

AYO10B38 S.L.C.

AMENDMENT NO.\_\_\_\_ Calendar No.\_\_\_\_\_

Purpose: To prohibit taxpayers from ever having to bailout the financial sector.

**IN THE SENATE OF THE UNITED STATES—111th Cong., 2d Sess.**

**S. 3217**

To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Referred to the Committee on \_\_\_\_\_ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. VITTER

Viz:

At the end of title II, add the following:

**SEC. 212. PROHIBITION ON ALL BAILOUTS.**

(a) **PROHIBITION.**—The U.S. Government shall not use any funds to bail out creditors or shareholders of any company by paying any creditor or shareholder, under this or any title, any funds for the purpose of covering losses of such creditor or shareholder on its investments in such company or ensuring that the amount such claimant receives on a claim is more than such claimant is entitled to receive on such claim under the Bankruptcy Code. The U.S. Government shall not coordinate with or participate in any effort involving any foreign or multi-national entity to use foreign or multi-national resources to circumvent the purposes of this title.

(b) **REESTABLISHING THE FEDERAL RESERVE LENDER OF LAST RESORT FUNCTION.**—

(1) **RULEMAKING REQUIRED.**—Notwithstanding any provision of this Act or any other provision of law, the Board of Governors, in consultation with the Secretary, shall, not later than 12 months after the date of enactment of this Act, issue rules that shall govern the creation of any emergency stabilization actions by the Board of Governors.

(2) **REQUIREMENTS.**—At a minimum, rules required under this subsection shall—

(A) prescribe under what circumstances the program may and may not be used in the future;

- (B) prescribe how the program shall ensure that it will only be used by solvent companies and will not be used to prevent failure of otherwise failing firms;
- (C) determine what type of collateral the Board of Governors will accept against emergency lending to ensure that all lending is done against good collateral;
- (D) prescribe how much that collateral will be discounted in order to ensure against taxpayer losses;
- (E) address how the Board of Governors and the Secretary shall ensure that the program does not allocate credit or artificially prop up certain segments of the economy;
- (F) address how the Board of Governors will transfer any assets associated with losses to the lending program to the Secretary to ensure that losses from emergency lending do not lead to inflationary pressures;
- (G) establish procedures by which the Board of Governors would modify and change such rules to ensure a proper notice and comment period, including publicly documenting the need for the rule change; and
- (H) include any other factors that the Board of Governors and the Secretary deem appropriate.

(c) **LIQUIDATION REQUIRED.**—All financial companies put into receivership under this title shall be liquidated within two years. No taxpayer funds may be used to provide assistance to a company in bankruptcy, in receivership under title ii of this act, or is in any other insolvency proceeding; or to any company that would otherwise need to be placed into receivership under Federal or State laws or to prevent the liquidation of any financial company under this title.

(d) **RECOVERY OF FUNDS.**—All funds expended in the liquidation of a financial company under this title shall be recovered from the disposition of assets of such financial company.

(e) **NO LOSSES TO TAXPAYERS.**—Taxpayers shall bear no losses from the exercise of any authority under this title.