarterly reports on compliance with this section, including the status of any divestitures required under this section.

(i) Rule of construction.—Nothing in this section shall be construed to limit the authority of the Council, the Commission, the Department of Justice, an appropriate Federal financial regulator, an appropriate State insurance regulator, or the attorney general of a State under any other provision of law.

SEC. 257. CERTAIN EVENT CONTRACTS PROHIBITED.

Section 5c(c) of the Commodity Exchange Act (7 U.S.C. 7a–2(c)) is amended by adding at the end the following:

"(6) Certain event contracts prohibited.—

"(A) Definitions.—In this paragraph:

"(i) Casino-style game.—The term 'casino-style game' means any game traditionally found in a casino, including slot machine games, video poker, blackjack, roulette, craps, any other casino-style table game, bingo, lottery, and any simulation of any such game.

"(ii) Military action.—The term 'military action' means any military action taken by the United States or any foreign country.

"(iii) Political contest.—The term 'political contest' means any primary, general, special, runoff, recall, or other election for Federal, State, local, or territorial public office, and any caucus, convention, ballot measure, referendum, initiative, or other political contest or process the outcome of which is determined in whole or in part by votes cast or formally tabulated.

"(iv) Sporting event.—The term 'sporting event' means any live or virtual contest involving physical activity or skill in which individuals or teams compete and performance determines an outcome or statistical result, including amateur, collegiate, and professional sports.

"(v) United States governmental action.—The term 'United States governmental action' means any action taken, proposed, authorized, or officially announced by the executive, legislative, or judicial branch of the United States or any member of any such branch.

"(B) Prohibition.—

"(i) In general.—Notwithstanding any other provision of this section, no agreement, contract, or transaction relating to any casino-style game, military action, political contest, sporting event, or United States governmental action may be listed or made available for clearing or trading on or through a registered entity.

"(ii) Exception.—Clause (i) shall not apply with respect to any agreement, contract, transaction, or swap relating to a United States governmental action if such agreement, contract, transaction, or swap is used for hedging or mitigating commercial risk and the person entering into such agreement, contract, transaction, or swap has a preexisting, demonstrable commercial exposure, independent of such agreement, contract, transaction, or swap, that is more than de minimis.

"(C) Rule of construction.—Nothing in this subsection shall be construed to preempt any State law or rule that regulates or prohibits any agreement, contract, or transaction relating to any casino-style game, military action, political contest, sporting event, or United States governmental action.

"(D) Transition rule.—Any agreement, contract, or transaction described in subparagraph (B)(i) that was entered into on or before the date of enactment of this Act, may remain in effect solely until settlement, exercise, liquidation, or expiration in accordance with its terms, but may not, after the date of enactment of this Act, be newly listed, offered to a new holder, assigned, novated, rolled over, or made available for secondary trading on or through a registered entity.".

Subtitle F—Toward a Uniform Bankruptcy Code

SEC. 261. FINDINGS.

Congress finds the following:

(1) Article I, Section 8, Clause 4 of the Constitution of the United States directs Congress to establish uniform laws on the subject of bankruptcies throughout the United States.

(2) The requirement of uniformity in bankruptcy law reflects a Constitutional judgment that relief from debt and the orderly resolution of insolvency must not vary arbitrarily based on creditor power, debtor status, or financial sophistication.

(3) Bankruptcy law has historically served two complementary purposes: providing a fresh start for honest but unfortunate debtors, and ensuring the fair and orderly reorganization or liquidation of distressed enterprises for the benefit of all stakeholders.

(4) Over time, amendments to the Bankruptcy Code and changes in bankruptcy practice have produced nonuniform outcomes in which similarly situated debtors are treated differently based on the type of debt incurred, the identity of creditors, or the procedural posture of a case.

(5) Certain categories of educational debt have been rendered effectively nondischargeable absent a showing of undue hardship, creating a deviation from uniform bankruptcy principles and imposing long-term financial burdens on individuals regardless of good faith efforts to repay.

(6) Amendments enacted in 2005 to chapter 7 of title 11, United States Code, replaced discretionary judicial standards with mechanical presumptions of abuse, shifted burdens onto individual debtors, and eliminated the historical presumption in favor of granting relief, thereby impairing the uniform availability of a fresh start.

(7) At the same time, sophisticated financial actors have increasingly employed chapter 11 procedures, including expedited asset sales under section 363 of title 11, United States Code, to retain control of distressed enterprises while shedding obligations to workers, retirees, and unsecured creditors.

(8) The use of insider transactions, credit bidding, and expedited sales in chapter 11 cases has, in some instances, undermined confidence in the fairness and integrity of the bankruptcy system and produced outcomes inconsistent with equitable treatment.

(9) Congress has a continuing responsibility to ensure that bankruptcy law operates in a uniform, fair, and transparent manner, consistent with Constitutional authority, and that neither individual debtors nor institutional actors are subject to special rules that distort outcomes or evade accountability.

SEC. 262. ADDRESSING STUDENT LOANS.

(a) Discharge of educational debt permitted.—Section 523(a) of title 11, United States Code, is amended by striking paragraph (8).

(b) Repayment by certain institutions.—Section 524 of title 11, United States Code, is amended by adding at the end the following:

"(n) (1) In this subsection:

"(A) The term 'cohort repayment rate', with respect to a covered institution of higher education or a category of student borrowers at such institution, means the percentage of student borrowers in the applicable cohort who are making at least some progress paying down their student loans within 3 years of entering repayment.

"(B) The term 'covered institution of higher education' means an institution of higher education (as defined in section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002)) that—

"(i) is a participant in the Federal Direct Loan Program under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.); and

"(ii) has an enrollment in which not less than 33 percent of students have received a loan made, insured, or guaranteed under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).

"(C) The term 'covered student loan' means the original principal of a loan—

"(i) the first payment on which became due before the 10-year period (exclusive of any applicable suspension of the repayment period) ending on the date of the filing of the petition; and

"(ii) used by the debtor to make a payment to a covered institution of higher education on behalf of the debtor for the purpose of attaining an educational benefit.

"(D) The term 'Federal Direct PLUS Loan' means a Federal Direct PLUS Loan under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.).

"(2) Institutional reimbursement.—If a covered student loan is discharged in a bankruptcy case under this title, the covered institution of higher education to which the debtor made a payment with the covered student loan shall pay to the Department of Education an amount equal to the applicable reimbursement percentage of the amount of the covered student loan that is discharged.

"(A) Applicable reimbursement percentage.—The applicable reimbursement percentage is the greater of—

"(i) the default-rate percentage determined under subparagraph (B); and

"(ii) the repayment-rate percentage determined under subparagraph (C).

"(B) Default-rate percentage.—Using the lowest cohort default rate of the covered institution of higher education, as determined under section 435(m) of the Higher Education Act of 1965 (20 U.S.C. 1085(m)), for the 3 fiscal years preceding the date on which the first payment on the covered student loan became due, the default-rate percentage is—

"(i) 50 percent, if such rate was equal to or more than 25 percent;

"(ii) 30 percent, if such rate was equal to or more than 20 percent but less than 25 percent;

"(iii) 20 percent, if such rate was equal to or more than 15 percent but less than 20 percent; and

"(iv) 0 percent, if such rate was less than 15 percent.

"(C) Repayment-rate percentage.—

"(i) General rule.—Except as provided in clause (ii), based on the cohort repayment rate of the covered institution of higher education with respect to borrowers other than those described in clause (ii), the repayment-rate percentage is—

"(I) 50 percent, if such rate was equal to or less than 20 percent;

"(II) 30 percent, if such rate was more than 20 percent but equal to or less than 25 percent;

"(III) 20 percent, if such rate was more than 25 percent but equal to or less than 30 percent; and

"(IV) 0 percent, if such rate was more than 30 percent.

"(ii) Graduate and professional PLUS loans.—With respect to a covered student loan that is a Federal Direct PLUS Loan received by a graduate or professional student for enrollment at the institution, based on the cohort repayment rate of the institution with respect to such borrowers, the repayment-rate percentage is—

"(I) 50 percent, if such rate was equal to or less than 35 percent;

"(II) 30 percent, if such rate was more than 35 percent but equal to or less than 40 percent;

"(III) 20 percent, if such rate was more than 40 percent but equal to or less than 45 percent; and

"(IV) 0 percent, if such rate was more than 45 percent.

"(3) Administration and collection.—

"(A) Notice.—After the discharge of a covered student loan becomes final and is no longer subject to appeal, the Secretary of Education shall determine the amount due under paragraph (2) and notify the covered institution of higher education of that amount.

"(B) Payment deadline.—The covered institution of higher education shall pay the amount due not later than 90 days after receiving notice under subparagraph (A).

"(C) Collection.—An amount not paid when due under subparagraph (B) shall constitute a debt owed to the United States, shall be subject to subchapter II of chapter 37 of title 31, and may be collected by administrative offset or any other lawful means.".

(c) Effective date.—This section and the amendments made by this section shall—

(1) take effect January 1, 2027; and

(2) apply to a petition filed or amended under title 11, United States Code, on or after January 1, 2027, with respect to a debt for an educational benefit, overpayment, loan, scholarship, or stipend of a debtor.

SEC. 263. REPEALING THE PRESUMPTION OF ABUSE IN CHAPTER 7.

