

Financial Services and General Government (FSGG) FY2019 Appropriations and Financial Regulatory Reform

Updated November 27, 2018 (IN10950)

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Background

On July 19, 2018, the House passed [H.R. 6147](#), which included an [FY2019 Financial Services and General Government \(FSGG\) appropriations bill](#) (originally [H.R. 6258](#)) as Division B. The Senate passed a substitute version of [H.R. 6147](#) on August 1, 2018, with the Senate FY2019 FSGG bill (originally [S. 3107](#)) as Division B. No full-year FY2019 FSGG bill was enacted prior to the end of FY2018. The FSGG agencies were provided continuing appropriations until December 7, 2018, in Division C of [P.L. 115-245](#).

Although financial services are a focus of the FSGG bill, the bill does not include funding for most of the financial service regulators. Instead, this funding comes through a variety of sources, including fees or assessments on regulated institutions. (See CRS Report R43391, [Independence of Federal Financial Regulators: Structure, Funding, and Other Issues](#).)

Federal regulation of the banking industry is divided among the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), the Office of Comptroller of the Currency (OCC), and the Bureau of Consumer Financial Protection (CFPB or BCFP). Credit unions are regulated by the National Credit Union Administration (NCUA), and the housing government-sponsored enterprises are regulated by the Federal Housing Finance Agency (FHFA). None of these agencies receive their primary funding through the appropriations process.

Federal securities regulation is divided between the Securities and Exchange Commission (SEC) and the Commodity

Futures Trading Commission (CFTC), both of which are funded through appropriations bills. CFTC funding is appropriated from the general fund, whereas the SEC funding is offset through fees collected by the SEC.

FSGG Financial Regulatory Legislative Provisions

Although most funding is not provided by the FSGG bill, legislative provisions affecting financial regulation in general and some financial regulatory agencies specifically have often been included in past FSGG bills.

Most of the provisions in Title IX of the House-passed FSGG bill ([H.R. 6258/H.R. 6147](#), Division B) are similar or identical to provisions in other legislation that has passed the House both individually and as part of broader bills, particularly the [Financial CHOICE Act \(H.R. 10\)](#) and the JOBS and Investor Confidence Act of 2018 ([S. 488](#) as amended by the House). Some of these provisions would amend the [2010 Dodd-Frank Act](#). The Senate FSGG bill ([S. 3167/H.R. 6147](#), Division B) does not contain similar legislative provisions.

[Table 1](#) contains a full listing of sections from the House-passed FSGG bill Title IX and similar sections of [H.R. 10](#), [S. 488](#), and other individual legislation. Selected policy changes in the House-passed FSGG bill include the following:

- **Capital formation.** Some policymakers have concluded that changes in market trends require updated regulations governing capital access to securities markets, particularly for small- to medium-sized companies. The provisions in the FSGG bill generally aim to expand investor access to securities markets, reduce compliance costs, and promote financial intermediation. [S. 488](#), much of which is contained in the FSGG bill, passed the House with close to unanimous support.
- **CFPB structure.** The Dodd-Frank Act created the CFPB with structural features that made it more independent than most other agencies. Congress has debated whether the current structure strikes the right balance between the desire for agency independence and accountability to Congress and the Administration. Title IX would reduce the CFPB's independence by placing the CFPB under congressional appropriations, requiring congressional approval of "major rules" issued by the CFPB, and allowing the President to replace the head of the CFPB at will, in lieu of the current "for cause" removal, among other changes.
- **Enhanced regulation.** The Dodd-Frank Act created a new enhanced prudential regulatory regime for large banks and nonbank financial firms designated as systemically important. Title IX would modify the regime's nonbank designation process, reduce the frequency of "living wills," and eliminate nonbank stress test requirements, among other changes.

Table 1. Financial Regulatory Provisions in the House-Passed FSGG Bill and Other Legislation

Topic	House-Passed H.R. 6147 , Division B, Title IX	H.R. 10	S. 488	Individual Legislation
Allows general solicitation for angel investors	Subtitle A	Section 452	Title I	H.R. 79
Expands information used in credit reporting	Subtitle B	—	Title II	H.R. 435
Small M&A broker exemption	Subtitle C	Section 401	Title III	H.R. 477

Treatment of points and fees in mortgage regulation	Subtitle D	Section 506	—	H.R. 1153
Accredited investor definition	Subtitle E	Section 860	Title IV	H.R. 1585
Expand audit attestation requirement (SOX 404b) exemption	Subtitle F	Section 441	Title V	H.R. 1645
End banking for human traffickers	Subtitle G	—	Title XXIII	H.R. 6069
Small Business Investment Company funding access	Subtitle H	—	Title VII	H.R. 2364
Extends annual privacy notification exemption to auto financing companies	Subtitle I	—	—	H.R. 2396
Limits on deposit account terminations	Subtitle J	Section 511	—	H.R. 2706
Expands investor outreach during IPO process	Subtitle K	Section 499	Title IX	H.R. 3903
Greater flexibility on rating agency exams	Subtitle L	Section 851	—	H.R. 3911
SEC subpoena required for source code disclosure	Subtitle M	Section 816	—	H.R. 3948
Family offices deemed accredited investors	Subtitle N	—	Title X	H.R. 3972
SEC consolidated audit trail data protection	Subtitle O	Section 813	—	H.R. 3973
Changes to nonbank systemically important designation process	Subtitle P	—	—	H.R. 4061
SEC study of small rural business	Subtitle Q	—	Title XI	H.R. 4281

capital access

Fed-only jurisdiction over Volcker Rule	Subtitle R	—	—	H.R. 4790
Reduced frequency of living will requirement for large banks	Subtitle S	Section 151	Title XII	H.R. 4292
Bank exam appeals expanded	Subtitle T	Section 536	—	H.R. 4545
Changes to mortgage settlement statement	Subtitle U	—	—	H.R. 3978
Delays credit union capital rule	Subtitle V	—	Title XVII	H.R. 5288
Creates dedicated CFPB Inspector General	Subtitle W	Section 713	—	H.R. 3625
CFPB under appropriations	Subtitle X	Section 712	—	—
Nonbank stress test repeal	Subtitle Y	—	Title XV	H.R. 4566
Swaps margin exemption for interaffiliates	Subtitle Z	—	—	—
Requires consistency in enhanced regulation	Subtitle AA	—	—	—
Eliminates "for cause" removal protection for CFPB Director	Subtitle BB	Section 711(a)(1) (D)	—	—
Congressional approval for "major" CFPB rules	Subtitle CC	Title III, Subtitle B ^a	—	H.R. 26^a

Source: Congressional Research Service.

Notes: M&A=Mergers and Acquisitions; SOX= Sarbanes Oxley Act ([P.L. 107-204](#)); IPO=Initial Public Offering.

a. These bills would require congressional approval of major rules for other agencies as well.