# SENATE BILL REPORT
# SJM 8003

As of February 21, 2019

**Brief Description**: Requesting that Congress enact legislation that would reinstate the separation of commercial and investment banking functions that were in effect under the Glass-Steagall act.

**Sponsors**: Senators Hasegawa, Saldaña, Palumbo and Nguyen.

**Brief History:**
**Committee Activity**: Financial Institutions, Economic Development & Trade: 2/21/19.

**Brief Summary of Joint Memorial**

- Requests the U.S. Congress to enact legislation to reinstate the separation of commercial and investment banking functions that were in effect under the Glass Steagall Act.

## SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

**Staff**: Clint McCarthy (786-7319)

**Background**: The Glass-Steagall Act was passed by the U.S. Congress in 1933 as the Banking Act, which prohibited commercial banks from participating in the investment banking business. Glass-Steagall was sponsored by Senator Carter Glass, a former Treasury Secretary, and Representative Henry Steagall, a member of the House of Representatives and chairman of the House Banking and Currency Committee. The act was passed as an emergency measure to counter the failure of almost 5000 banks during the Great Depression.

The Gramm-Leach-Bliley Act of 1999 (GLBA) was passed by Congress on November 12, 1999. The GLBA is most well-known as the repeal the Glass-Steagall Act of 1933.

**Summary of Joint Memorial**: The bill requests the U.S. Congress to enact legislation reinstating the separation of commercial and investment banking functions that were in effect under the Glass Steagall Act.

**Appropriation**: None.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Fiscal Note**: Not requested.

**Creates Committee/Commission/Task Force that includes Legislative members**: No.

**Staff Summary of Public Testimony**: PRO: There was an overextension of lending capacity prior to the great recession. When the federal government is insuring bank accounts, they want to make sure that banks are not overextended. The split between commercial and investment banking allow for the FDIC to insure the accounts. When the repeal happened, banks started engaging in crazy schemes like the securitization of subprime mortgages. FDIC should not back these types of schemes.

**Persons Testifying**: PRO: Senator Bob Hasegawa, Prime Sponsor.

**Persons Signed In To Testify But Not Testifying**: No one.