(a) In general.—Section 707 of title 11, United States Code, is amended—

(1) in the section heading, by striking "Dismissal of a case or conversion to a case under chapter 11 or 13" and inserting "Dismissal"; and

(2) by amending subsection (b) to read as follows:

"(b) Consumer debtors.—

"(1) Dismissal for substantial abuse.—After notice and a hearing, the court, on its own motion or on a motion by the United States trustee (or bankruptcy administrator, if any), but not at the request or suggestion of any party in interest, may dismiss a case filed by an individual debtor under this chapter whose debts are primarily consumer debts if it finds that the granting of relief would be a substantial abuse of the provisions of this chapter.

"(2) Presumption in favor of relief.—There shall be a presumption in favor of granting the relief requested by the debtor.

"(3) Charitable contributions.—In making a determination whether to dismiss a case under this section, the court may not take into consideration whether a debtor has made, or continues to make, charitable contributions (as defined in section 548(d)(3)) to a qualified religious or charitable entity or organization (as defined in section 548(d)(4)).".

(b) Clerical amendment.—The table of sections for chapter 7 of title 11, United States Code, is amended by striking the item relating to section 707 and inserting the following:

"707. Dismissal.".

SEC. 264. CORPORATE LIABILITY PARTITIONING AND BAD FAITH BANKRUPTCY FILINGS.

(a) Conversion or dismissal under chapter 11.—Section 1112 of title 11, United States Code, is amended—

(1) in subsection (b)—

(A) in paragraph (2)(A), by striking "within a reasonable period of time" and inserting "not later than 24 months after the date of the filing of the petition"; and

(B) in paragraph (4)—

(i) in subparagraph (O), by striking "and" at the end;

(ii) in subparagraph (P), by striking the period at the end and inserting "; and"; and

(iii) by adding at the end the following:

"(Q) with respect to the dismissal of a case under this chapter, the filing of a petition for relief or the continuation of a case under this title that is—

"(i) objectively futile; or

"(ii) in subjective bad faith."; and

(2) by adding at the end the following:

"(g) (1) For the purpose of subsection (b)(4)(Q), the court shall presume that a petition has been filed or that a case is continuing under this title in subjective bad faith if the court determines that the debtor manufactured the venue for the case.

"(2) The presumption under paragraph (1) may be rebutted only based on clear and convincing evidence.

"(h) (1) For the purpose of subsection (b)(4)(Q), the court shall conclusively presume that a petition has been filed or that a case under this title is continuing in subjective bad faith if the court determines that—

"(A) a purpose or effect of the filing or continuation is to—

"(i) gain a tactical litigation advantage;

"(ii) impose undue delay upon creditors; or

"(iii) cap the total amount of the liability of the debtor to 2 or more creditors holding protected claims (as defined in section 362(p)(1)) if the debtor or any affiliate has property of value sufficient to pay in full as those claims would come due;

"(B) during the 4-year period preceding the date of the filing of the petition, the debtor was the subject of, or was formed or organized in connection with, a divisional merger or similar transaction changing the corporate structure of and affecting the financial condition of the debtor or an affiliate;

"(C) during the 4-year period preceding the date of the filing of the petition, the debtor engaged in a transfer of substantial assets to or for the benefit of any insider or affiliate, or incurred substantial obligations from or for the benefit of any insider or affiliate, if the transfer or incurrence of obligations, notwithstanding subsections (e) through (g) and (j) of section 546, is avoidable under section 544(b) or subsection (a)(1) or (e) of section 548; or

"(D) the debtor does not have a valid reorganizational purpose.

"(2) In making a determination under paragraph (1)(D), the court shall consider and give weight to whether any appointed creditors' committee supports the dismissal of the case.

"(i) In a determination under subsection (g) or (h), the debtor shall have the burden of proof.".

(b) Limitations on certain stays and injunctions.—Section 105 of title 11, United States Code, is amended by adding at the end the following:

"(e) Notwithstanding subsection (a) of this section, any provision of title 28, the Federal Rules of Bankruptcy Procedure, or any applicable nonbankruptcy law, the court may not issue any order, process, or judgment that has the purpose or effect of overriding or nullifying section 362(b)(27) of this title.".

(c) Automatic stay.—Section 362 of title 11, United States Code, is amended—

(1) in subsection (b)—

(A) by redesignating paragraphs (27), (28), and (29) as paragraphs (28), (29), and (30), respectively; and

(B) by inserting after paragraph (26) the following:

"(27) under subsection (a) of this section, of the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against an entity that is not a debtor in a case under this title, or any act to obtain or recover property of such entity, on account of or with respect to a protected claim against such entity, the debtor, or the estate (including a protected claim that is property of the debtor or the estate against such entity), if, during the 4-year period preceding the date of the filing of the petition, the debtor was the subject of, or was formed or organized in connection with, a divisional merger, spinoff, corporate restructuring, or other transaction changing the corporate structure of, and affecting the financial condition of, the debtor or an affiliate;"; and

(2) by adding at the end the following:

"(p) For the purposes of paragraph (27):

"(1) The term 'protected claim' means—

"(A) a claim that—

"(i) is against a nondebtor entity or against property of a nondebtor entity that is alleged to be directly or indirectly liable for a claim described in subparagraph (B) against the debtor; and "(ii) arises by reason of—

"(I) the nondebtor entity's ownership of a financial interest in the debtor, a past or present affiliate of the debtor, or a predecessor in interest of the debtor;

"(II) the nondebtor entity's involvement in the management of the debtor or a predecessor in interest of the debtor or the nondebtor entity's service as an officer, director, or employee of the debtor or a related party;

"(III) the nondebtor entity's provision of insurance to the debtor or a related party; or

"(IV) the nondebtor entity's involvement in a transaction changing the corporate structure, or in a loan or other financial transaction affecting the financial condition, of the debtor or a related party, including—

"(aa) involvement in providing financing (debt or equity) or advice to an entity involved in such a transaction; or

"(bb) acquiring or selling a financial interest in an entity as part of such a transaction; or

"(B) a claim—

"(i) against the debtor or a nondebtor entity or property of the debtor or a nondebtor entity;

"(ii) relating to injury, contamination, damage, or loss, including any claim for reimbursement, indemnity, contribution, or subrogation;

"(iii) affecting, directly or indirectly, not less than 100 individuals on or after the date of the filing of the petition;

"(iv) allegedly caused, directly or indirectly, by the presence of, or exposure to, a product, material, or substance designed, marketed, manufactured, sold, modified, extracted, serviced, or in any way used by the debtor or the nondebtor entity; and

"(v) arising, directly or indirectly, from acts or omissions of—

"(I) the debtor;

"(II) a predecessor in interest of the debtor; or

"(III) a past or present affiliate of the debtor.

"(2) The term 'related party' has the meaning given the term in section 524(g)(4)(A)(iii).".

(d) Technical amendments.—

(1) Automatic stay.—Section 362(o) of title 11, United States Code, is amended by striking "(27)" and inserting "(28)".

(2) Setoff.—Section 553 of title 11, United States Code, is amended—

(A) in subsection (a)—

(i) in paragraph (2)(B)(ii), by striking "362(b)(27)" and inserting "362(b)(28)"; and

(ii) in paragraph (3)(C), by striking "362(b)(27)" and inserting "362(b)(28)"; and

(B) in subsection (b)(1), by striking "362(b)(27)" and inserting "362(b)(28)".

(3) Relief that may be granted upon filing petition for recognition.—Section 1519(f) of title 11, United States Code, is amended by striking "(27)" and inserting "(28)".

(4) Relief that may be granted upon recognition.—Section 1521(f) of title 11, United States Code, is amended by striking "(27)" and inserting "(28)".

(e) Application and rule of construction.—This section and the amendments made by this section shall—

(1) apply with respect to any case under title 11, United States Code, filed or pending on or after the date of enactment of this Act; and

(2) not be construed to affect the validity of any final judgment or order confirming a plan under chapter 11 of title 11, United States Code, that was entered before the date of enactment of this Act.

SEC. 265. WORKER AND CONSUMER PROTECTION IN BANKRUPTCY.

(a) Priority for wages in bankruptcy.—Section 507(a) of title 11, United States Code, is amended—

(1) in paragraph (4)—

(A) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(B) in the matter preceding clause (i), as so redesignated, by inserting "(A)" before "Fourth";

(C) in subparagraph (A), as so designated, in the matter preceding clause (i), as so redesignated—

(i) by striking "$10,000" and inserting "$20,000";

(ii) by striking "within 180 days"; and

(iii) by striking "or the date of the cessation of the debtor's business, whichever occurs first"; and

(D) by adding at the end the following:

"(B) Severance pay described in subparagraph (A)(i) shall be deemed earned in full upon the layoff or termination of employment of the individual to whom the severance pay is owed."; and

(2) in paragraph (5)—

(A) in subparagraph (A)—

(i) by striking "within 180 days"; and

(ii) by striking "or the date of the cessation of the debtor's business, whichever occurs first"; and

(B) by striking subparagraph (B) and inserting the following:

"(B) for each such plan, to the extent of the number of employees covered by each such plan multiplied by $20,000.".

(b) Priority for severance pay and employee-benefit contributions.—Section 503(b) of title 11, United States Code, is amended—

(1) in paragraph (8)(B), by striking "and" at the end;

(2) in paragraph (9), by striking the period and inserting a semicolon; and

(3) by adding at the end the following:

"(10) severance pay owed to employees of the debtor (other than to an insider of the debtor or a senior executive officer of the debtor), under a plan, program, or policy generally applicable to employees of the debtor (but not under an individual contract of employment), or owed pursuant to a collective bargaining agreement, for layoff or termination on or after the date of the filing of the petition, which pay shall be deemed earned in full upon such layoff or termination of employment; and

"(11) any contribution due on or after the date of the filing of the petition under an employee welfare benefit plan, as defined in section 212 of the POPULIST Act.".

