21st CENTURY GLASS-STEAGALL ACT
Fact Sheet

The original Glass-Steagall, the Banking Act of 1933, was introduced in response to the financial crash of 1929. Starting in the 1980s, regulators at the Federal Reserve and the Office of the Comptroller of the Currency reinterpreted longstanding legal terms in ways that slowly broke down the core function of the bill – a wall between investment and depository banking to curb risk. In 1999, after 12 attempts at repeal, Congress passed the Gramm-Leach-Bliley Act to repeal the core provisions of Glass-Steagall.

The 21st Century Glass-Steagall Act would reduce risk in the financial system and dial back the likelihood of future financial crises.

- **Returning basic banking to the basics.** The 21st Century Glass-Steagall Act separates traditional banks that offer savings and checking accounts and are insured by the Federal Deposit Insurance Corporation from riskier financial services, such as investment banking, insurance, swaps dealing, and hedge fund and private equity activities. The bill also separates depository institutions from products that did not exist when Glass-Steagall was originally passed, such as structured and synthetic financial products including complex derivatives and swaps.

- **Countering regulatory loopholes for risky activities.** The 21st Century Glass-Steagall Act specifies what activities are considered the "business of banking" to prevent national banks from engaging in risky activities, and bars non-banking activities from being treated as "closely related" to banking. Over time, the Office of the Comptroller of the Currency and the Federal Reserve used these terms to allow traditional banks and bank holding companies to engage in a wider and wider range of high-risk activities. This bill would end those practices.

- **Taking on "Too Big to Fail."** The 21st Century Glass-Steagall Act cannot end "Too Big to Fail" on its own, but it moves the financial institutions in the right direction by making them smaller and safer. By separating depository institutions from riskier activities, large financial institutions will shrink in size and will not be able to rely on federal depository insurance as a safety net for their high-risk activities. Although some financial institutions might be large, they would no longer be intertwined with traditional depository banks, reducing the implicit government guarantee of a bailout.

- **Enforcing Glass-Steagall.** The 21st Century Glass-Steagall Act institutes a five-year transition period and penalties for violating the law.