(c) Priority for violations of labor and employment laws.—

(1) Section 503(b)(1)(A)(ii) of title 11, United States Code, is amended by inserting after "(ii)" the following: "any back pay, civil penalty, or damages for a violation of any Federal or State labor and employment law, including the Worker Adjustment and Retraining Notification Act (29 U.S.C. 2101 et seq.) and any comparable State law, and".

(2) Section 5(a)(1) of the Worker Adjustment and Retraining Notification Act (29 U.S.C. 2104(a)(1)) is amended, in the matter following subparagraph (B)—

(A) by inserting "which for purposes of this sentence shall consist of the days, in the notification period, that are or that follow the date of the prohibited closing or layoff under this Act," after "period of the violation,"; and

(B) by inserting "calendar" after "60".

(d) Collateral surcharge for employee obligations.—Section 506(c) of title 11, United States Code, is amended—

(1) by inserting "(1)" before "The trustee"; and

(2) by adding at the end the following:

"(2) If 1 or more employees of the debtor have not received wages, accrued vacation, severance, or any other compensation owed under a plan, program, policy, or practice of the debtor, or pursuant to the terms of a collective bargaining agreement, for services rendered on or after the date of the commencement of the case, or the debtor has not made a contribution due under an employee welfare benefit plan, as defined in section 212 of the POPULIST Act, on or after the date of the commencement of the case, such unpaid obligations shall be—

"(A) deemed—

"(i) reasonable, necessary costs and expenses of preserving, or disposing of, property securing an allowed secured claim; and

"(ii) benefiting the holder of the allowed secured claim; and

"(B) recovered by the trustee for payment to the employees or the employee welfare benefit plan, as applicable, even if the trustee, or a predecessor or successor in interest, has otherwise waived the provisions of this subsection under an agreement with the holder of the allowed secured claim or a successor or predecessor in interest of the holder of the allowed secured claim.".

(e) Protection for employees in a sale of assets.—

(1) Section 363 of title 11, United States Code, as amended by section 213(k) of this Act, is further amended by adding at the end the following:

"(q) (1) In approving a sale or lease of property of the estate under this section, or under a plan under chapter 11, the court shall give substantial weight to the extent to which a prospective purchaser or lessee, respectively, of the property will—

"(A) preserve the jobs of the workforce of the debtor; and

"(B) maintain the terms and conditions of employment of the workforce of the debtor.

"(2) If there are 2 or more offers to purchase or lease property of the estate under this section, or under a plan under chapter 11, that qualify under the procedures approved by the court, the court shall approve the offer that best—

"(A) preserves the jobs of the workforce of the debtor; and

"(B) maintains the terms and conditions of employment of the workforce of the debtor.

"(r) (1) Any party seeking to purchase or lease property of the estate under this section, or under a plan under chapter 11, shall represent to the court the effect of such a transaction with respect to—

"(A) the preservation of the jobs of the workforce of the debtor; and

"(B) the maintenance of the terms and conditions of employment of the workforce of the debtor.

"(2) The court shall expressly include in an order approving a purchase or lease of property of the estate under this section, or under a plan under chapter 11, any representation made by a purchaser or lessee under paragraph (1).

"(3) With respect to such a purchase or lease—

"(A) the court shall have jurisdiction over the purchaser or lessee to enforce the order;

"(B) the purchaser or lessee shall promptly disclose any material noncompliance; and

"(C) the court may impose any appropriate remedy, including injunctive relief.".

(2) Section 1123(b)(4) of title 11, United States Code, is amended by inserting ", which sale shall be subject to the requirements under subsections (q), (r), and (s) of section 363," after "property of the estate".

(3) Section 1129(a) of title 11, United States Code, as amended by section 213(l) of this Act, is further amended by adding at the end the following:

"(17) If the plan provides for the sale of all or substantially all of the property of the estate, the sale meets the requirements under subsections (q) and (r) of section 363 of this title.".

(f) Protection of gift card purchasers.—

(1) Definition of gift card.—Section 101 of title 11, United States Code, is amended by inserting after paragraph (26) the following:

"(26A) The term 'gift card' means a paper or electronic promise, plastic card, or other payment code or device that is—

"(A) redeemable at—

"(i) a single merchant; or

"(ii) an affiliated group of merchants that share the same name, mark, or logo;

"(B) issued in a specified amount, regardless of whether that amount may be increased in value or reloaded at the request of the holder;

"(C) purchased on a prepaid basis in exchange for payment; and

"(D) honored by the single merchant or affiliated group of merchants described in subparagraph (A) upon presentation for goods or services.".

(2) Consumer deposit priority.—Section 507(a) of title 11, United States Code, as amended by subsection (a) of this section, is further amended by striking paragraph (7) and inserting the following:

"(7) Seventh, allowed unsecured claims of individuals, to the extent of $1,800 for each such individual, arising from the deposit, before the commencement of the case, of money in connection with—

"(A) the purchase, lease, or rental of property;

"(B) the purchase of services, for the personal, family, or household use of such individuals, that were not delivered or provided; or

"(C) the purchase of a gift card with respect to which funds exist that have not been redeemed.".

SEC. 266. CORPORATE BANKRUPTCY ABUSE.

(a) Protection against abusive sales.—Section 363 of title 11, United States Code, as amended by section 265(e)(1) of this Act, is further amended by adding at the end the following:

"(s) Chapter 11 sales affecting workers, retirees, and unsecured creditors.—In addition to subsections (q) and (r), the following requirements apply:

"(1) Definitions.—In this subsection:

"(A) Distressed claim purchaser.—The term 'distressed claim purchaser' means a person that, alone or together with an affiliate—

"(i) acquired by purchase, assignment, or other transfer, during the 2-year period ending on the date of the filing of the petition or at any time after that date, all or part of a claim against the debtor; and

"(ii) proposes to acquire through a significant sale control of the debtor, substantially all of the operating assets of the debtor, or a material business, facility, operating unit, or line of business of the debtor.

"(B) Employee and retiree obligations.—The term 'employee and retiree obligations' means, with respect to current or former employees associated with the business or assets to be transferred—

"(i) accrued pension obligations;

"(ii) obligations to provide retiree health benefits; and

"(iii) obligations under a collective bargaining agreement.

"(C) Related purchaser.—The term 'related purchaser' means—

"(i) an insider or controlling equity holder of the debtor; or

"(ii) an affiliate of an insider or controlling equity holder of the debtor.

"(D) Significant sale.—The term 'significant sale' means a sale or other transfer, outside the ordinary course of business or under a plan under chapter 11, of—

"(i) all or substantially all of the operating assets of the debtor; or

"(ii) a material business, facility, operating unit, or line of business of the debtor.

"(2) Sales to related purchasers and distressed claim purchasers.—

"(A) Presumption.—A significant sale to a related purchaser or distressed claim purchaser shall be presumed not to be in the best interests of the estate.

"(B) Approval standard.—The court may approve a significant sale to a related purchaser or distressed claim purchaser only if the proponent of the sale demonstrates by clear and convincing evidence that—

"(i) the sale is necessary to preserve going concern value or prevent a material and imminent diminution of the value of the business or assets to be transferred;

"(ii) the sale resulted from a fair, open, and competitive process reasonably designed to obtain the highest attainable value consistent with paragraph (4);

"(iii) the identity of each person that directly or indirectly controls the purchaser, each material relationship between the purchaser and the debtor or an insider of the debtor, the price paid to acquire each claim proposed to be used in a credit bid, and each material side agreement relating to the sale have been disclosed to the court and parties in interest, subject to an appropriate protective order;

"(iv) the consideration and other terms of the sale are fair and reasonable; and

"(v) no feasible alternative reorganization or transaction would preserve comparable going concern value while better protecting the interests of employees, retirees, and unsecured creditors.

"(C) Burden of proof.—The burden of proof under this paragraph shall rest with the proponent of the sale.

"(3) Credit bidding by related purchasers and distressed claim purchasers.—

"(A) General rule.—Notwithstanding subsection (k), in a significant sale the court shall, for cause, limit or deny the right of a related purchaser or distressed claim purchaser to credit bid.

"(B) Cause.—For purposes of subparagraph (A), cause includes a circumstance in which—

"(i) the claim was acquired for materially less than the amount proposed to be credit bid, and permitting the proposed credit bid would be reasonably likely to suppress or materially impair competitive cash bidding;

"(ii) allowance of the bid would impair employee and retiree obligations or the equitable treatment of unsecured creditors;

"(iii) the bid would enable an insider or an affiliate of an insider to retain or regain control of the debtor or its business without paying fair value; or

"(iv) the claim is subject to a bona fide dispute or a substantial challenge concerning allowance, validity, priority, extent, avoidance, or subordination.

"(C) Alternative bidding procedures.—If credit bidding is limited or denied under this paragraph, the court shall require bidding procedures reasonably designed to elicit fair market value through cash or cash-equivalent consideration immediately available to the estate.

"(4) Protection of employees and retirees.—

"(A) General rule.—The court may not approve a significant sale unless—

"(i) the purchaser and the terms of the sale provide for the assumption, continuation, cure, or satisfaction, as applicable, of employee and retiree obligations, including obligations protected under sections 1113 and 1114; or

"(ii) the proponent of the sale demonstrates by clear and convincing evidence that no feasible alternative transaction or reorganization would preserve such obligations to a greater extent while preserving comparable going concern value.

"(B) Comparative consideration.—In determining whether an alternative is feasible and whether a significant sale is in the best interests of the estate, the court shall give priority consideration to the long-term interests of employees and retirees and the equitable treatment of unsecured creditors. A greater immediate recovery for a financial creditor, standing alone, shall not be sufficient to reject an alternative that better preserves those interests.

"(C) Expedition.—A need to conduct a significant sale promptly shall not reduce the burden of proof or any substantive requirement under this subsection.

"(5) Specific findings.—The court shall make specific findings on the record concerning each requirement applicable under paragraphs (2) through (4). Consent to a significant sale or the absence of an objection shall not relieve the court of the duty to make such findings.

"(6) Application to plan sales.—This subsection applies to a significant sale provided for under a plan under chapter 11. For purposes of such a sale, a reference in this subsection to the proponent of the sale includes the proponent of the plan.".

(b) Confirmation of plans providing for significant sales.—Section 1129(a) of title 11, United States Code, as amended by section 265(e)(3) of this Act, is further amended—

(1) in paragraph (17), by striking the period at the end and inserting "; and"; and

(2) by adding at the end the following:

"(18) if the plan provides for a sale to which section 363(s) applies, the requirements of such section are satisfied.".

(c) Duties of United States trustees.—Section 586(a)(3) of title 28, United States Code, is amended—

(1) in subparagraph (H), by striking "and" at the end;

(2) in subparagraph (I), by striking the semicolon at the end and inserting "; and"; and

(3) by adding at the end the following:

"(J) monitoring proposed sales under section 363(b) of title 11 or under a plan under chapter 11 of such title, including expedited sales, significant sales under section 363(s) of such title, and sales involving credit bidding, and, whenever the United States trustee determines it to be appropriate—

"(i) filing comments or objections concerning compliance with subsections (q), (r), and (s) of section 363 of title 11, the best interests of the estate, the fairness of the sale process, and the treatment of employees, retirees, and unsecured creditors;

"(ii) seeking limitations on or denial of credit bidding for cause under section 363(k) or 363(s) of title 11; and

"(iii) appearing and being heard under section 307 of title 11 and participating, including as amicus curiae, in appellate proceedings involving the interpretation or application of section 363 or 1129 of title 11;".

(d) Duties of bankruptcy administrators.—The Judicial Conference of the United States shall require each bankruptcy administrator appointed under section 302(d)(3)(I) of the Bankruptcy Judges, United States Trustees, and Family Farmer Bankruptcy Act of 1986 (Public Law 99–554; 100 Stat. 3123) to perform the duties specified in section 586(a)(3)(J) of title 28, United States Code, as added by subsection (c), in the same manner and to the same extent as a United States trustee.

(e) Application.—

(1) Pending and future cases.—The amendments made by this section shall apply in any case under title 11, United States Code, filed or pending on or after the date of enactment of this Act with respect to a sale or plan for which a final order authorizing the sale or confirming the plan was not entered before such date.

(2) Completed sales.—Nothing in this section or the amendments made by this section shall affect the validity of a sale or transfer consummated before the date of enactment of this Act.

Subtitle G—Public Ownership and Voluntary Value Sharing

SEC. 271. FINDINGS AND PURPOSE.

(a) Findings.—Congress finds the following:

(1) Human history reveals that many cultures have developed traditions of voluntary sharing, redistribution, gift giving, potlatch, jubilee, mutual aid, and public generosity to reduce excessive concentrations of wealth and simultaneously strengthen social bonds.

(2) Modern corporations and other business entities are legal persons created by law and granted special privileges by the people; these privileges are justified by the capacity of these entities to serve the public good, empower citizens to pool resources toward collective goals, build productive capacity, and create value for the communities and nation that make their existence and success possible.

(3) In the 21st century, the United States has the ability to recreate the ancient social function of voluntary value sharing utilizing a digital monetary system. This subtitle establishes a public channel through which business entities and natural persons may express gratitude to

the country and community, repair or acknowledge public or private harms, or share windfall gains.

(4) Public reporting and recognition of voluntary value sharing can promote friendly competition among business entities and financial institutions while encouraging civic responsibility.

(5) An annual distribution of the aggregate value shared during each fiscal year also parallels another human tradition: the autumn harvest festival and the sharing of the year's abundance among the community. A mid-October distribution will offer citizens a potluck of choices, including civic participation, meeting family needs, holiday spending, building savings, or repaying debts.

(b) Purpose.—The purpose of section 272 is to establish a voluntary value sharing mechanism for the citizens of the United States through their Treasury transaction accounts.

SEC. 272. VOLUNTARY VALUE SHARING.

(a) Voluntary value sharing by eligible entities.—Subchapter A of chapter 7 of subtitle A of the Internal Revenue Code of 1986, as added by section 862 of this Act, is further amended by adding at the end the following:

"Sec. 1604. Voluntary value sharing.

"(a) Definitions.—In this section:

"(1) Applicable base.—The term 'applicable base' means—

"(A) for a business entity described in paragraph (2)(A), gross profits determined under this chapter; and

"(B) for a financial institution described in paragraph (2)(B), the financial activities tax base determined under chapter 50C.

"(2) Eligible entity.—The term 'eligible entity' means—

"(A) a business entity subject to this chapter; or

"(B) a financial institution subject to chapter 50C.

"(3) Fund.—The term 'Fund' means the Voluntary Value Sharing Fund established under section 1399b of title 42, United States Code.

"(4) Voluntary value sharing amount.—The term 'voluntary value sharing amount' means the excess of the amount paid under this section over the amount that would have been due under section 1602(b) or section 5000G(b), as applicable, without regard to this section.

"(b) Voluntary value sharing.—

"(1) In general.—An eligible entity may elect to share an amount in excess of the requirements of this chapter or chapter 50C, as applicable, by making a declaration of voluntary value sharing for a taxable year at any time, but may not declare an effective rate lower than the rate specified in section 1602(b) or section 5000G(b), as applicable.

"(2) Declarations.—A declaration shall be effective only for the taxable year for which it is made. The Secretary shall promulgate rules to enable declarations—

"(A) as a percentage of applicable base;

"(B) as a total dollar amount, if the amount exceeds the tax otherwise due under this chapter or chapter 50C, as applicable;

"(C) as a dollar amount in excess of the tax otherwise due under this chapter or chapter 50C, as applicable; or

"(D) in any other form provided in regulations.

"(c) Declarations to have force of law.—

"(1) In general.—A declaration under subsection (b) shall be binding on the eligible entity for the taxable year for which the declaration is made.

"(2) Percentage declarations.—In the case of a declaration made as a percentage of applicable base, the tax liability under this section shall be computed by substituting the declared percentage for the rate in section 1602(b) or section 5000G(b), as applicable.

"(3) Dollar declarations.—In the case of a declaration made as a dollar amount, the declared amount shall be assessed and collected in the same manner as a tax imposed under section 1602 or chapter 50C, as applicable, at such time and in such manner as the Secretary shall prescribe.

"(4) Deposit of excess.—The Secretary shall deposit the voluntary value sharing amount in the Fund.

"(d) Reports and recognition.—

"(1) In general.—The Secretary shall—

"(A) not later than October 15, 2027, and annually thereafter, issue a report on the voluntary value sharing amounts deposited in the Voluntary Value Sharing Fund under this section during the previous fiscal year;

"(B) maintain a publicly searchable database of eligible entities that have made declarations or payments pursuant to this section, including the effective rate, voluntary value sharing amount, and taxable year for each declaration or payment; and

"(C) establish and publicize ranked lists of the 200 eligible entities with the highest voluntary value sharing amounts for the previous year, in the following categories:

"(i) by percentage rounded to the nearest hundredth, among eligible entities with applicable bases—

"(I) less than $1,000,000;

"(II) greater than or equal to $1,000,000, but less than $100,000,000;

"(III) greater than or equal to $100,000,000, but less than $500,000,000; and

"(IV) greater than or equal to $500,000,000; and

"(ii) by total voluntary value sharing amount.

"(2) No vacancies.—Beginning with the 2029 fiscal year, if the number of eligible entities participating in voluntary value sharing is less than 200 in any category described in paragraph (1)(C), the Secretary shall fill the ranked list for that category with the eligible entities reporting the highest applicable bases and state that the voluntary value sharing amount was zero.

"(e) Effective date.—This section shall take effect on the date of enactment of the POPULIST Act. Before the first taxable year to which section 1602 or chapter 50C applies to an eligible entity, no liability shall arise under this section unless the eligible entity makes a declaration under subsection (b).".

(b) Voluntary value sharing.—Chapter 7 of title 42, United States Code, as amended by section 811 of this Act, is further amended by adding at the end the following:

"Subchapter XXIII—Voluntary Value Sharing

"SEC. 1399a. Definitions.

"SEC. 1399b. Voluntary Value Sharing Fund.

"SEC. 1399c. Annual citizen distributions.

"Sec. 1399a. Definitions.

"In this subchapter:

"(1) Treasury transaction account.—The term 'Treasury transaction account' means an account established under section 623 of the POPULIST Act.

"(2) Eligible citizen.—The term 'eligible citizen' means a natural person who—

"(A) is a citizen of the United States;

"(B) has been assigned a Treasury transaction account under section 623(b)(1) of the POPULIST Act; and

"(C) was alive at the close of the fiscal year for which the distribution is made.

"(3) Fund.—The term 'Fund' means the Voluntary Value Sharing Fund established under section 1399b.

"(4) Secretary.—The term 'Secretary' means the Secretary of the Treasury.

"(5) Treasury Dollar Bills.—The term 'Treasury Dollar Bills' means the sovereign money issued under section 5104 of title 31, United States Code.

"Sec. 1399b. Voluntary Value Sharing Fund.

"(a) Establishment.—There is established in the Treasury a Voluntary Value Sharing Fund, which shall be administered by the Secretary. Amounts in the Fund shall be available for annual citizen distributions under section 1399c and may not be obligated, expended, transferred, or distributed except as provided in this subchapter.

"(b) Contributions.—Any person may make a contribution to the Fund in such amount, form, manner, and frequency as the Secretary may prescribe. A contract, agreement, settlement, or other instrument purporting to require a natural person to make a future contribution to the Fund shall be unenforceable.

"(c) Deposit in Fund.—The Secretary shall deposit in the Fund all contributions made under this section and all voluntary value sharing amounts paid under section 1604 of the Internal Revenue Code of 1986.

"(d) Privacy.—The Secretary may not publicly disclose the identity, account information, address, contribution amount, or other identifying information of a person who makes or does not make a contribution to the Fund, except—

"(1) with the affirmative consent of such person; or

"(2) as necessary for administration or enforcement of Federal law.

"(e) No tax benefit.—No deduction, credit, exclusion, basis increase, or other tax benefit shall be allowed by reason of a contribution to the Fund unless expressly provided by another provision of law.

"(f) Regulations.—The Secretary may issue regulations to prevent coercion, fraud, duplication, erroneous contributions, or misuse of contribution mechanisms under this section.

"Sec. 1399c. Annual citizen distributions.

"(a) Annual citizen distribution.—

"(1) In general.—Not later than October 15, 2027, and annually thereafter, the Secretary shall distribute from the Fund the amount available for distribution in equal shares to the Treasury transaction account of each eligible citizen.

"(2) Calculations.—

"(A) Equal share.—The equal share for each eligible citizen shall be the amount determined by dividing the amount in the Fund as of the close of the fiscal year by the number of eligible citizens and rounding the quotient down to the nearest $0.01.

"(B) Amount available for distribution.—The amount available for distribution shall be the product of the number of eligible citizens and the equal share calculated in subparagraph (A).

"(3) Residual amounts.—Any amount in the Fund in excess of the amount able to be distributed shall remain in the Fund.

"(4) Missed account claims.—

"(A) No loss due to administrative delay.—No administrative delay in assigning a Treasury transaction account under section 623(b)(1) of the POPULIST Act shall extinguish or reduce the claim of a citizen of the United States to receive a distribution under this paragraph.

"(B) Claim.—A citizen of the United States who was not treated as an eligible citizen for a fiscal year solely because the citizen had not been assigned a Treasury transaction account under section 623(b)(1) of the POPULIST Act may claim the equal share distribution amount for that fiscal year.

"(C) Payment.—The Secretary shall pay a valid claim under this paragraph in the same amount paid to eligible citizens for that fiscal year.

"(D) Source of payment.—Amounts paid under this paragraph shall be paid from the Fund and may be treated as an adjustment reducing the amount available for distribution for a subsequent fiscal year.

"(b) Acquisition of Treasury Dollar Bills for distribution.—

"(1) In general.—Before making an annual citizen distribution under this section, the Secretary shall acquire Treasury Dollar Bills for the Fund in an amount sufficient to credit the amount available for distribution under subsection (a)(2)(B) to the Treasury transaction accounts of eligible citizens.

"(2) Methods of acquisition.—The Secretary may acquire Treasury Dollar Bills for the Fund by exchange with a Federal trust fund or Federal account holding Treasury Dollar Bills, provided that—

"(A) the exchange is made dollar-for-dollar at par;

"(B) the managing trustee or other responsible officer determines that the exchange is consistent with the projected liquidity needs of the fund or account; and

"(C) the exchange does not impair the payment of any benefit or obligation payable from such fund or account.

"(3) No creation or extinguishment.—An acquisition or distribution under this subchapter shall not create or extinguish the aggregate amount of Treasury Dollar Bills.

"(c) Administration and reports.—

"(1) Tax and benefit treatment.—Nothing in this subchapter shall be construed to—

"(A) exclude a voluntary value sharing distribution from gross income; or

"(B) require a voluntary value sharing distribution to be disregarded as income, resources, or assets for purposes of determining eligibility for, or the amount of benefits or assistance under, any Federal, State, or local program.

"(2) Annual distribution report.—Not later than October 15, 2027, and annually thereafter, the Secretary shall publish a report stating—

"(A) the total amount deposited in the Fund during the previous fiscal year;

"(B) the total amount distributed under section 1399c;

"(C) the per citizen distribution amount; and

"(D) the amount carried forward for distribution in a subsequent year.

"(3) Individual contribution privacy.—Any report under this section shall report contributions by individual citizens only in aggregate form and may not disclose identifying information protected under section 1399b(d).

"(d) Regulations.—The Secretary may prescribe such regulations and other guidance as may be necessary to carry out this subchapter.".

(c) Conforming amendments.—

(1) Internal Revenue Code table of sections.—The table of sections for subchapter A of chapter 7 of subtitle A of the Internal Revenue Code of 1986, as added by section 862 of this Act, is further amended by adding at the end the following new item:

"Sec. 1604. Voluntary value sharing.".

(2) Title 42 table of contents.—The table of contents for chapter 7 of title 42, United States Code, as amended by section 811 of this Act, is further amended by adding at the end the following new item:

"Subchapter XXIII—Voluntary Value Sharing".

SEC. 273. DEMOCRATIC STEWARDSHIP OF FEDERAL EQUITY INTERESTS.

(a) Democratic stewardship chapter.—Subtitle VI of title 31, United States Code, is amended by adding at the end the following:

"CHAPTER 99—DEMOCRATIC STEWARDSHIP OF FEDERAL EQUITY INTERESTS

"SEC. 9901. Findings and purpose.

"SEC. 9902. Definitions.

"SEC. 9903. Public ownership principles and scope.

"SEC. 9904. Office of Federal Equity Stewardship.

"SEC. 9905. Independence of investment selection and information firewall.

"SEC. 9906. Preservation and exercise of Federal voting interests.

"SEC. 9907. National voting policy established by Congress.

"SEC. 9908. Records, disclosure, and audit.

"SEC. 9909. Conflicts of interest and unlawful interference.

"SEC. 9910. Enforcement and judicial review.

"SEC. 9911. Proposals for permanent democratic stewardship.

"SEC. 9912. Regulations and relation to other law.

"Sec. 9901. Findings and purpose.

"(a) Findings.—Congress finds the following:

"(1) Article IV, section 3, clause 2 of the Constitution grants Congress the power to dispose of and make all needful rules and regulations respecting property belonging to the United States.

"(2) In *Gibson v. Chouteau* (1872), the Supreme Court described Congress's authority over the disposition of Federal property as subject to no limitations and recognized Congress's authority to prescribe the times, conditions, and mode of its disposition.

"(3) In *Ashwander v. Tennessee Valley Authority* (1936), the Supreme Court held that water power brought under Federal control through construction of a Federal dam, the right to convert that power into electric energy, and the resulting electric energy were property belonging to the United States subject to congressional disposition.

"(4) Investments made for Federal accounts may similarly bring under Federal control substantial voting power inherent in underlying equity interests. Such voting power is a valuable incident of Federal ownership and an instrument of economic governance.

"(5) Congress therefore has the authority and responsibility under Article IV, section 3, clause 2 of the Constitution to establish national policy governing the preservation, aggregation, direction, exercise, and disposition of voting power inherent in Federal equity interests. Under Article II of the Constitution, officers of the executive branch are responsible for faithfully administering that policy.

"(b) Purpose.—The purpose of this chapter is to preserve, aggregate, direct, and exercise the voting power inherent in Federal equity interests as an instrument of public ownership, in accordance with national policy established by Congress, for the benefit of the people of the United States.

"Sec. 9902. Definitions.

"In this chapter:

"(1) Equity index fund.—The term 'equity index fund' means a qualifying index fund described in section 9702(d)(6) or (7).

"(2) Federal equity account.—The term 'Federal equity account' means a Federal account, as defined in section 9702(a)(1), that acquires or holds an interest in an equity index fund subject to this chapter.

"(3) Federal voting interest.—The term 'Federal voting interest' means, for each issuer and matter, the voting power determined under section 9906(b) that would be attributable to the proportionate economic interest of a Federal equity account in equity securities held by an equity index fund or by a master fund or other pooled investment vehicle through which the equity index fund obtains its index exposure, without reduction for securities lending or another transfer, waiver, or delegation of voting authority. The term does not include voting power attributable to a security sold or otherwise disposed of before the applicable issuer record date.

"(4) Office.—The term 'Office' means the Office of Federal Equity Stewardship established under section 9904.

"(5) Qualifying equity fund.—The term 'qualifying equity fund' means an equity index fund that satisfies section 9906, including an international equity index fund operating under a determination made under section 9906(h).

"(6) Responsible official.—The term 'responsible official' has the meaning given the term in section 9702(a)(4).

"Sec. 9903. Public ownership principles and scope.

"(a) Scope.—This chapter applies to each interest acquired under section 9702(d)(6) or (7) on or after January 1, 2027, and to each addition made on or after that date to such an interest.

"(b) Other Federal equity interests.—This chapter applies to any other Federal equity interest expressly made subject to this chapter by an Act of Congress.

"(c) Public trust.—A Federal voting interest is a valuable incident of public ownership held by the United States in trust for the people of the United States.

"(d) No individual property interest.—Subsection (c) does not create an individual legal or equitable ownership interest, entitlement to income or proceeds, trust claim against a Federal account, or private cause of action.

"(e) National public policy.—Notwithstanding an account specific fiduciary, actuarial, or other duty, the preservation, aggregation, direction, and exercise of a Federal voting interest under this chapter shall advance the general welfare and the national public policy established by Congress. Compliance with this chapter with respect to such voting interest shall not constitute a breach of a duty otherwise applicable to a Federal equity account, responsible official, investment manager, trustee, or other person.

"(f) Separate economic attribution.—This chapter shall not alter the legal or equitable ownership, separate accounting identity, income, gain, loss, expense, corpus, principal, payment obligation, expenditure restriction, or authorized purpose of a Federal equity account.

"(g) Participant owned interests excluded.—This chapter does not apply to an interest beneficially owned by a person other than the United States, including an interest of a participant or beneficiary in the Thrift Savings Fund. Ownership by a non-Federal person of a separate interest in the same qualifying equity fund does not limit the application of this chapter to the interest of a Federal equity account or the resulting Federal voting interest.

"(h) Federal proportion disregarded for substantive ownership and control restrictions.—Solely by reason of the acquisition, holding, aggregation, direction, or exercise of a Federal voting interest under this chapter—

"(1) the Federal voting interest shall be disregarded and shall not be attributed to the United States, the Office, a Federal equity account, a responsible official, a qualifying equity fund, or a person acting ministerially under section 9906(d), for purposes of a Federal percentage limitation, ownership or control prohibition, affiliation or common control rule, licensing or approval requirement, or determination of acting in concert or group status; and

"(2) compliance with a binding instruction or mirror voting formula under this chapter shall not be treated as investment discretion or as an independent basis for control, affiliation, acting in concert, or group status.

"(i) Limitations.—Subsection (h)—

"(1) applies only to the Federal proportion and to conduct required under this chapter;

"(2) does not apply if a person possesses operational control or another independent basis for ownership, control, affiliation, acting in concert, or group status;

"(3) does not limit a disclosure, reporting, or recordkeeping requirement otherwise applicable to a private person or expressly applicable to the United States, or an anti-fraud, sanctions, or national security requirement; and

"(4) does not alter the attribution or treatment of a private interest, excuse private investment discretion, or exempt an issuer from otherwise applicable law.

"(j) No operational control.—Nothing in this chapter authorizes the United States, solely by reason of a Federal voting interest, to appoint an officer or employee of an issuer, direct the day-to-day operations of an issuer, or exercise management authority beyond that ordinarily possessed by an equity holder.

"Sec. 9904. Office of Federal Equity Stewardship.

"(a) Establishment.—There is established in the Department of the Treasury an Office of Federal Equity Stewardship.

"(b) Director.—The Office shall be headed by a Director who shall be a career appointee in the Senior Executive Service and shall be appointed by the Secretary of the Treasury from among individuals with substantial experience in public administration, corporate governance, securities markets, competition policy, labor policy, consumer protection, or democratic deliberation. The Director shall perform the functions of the Office subject to the supervision of the Secretary as provided in this chapter.

"(c) Startup authority.—Until a Director is appointed, the Secretary shall appoint a career appointee in the Senior Executive Service to serve as Acting Director and perform the functions of the Director.

"(d) Duties.—The Office shall—

"(1) maintain and aggregate records of Federal voting interests;

"(2) prescribe model terms, standard forms, and uniform technical standards necessary to implement section 9906, without adding to or subtracting from the substantive requirements of this chapter;

"(3) negotiate, approve, and administer master agreements or other binding arrangements that satisfy section 9906 for one or more Federal equity accounts;

"(4) certify, suspend, and decertify qualifying equity funds and maintain a current public list of certified funds, share classes, and arrangements;

"(5) issue binding voting instructions under this chapter;

"(6) verify execution of each instruction and administer mirror voting when required;

"(7) publish the records and reports required under this chapter; and

"(8) prepare the proposals required under section 9911.

"(e) Consultation.—The Office shall consult, as appropriate, with the Securities and Exchange Commission, the Federal Trade Commission, the Department of Justice, including the Antitrust Division, the Department of Commerce, the Department of Labor, the Comptroller General, and responsible officials. Consultation under this subsection is advisory and does not authorize a consulted agency, official, or responsible official to direct an issuer-specific instruction or to add to, subtract from, or substitute a different policy for the national voting policy established by Congress under section 9907.

"(f) No charge to accounts.—The costs of the Office and the administration of this chapter may not be charged to a Federal equity account.

"Sec. 9905. Independence of investment selection and information firewall.

"(a) Investment decisions independent of voting consequences.—A responsible official shall select, allocate among, acquire, retain, and dispose of investments under section 9702 without regard to the expected effect of the decision on the identity of issuers subject to a Federal voting interest, the amount of voting power attributable to an issuer, or the outcome of a shareholder vote.

"(b) Permissible considerations.—Subsection (a) does not prohibit consideration of the authorized purposes, payment obligations, liquidity needs, investment horizon, diversification, risk, expected return, fees, or other financial and statutory requirements of the Federal equity account.

"(c) Separation of functions.—The Office has no authority to select, allocate among, acquire, retain, or dispose of investments for a Federal equity account. The Office, the Secretary, and any other officer or employee may not direct or influence an investment decision for the purpose of changing the composition or amount of Federal voting interests. Negotiation, approval, certification, suspension, or decertification under section 9904(d) shall address compliance with this chapter only and shall not constitute a recommendation or direction to acquire, retain, or dispose of an investment.

"(d) Information firewall.—The Secretary shall maintain separate personnel, access controls, and records for investment administration and stewardship administration. Nonpublic information concerning a planned voting instruction, fund qualification action, or disposition may not be disclosed or used for investment selection, trading, or personal benefit.

"(e) Personal trading and certification.—The Secretary shall establish personal trading restrictions for Office personnel. Each responsible official shall annually certify compliance with subsection (a), and the Inspector General of the Department of the Treasury shall periodically review compliance with this section.

"Sec. 9906. Preservation and exercise of Federal voting interests.

"(a) Eligibility condition.—A responsible official may not acquire an interest in an equity index fund unless the governing documents of the fund or a binding agreement with the fund, investment manager, trustee, or other person exercising voting authority provide that—

"(1) the Federal voting interest will be identified for each issuer and matter submitted for a vote;

"(2) the fund will accept and execute a binding instruction of the Office;

"(3) no private person may determine how the Federal voting interest is exercised;

"(4) if the Office issues no valid instruction, the Federal voting interest will be voted in the same proportions among the voting choices recorded for non-Federal shares on the matter, including votes for, against, abstaining, or withholding authority, as applicable;

"(5) an independent tabulator or other neutral administrator will execute the mirror voting formula without discretion by the issuer or investment manager;

"(6) a quantity of each portfolio security sufficient to support the full Federal voting interest will remain unloaned and free from any transfer, waiver, or arrangement that would impair voting capacity; and

"(7) the fund will provide the records and certifications required under section 9908.

"(b) Measurement.—For each issuer and matter, the Federal voting interest shall be determined by reference to the securities held by the equity index fund, or by a master fund or other pooled investment vehicle through which the equity index fund obtains its index exposure, and entitled to vote as of the issuer record date and the proportionate economic interest of each Federal equity account in the fund as of the close of business on that date or the nearest preceding valuation time prescribed by the Office. The Office shall prescribe uniform rules for valuation timing and intermediated ownership consistent with this subsection.

"(c) Aggregated instruction.—For each issuer and matter, the Office shall aggregate all Federal voting interests and issue a single instruction applicable to the aggregate Federal voting interest.

"(d) Ministerial execution.—A private person may transmit or execute an instruction or mirror voting formula if that person possesses no discretion to alter, disregard, or substitute another voting policy.

"(e) Fallback voting.—

"(1) Mirror voting.—If the Office issues no valid instruction, the mirror voting formula required under subsection (a)(4) shall apply.

"(2) Residual abstention.—A Federal voting interest may remain unvoted only to the extent that execution of both a valid instruction and the mirror voting formula is legally or operationally impossible.

"(f) No waiver.—A responsible official may not waive a requirement of this section.

"(g) Loss of qualification.—

"(1) Notice and cessation of purchases.—A fund shall immediately notify the Office and each affected responsible official of a loss of a required contractual commitment, failure to execute an instruction, unauthorized private voting, impairment of voting capacity, material reporting failure, or other material noncompliance. No additional interest in the fund may be acquired for a Federal equity account after notice or discovery.

"(2) Cure period.—The fund shall have 90 days after the earlier of notice or discovery to restore full compliance.

"(3) Orderly disposition.—If compliance is not restored during the cure period, each responsible official shall dispose of the affected interest in a prudent and orderly manner not later than 1 year after the cure period ends.

"(4) Limited extension.—The Office may grant 1 extension of not more than 1 year if immediate disposition would reasonably be expected to cause a material loss to a Federal equity account or substantial market disruption.

"(5) Voting during transition.—During a cure or disposition period, the private manager may not exercise discretion over the Federal voting interest. A valid instruction shall be executed to the maximum extent possible, and the mirror voting formula shall apply to the remainder.

"(6) Continued application.—For purposes of this subsection and sections 9908 through 9910, an equity index fund and each related interest shall remain subject to this chapter and shall be treated as a qualifying equity fund and Federal voting interest, respectively, until the affected interest is disposed of.

"(h) International equity index funds.—

"(1) Limited exception.—An international equity index fund described in section 9702(d)(7) may qualify notwithstanding an inability, with respect to a particular foreign issuer or market, to fully satisfy subsection (a)(4), (5), or (6) or subsection (e), only if the Office determines in writing that—

"(A) full compliance is prevented by foreign law or unavoidable market infrastructure;

"(B) the fund has used all reasonable means, including alternative custody or voting arrangements, to preserve and execute the Federal voting interest to the maximum extent possible;

"(C) the exception is no broader than necessary and no reasonably available fund would provide materially greater compliance without materially impairing diversification or liquidity; and

"(D) each exception and the resulting amount not voted are fully disclosed under section 9908.

"(2) Impermissible grounds.—An exception may not be based on securities lending, investment manager preference, administrative convenience, or cost alone.

"(3) Domestic funds.—No exception under this subsection applies to a domestic equity index fund described in section 9702(d)(6).

"(i) Certification and common implementation.—

"(1) Certification required.—An equity index fund shall not be treated as satisfying this section unless the Office has certified in writing that the governing documents or binding agreement required under subsection (a) satisfy this section.

"(2) Scope and reliance.—A certification may apply to a fund, share class, master agreement, or other standardized arrangement and may be relied on by each responsible official while in effect.

"(3) Master agreements.—The Office may negotiate and approve a master agreement or standardized form implementing subsection (a) for one or more Federal equity accounts. A responsible official remains solely responsible for investment selection under section 9702.

"(4) Technical standards.—The Office may prescribe uniform technical standards for holdings and record-date data, calculation of Federal voting interests, voting-choice coding, authentication and transmission of instructions, mirror-vote calculations, execution certifications, reconciliation, and audit records. A technical standard under this paragraph may not alter the substantive voting policy established by section 9907(a).

"(5) Public list.—The Office shall maintain and publish a current list of each fund, share class, or arrangement certified under this subsection and the status of the certification.

"(6) Suspension or decertification.—The Office may suspend or revoke a certification upon material noncompliance. Subsection (g) shall govern cessation of purchases, cure, and disposition following such suspension or revocation.

"(j) Tiered pooled arrangements.—If an equity index fund obtains index exposure through a master fund or another pooled investment vehicle, the requirements of this section shall apply through each relevant tier to the extent necessary to identify, preserve, and execute the Federal voting interest attributable to underlying equity securities actually held. Nothing in this subsection creates a Federal voting interest with respect to synthetic exposure for which no underlying voting security is held directly or indirectly for the equity index fund.

"Sec. 9907. National voting policy established by Congress.

(a) National voting policy.—Congress establishes the following national public policy for the exercise of Federal voting interests. The Office shall administer, and each officer exercising supervisory authority under this chapter shall apply, the policy established in this subsection. A regulation, standing instruction, issuer-specific instruction, or supervisory determination under this chapter may implement but may not add to, subtract from, or substitute a different policy for the policy established in this subsection. Federal voting interests shall be exercised to—

"(1) advance the general welfare and long-term public interest of the United States;

"(2) strengthen competitive markets and oppose anticompetitive consolidation, managerial entrenchment, and abuses of market power;

"(3) support productive enterprise, responsible treatment of workers and consumers, public health and safety, civil rights, and environmental sustainability;

"(4) promote truthful disclosure, accountable governance, and responsible long-term stewardship;

"(5) oppose corporate political spending, including any proposal that would authorize, approve, ratify, or permit an issuer to make a disbursement for a political purpose within the meaning of section 10F of the Securities Exchange Act of 1934; and

"(6) promote compensation practices that reduce excessive pay disparities, including compensation structures that reduce the pay ratio described in section 11(e) of the Internal Revenue Code of 1986 and thereby reduce or avoid the tax increase imposed under that subsection; and

"(7) oppose self-dealing, corruption, undisclosed political influence, excessive extraction, and compensation practices that reward short-term value destruction.

"(b) Prioritization and standing administration.—

"(1) Resource prioritization.—The Office shall direct individualized review first to matters presenting the greatest combination of public importance and potential for the aggregate Federal voting interest to affect the outcome, taking into account the size of the Federal voting interest, the economic significance of the issuer or transaction, and the degree to which the matter implicates subsection (a).

"(2) Heightened individualized review.—To the maximum extent practicable, the Office shall conduct individualized review of a merger, consolidation, acquisition, contested election or removal of directors, material change in voting or governance rights, significant executive compensation plan, and any other matter the Office determines could materially affect competition, long-term productive capacity, or the general welfare.

"(3) Standing instructions and automated application.—The Director may establish and publish generally applicable standing instructions or automated procedures for recurring or routine matters if the instructions or procedures apply objective criteria derived from subsection (a) and regulations issued under this chapter, are periodically reviewed, and preserve the Director's responsibility for their operation. The Director shall establish a standing instruction to carry out subsection (a)(5).

"(4) Mirror voting for routine matters.—The Office may designate a routine, minor, or immaterial matter for mirror voting under section 9906(e)(1) if no standing instruction governs the matter and individualized review would not materially advance the policy established in subsection (a).

"(c) Issuer-specific instructions.—

"(1) Preparation.—Authorized career personnel of the Office shall analyze each matter selected for individualized review and prepare a proposed issuer-specific instruction by applying this chapter and regulations issued under this chapter.

"(2) Director decision.—The Director shall issue each issuer-specific instruction.

"(3) Application and rationale.—Each issuer-specific instruction shall identify the provision of subsection (a), an applicable regulation, or an applicable standing instruction on which it is based and, when issuer-specific judgment is material to the outcome, include a concise statement of reasons.

"(d) Secretary review and accountability.—

"(1) Review authority.—The Secretary may review an issuer-specific instruction before execution and may affirm, reverse, or modify the instruction only by applying this chapter and regulations issued under this chapter.

"(2) Written determination.—A reversal or modification under paragraph (1) shall be set forth in a signed written determination that identifies the applicable statutory policy and regulation, states the reasons for the decision, and is published immediately.

"(3) No prior approval required.—An issuer-specific instruction issued by the Director is effective without prior approval by the Secretary. The availability or exercise of review under this subsection may not be used to delay transmission or execution beyond the time reasonably necessary to exercise the Federal voting interest.

"(e) Direction and policy changes.—

"(1) Informal direction prohibited.—No person may informally direct or attempt to direct an issuer-specific instruction.

"(2) Policy changes.—A proposed policy change may be initiated through the rulemaking process and must be generally applicable, prospective, public, and consistent with subsection (a).

"(f) Public communication log.—The Office shall maintain and publish a log of each nonpublic communication seeking to influence an issuer-specific instruction, including the participants, date, subject, and material substance. Publicly available mass communications and ministerial transmissions need not be logged individually. The Office shall disclose the existence and general subject of a communication even when information is lawfully withheld.

"Sec. 9908. Records, disclosure, and audit.

"(a) Vote level record.—For each matter subject to a Federal voting interest, the Office shall publish, in an open and machine-readable format—

"(1) the issuer, meeting date, applicable record date, matter presented, and instruction or mirror voting treatment, including the basis required under section 9907(c)(3);

"(2) the voting interest attributable to each Federal equity account and the aggregate Federal voting interest;

"(3) the amount cast, mirrored, not cast, or unavailable, and the reason for any nonexecution; and

"(4) a certification by the person responsible for execution that full voting capacity was preserved or, if it was not preserved or fully executed, the amount and reason for each impairment, unavailability, or nonexecution.

"(b) Timing.—The Office shall publish each instruction, together with the basis and any statement of reasons required under section 9907(c)(3), not later than 5 calendar days before the shareholder meeting where practicable and shall publish the execution record not later than 7 days after the meeting. Each advance publication under this subsection shall state that the disclosure is informational and does not constitute an instruction or recommendation to any other shareholder as to how to vote.

"(c) Annual report.—Not later than March 31 of each year, the Office shall submit to Congress and publish a report summarizing Federal voting interests, voting activity, nonexecution, costs, conflicts, communications, international exceptions, and material policy questions during the preceding calendar year.

"(d) Audit.—The Comptroller General shall audit compliance with this chapter at least once every 2 years and report the results to Congress and the public.

"Sec. 9909. Conflicts of interest and unlawful interference.

"(a) Lawful advocacy.—Nothing in this section prohibits a person from publicly advocating a voting position, submitting information through a public process, or petitioning the Government for redress of grievances.

"(b) Sole public purpose.—A person administering or executing a Federal voting interest may not use that interest to advance a personal financial interest, private client, political party, candidate, officeholder, or undisclosed agreement.

"(c) Prohibited consideration.—A Federal voting instruction may not be conditioned on a campaign contribution, lobbying expenditure, gift, contract, grant, regulatory action, employment opportunity, or other thing of value.

"(d) Conflicts and recusals.—The Office shall establish public conflict of interest, disclosure, and recusal requirements for each officer, employee, contractor, adviser, and expert participating in the administration of this chapter.

"(e) Unauthorized official direction.—

"(1) Administrative remedies.—An officer or employee of the United States, other than the President or Vice President, who knowingly and willfully directs, attempts to direct, or causes an issuer-specific instruction contrary to this chapter or a rule issued under this chapter shall be subject, in accordance with otherwise applicable law, to removal or other appropriate discipline.

"(2) Civil remedies.—In a civil action brought by the Attorney General, a district court of the United States may impose on an individual described in paragraph (1) a civil penalty of not more than $100,000 and disqualify the individual from appointment to or employment in the Federal civil service for not more than 5 years.

"(3) President and Vice President.—Nothing in this subsection alters a constitutional process applicable to the President or Vice President or limits a penalty, remedy, or authority available under subsection (f) or (g) or another provision of law.

"(f) Corrupt interference.—Whoever corruptly gives, offers, solicits, or accepts a thing of value, or threatens, retaliates, or uses deception, with intent to influence an issuer-specific instruction contrary to this chapter shall be fined under title 18, imprisoned not more than 5 years, or both.

"(g) Election interference.—If an offense under subsection (f) is committed with intent to interfere with or affect the nomination or election of a candidate for Federal office, the maximum term of imprisonment shall be 10 years.

"(h) Other law.—The penalties under this section are cumulative of penalties under any other provision of law.

"Sec. 9910. Enforcement and judicial review.

"(a) Civil enforcement.—The Office or the Attorney General may bring a civil action for declaratory relief, injunctive relief, specific performance, restitution, or recovery of losses to enforce this chapter or an agreement required under section 9906.

"(b) Contractual remedies.—Each agreement required under section 9906 shall provide that a material violation is enforceable by the United States and may result in suspension or loss of qualification and termination of the agreement.

"(c) Records.—The Office may require records and certifications reasonably necessary to determine compliance with this chapter.

"(d) No private cause of action.—This chapter does not create a private cause of action.

"(e) Review of general rules.—A person adversely affected by a final rule of general applicability may, not later than 60 days after publication, file a petition for review in the United States Court of Appeals for the District of Columbia Circuit, which shall have exclusive jurisdiction to affirm, set aside, or remand the rule.

"(f) issuer-specific instructions.—A court may not enjoin, stay, or otherwise delay a shareholder meeting or vote based on a challenge to an issuer-specific instruction. Relief on such a challenge shall be prospective or declaratory only.

"Sec. 9911. Proposals for permanent democratic stewardship.

"(a) Proposals required.—Not later than January 1, 2028, the Secretary of the Treasury, acting through the Office and in consultation with the agencies and officials described in section 9904(e) and the public, shall submit to Congress and publish a report and complete proposed legislative text for each model described in subsection (b).

"(b) Required models.—The submission shall include—

"(1) an independent professional public stewardship institution operating under statutory public ownership principles;

"(2) a citizen directed system through which citizens may select generally applicable voting policies or voluntarily delegate voting authority to qualifying representative organizations; and

"(3) a national citizens' assembly of approximately 500 compensated citizens selected by sortition and demographic stratification, supported by a professional stewardship office.

"(c) Hybrid and recommendation.—The Secretary may also submit a hybrid model and shall identify any recommended model, but a recommendation may not substitute for complete legislative text for each model required under subsection (b).

"(d) Required subjects.—Each proposal shall address selection and accountability, compensation and staffing, public deliberation and expert evidence, conflicts and lobbying, proportional voting through pooled funds, domestic and international holdings, other ownership interests, cross-market concentration and competition effects, account-specific economic effects and fiduciary treatment, judicial review, enforcement, appropriations, and implementation.

"(e) Inventory and expansion proposals.—

"(1) Government-wide inventory.—The submission shall include a government-wide inventory of each equity security, warrant, convertible security, fund interest, proxy right, consent right, veto right, board nomination or observation right, golden share, special share, and other corporate governance or ownership right held directly or indirectly by the United States or administered by an agency, instrumentality, Government corporation, or public purpose trust. For each interest, the inventory shall identify—

"(A) the issuer and class or type of interest;

"(B) the legal and beneficial owner;

"(C) the administering department, agency, instrumentality, corporation, trust, or account;

"(D) the number, value, and percentage of outstanding interests held, to the extent applicable;

"(E) each voting, consent, conversion, appointment, observation, veto, or other governance right;

"(F) each contractual, statutory, fiduciary, beneficiary, foreign law, or operational restriction on the exercise of such right;

"(G) any agreement governing how such right is exercised; and

"(H) whether the interest is held for the general benefit of the United States, for a particular public purpose, or for identified participants or beneficiaries.

"(2) Recommendations and proposed legislative text.—The submission shall include recommendations and complete proposed legislative text concerning whether and how to extend this chapter, or establish a parallel stewardship framework, for—

"(A) Federal equity interests acquired before January 1, 2027;

"(B) common stock, warrants, and other equity interests held directly by the United States, including interests in Intel Corporation held or administered by the Department of Commerce;

"(C) equity securities, pooled investment interests, and other ownership interests held or administered by the Pension Benefit Guaranty Corporation;

"(D) equity securities, pooled investment interests, and other ownership interests held through an investment trust, decommissioning trust, restoration trust, retirement arrangement, or other public purpose account administered by the Tennessee Valley Authority;

"(E) direct equity, private fund interests, limited partnership interests, warrants, conversion rights, consent rights, and other governance rights held or administered by the United States International Development Finance Corporation;

"(F) senior preferred stock, warrants, conservatorship-related interests, and other ownership interests or governance rights relating to the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

"(G) golden shares, special shares, veto rights, board appointment or observation rights, convertible preferred stock, warrants, and other ownership interests or governance rights acquired for national security, industrial policy, supply chain, or similar public purposes, including interests relating to United States Steel Corporation and MP Materials Corp.;

"(H) interests acquired through a financial rescue, conservatorship, receivership, resolution, bankruptcy, enforcement action, settlement, forfeiture, procurement agreement, grant agreement, loan agreement, or other Federal authority;

"(I) interests held in the Thrift Savings Fund and other assets beneficially owned by Federal employees, members of the uniformed services, retirees, participants, or beneficiaries, which shall be evaluated under a separate participant or beneficiary directed stewardship model; and

"(J) any other Federal ownership or governance interest identified in the inventory required under paragraph (1).

"(3) Required distinctions.—For each category described in paragraph (2), the submission shall—

"(A) distinguish among interests beneficially owned by the United States, assets held for a particular public purpose, assets beneficially owned by identified participants or beneficiaries, nonvoting economic interests, and specialized governance rights that are not equivalent to ordinary common stock voting power;

"(B) evaluate whether the interest should be subject to national aggregation under this chapter, account specific stewardship, participant or beneficiary directed stewardship, or a separate framework tailored to the nature and purpose of the interest;

"(C) identify any existing voting agreement or other restriction that would need to be amended, terminated, superseded, or preserved; and

"(D) address transition, valuation, fiduciary duties, contractual arrangements, market effects, foreign law restrictions, and constitutional or statutory limitations.

"(4) No automatic application.—Neither the inventory nor a recommendation or proposal under this subsection shall make an interest subject to this chapter except as expressly provided by a subsequent Act of Congress.

"(f) Public process.—Before submitting the proposals, the Office shall provide public notice, receive written comments for not less than 90 days, and conduct public hearings that include workers, consumers, beneficiaries of Federal programs, institutional investors, corporate issuers, public interest organizations, and experts in democratic deliberation.

"Sec. 9912. Regulations and relation to other law.

"(a) Regulations.—The Secretary of the Treasury, acting through the Office, may prescribe regulations necessary to carry out this chapter.

"(b) Initial implementation rules.—Not later than December 30, 2026, the Secretary of the Treasury, acting through the Office, shall issue an interim final rule to implement section 9907 and sections 9905(e), 9906(b), and 9909(d). The interim final rule shall take effect upon publication in the Federal Register, shall have the force and effect of law, and may be issued without regard to section 553 of title 5, United States Code. The Office shall provide a public comment period of not less than 60 days after publication. Not later than September 30, 2027, the Secretary, acting through the Office, shall issue a final rule. Failure to issue the final rule by that date shall not suspend or terminate the interim final rule. A rule under this subsection may implement but may not add to, subtract from, or substitute a different policy for the national voting policy established by Congress under section 9907(a).

"(c) Private obligations preserved.—Except as expressly provided in section 9903(e) and (h) and section 9906(d) and (e), nothing in this chapter exempts a private fund, investment manager, trustee, custodian, proxy adviser, or issuer from a requirement of the securities laws, the antitrust laws, or another provision of Federal law. A private person acting solely ministerially under section 9906(d) or (e) shall be treated as satisfying any otherwise applicable Federal duty concerning the choice of how the Federal voting interest is exercised, but remains subject to disclosure, reporting, recordkeeping, anti-fraud, and other duties unrelated to that choice.

"(d) Inability to comply.—A domestic equity index fund that cannot preserve and execute the full Federal voting interest or provide the required mirror voting mechanism is not a qualifying equity fund. An international equity index fund is subject to section 9906(h).".

(b) Clerical amendment.—The table of chapters for subtitle VI of title 31, United States Code, is amended by adding at the end the following:

"99. Democratic Stewardship of Federal Equity Interests........9901".

(c) Conforming amendments to Federal account investment authority.—Section 9702 of title 31, United States Code, as amended by section 612(e), is further amended—

(1) in subsection (d)(6), by inserting before the semicolon at the end the following: ", if the fund satisfies section 9906";

(2) in subsection (d)(7), by inserting before the semicolon at the end the following: ", if the fund satisfies section 9906"; and

(3) by adding at the end the following:

"(k) Democratic stewardship of equity investments.—An investment decision under paragraph (6) or (7) of subsection (d) shall be made in accordance with section 9905, and each Federal voting interest attributable to such an investment is subject to chapter 99.".

(d) Appropriations.—

(1) Startup appropriation.—There is appropriated to the Department of the Treasury, out of any money in the Treasury not otherwise appropriated, $150,000,000 for fiscal year 2027, to remain available through September 30, 2029, to establish the Office of Federal Equity Stewardship and carry out startup implementation of chapter 99 of title 31, United States Code.

(2) Ongoing appropriation.—In addition to amounts appropriated under paragraph (1), there are appropriated to the Department of the Treasury, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary for fiscal year 2027 and each fiscal year thereafter to operate the Office of Federal Equity Stewardship and carry out chapter 99 of title 31, United States Code, to remain available until expended.

(e) Effective date.—The amendments made by subsection (c) shall take effect immediately after the amendments made by section 612(e).