Gramm–Leach–Bliley Act

The Gramm–Leach–Bliley Act (GLB or GLBA), also known as the **Financial Services Modernization Act of 1999** (FSMA), and also known as the **Financial Services Act of 1999**, (Pub.L. 106–102, text | PDF | Stat. 1338) (http://legislink.org/us/pl-106-102) was the law that repealed the Glass-Steagall Act, removing barriers between banks, stockbrokers, and insurance companies, which had prevented the formation of financial conglomerates such as Citigroup, formed in 1998 by the merger of Travelers Group and Citicorp, which had been in violation of the Glass-Steagall Act for years before the law was passed. It was sponsored by Senator Phil Gramm (R-TX), Representative Jim Leach (R-IA), and Representative Thomas J. Bliley, Jr. (R-VA). It was signed into law by President Bill Clinton on November 12, 1999.[1]

A year before the law was passed, Citicorp, a commercial bank holding company, merged with the insurance company Travelers Group to create the conglomerate Citigroup, a company too large to fail. The merger was allowed to proceed because the Federal Reserve Board, chaired by Alan Greenspan, approved a temporary waiver to Section 20 of the Glass-Steagall Act, which prohibited the merger. The merger violated the Bank Holding Company Act (BHCA), but Citibank was given a two-year forbearance that was based on an assumption that they would be able to force a change in the law. The merger was consummated on October 8, 1998, and Congress passed the Gramm–Leach–Bliley Act, which repealed the relevant provisions of the Glass-Steagall Act, allowing banks, brokerages, and insurance companies to merge.

Also prior to the passage of the Act, there were many alternatives to the Glass-Steagall Act. For example, a less-radical, centrist-friendly bill was allowed to pass involving banks and thrifts but banks were not allowed through it to underwrite securities. Also, the Act does not allow banks to underwrite insurance. The Act also explicitly states that nothing in the Act shall be construed to limit the banks from other the passage of the Act. The Act further entered three provisions that allow for bank holding companies to engage in physical commodity activities. Prior to the enactment of the Act, the Federal Reserve had allowed some bank holding companies to engage in physical commodity activities, but the Act codified the Federal Reserve's authority to allow such activities, and it also expanded the Federal Reserve's authority to allow financial holding companies to engage in physical commodity activities in addition to traditional financial activities.

Stock consolidation occurred in the financial services industry since, but not at the scale some had expected. Retail banks, for example, did not tend to buy insurance underwriters, as they used to engage in sales of life policies and insurance. Instead, they tended to form strategic partnerships with companies that specialized in the sale of insurance products and package these products to a continuing way. Brokerage companies tended to form joint getting into banking, because they do not have a large branch and backoffice footprint, which is important in the business of banking. Instead, they tended to form joint ventures with banks or to acquire thrifts, which have a nationwide footprint. Insurance companies Many banks have expanded into investment banking, but have found it hard to compete with bank holding services, without resorting to questionable tie-in-sales issues (similar to Microsoft).

On November 12, 2009, eight federal regulatory agencies released the final version of a model privacy notice form (https://www.ftc.gov/news-events/press-releases/2009/11/agencies-release-final-model-privacy-notice-financial-institutions-comply-new-privacy) for financial institutions.

Gramm–Leach–Bliley Act
Long title
An Act to enhance competition in the financial services industry by providing a prudential framework for affiliations of banks, securities firms, insurance companies, and other financial institutions, and for other purposes.
Acronyms (colloquial)
GLB Act
Nicknames
Gramm–Leach–Bliley Act of 1999
Enacted by
the 106th United States Congress
Effective
November 12, 1999
Citations
Public law
106-102 (http://www.govtrack.us/congress/bills/106/hr1127/text) (text) (PDF)
Statutes at Large
113 Stat. 1338 et seq.
Codification
Other laws affected
Glass-Steagall Act
U.S.C. sections created
12 U.S.C. Ch. 1 (https://www.law.cornell.edu/uscode/text/12/chapter-1) 15 U.S.C. Ch. 94 (https://www.law.cornell.edu/uscode/text/15/chapter-94)
U.S.C. sections amended
12 U.S.C. § 1 (https://www.law.cornell.edu/uscode/text/12/1) 15 U.S.C. § 78c (https://www.law.cornell.edu/uscode/text/15/78c) 15 U.S.C. § 78o-5 (https://www.law.cornell.edu/uscode/text/15/78o-5) 18 U.S.C. § 1951 (https://www.law.cornell.edu/uscode/text/18/1951) 18 U.S.C. § 1952 (https://www.law.cornell.edu/uscode/text/18/1952) 18 U.S.C. § 1956 (https://www.law.cornell.edu/uscode/text/18/1956) 18 U.S.C. § 1957 (https://www.law.cornell.edu/uscode/text/18/1957) 18 U.S.C. § 2516 (https://www.law.cornell.edu/uscode/text/18/2516) 26 U.S.C. § 6103 (https://www.law.cornell.edu/uscode/text/26/6103) 29 U.S.C. § 1144 (https://www.law.cornell.edu/uscode/text/29/1144) 29 U.S.C. § 1144a (https://www.law.cornell.edu/uscode/text/29/1144a) 29 U.S.C. § 1144b (https://www.law.cornell.edu/uscode/text/29/1144b) 29 U.S.C. § 1169 (https://www.law.cornell.edu/uscode/text/29/1169) 29 U.S.C. § 1182 (https://www.law.cornell.edu/uscode/text/29/1182) 29 U.S.C. § 1191c (https://www.law.cornell.edu/uscode/text/29/1191c) 29 U.S.C. § 1223 (https://www.law.cornell.edu/uscode/text/29/1223) 29 U.S.C. § 1232 (https://www.law.cornell.edu/uscode/text/29/1232) 29 U.S.C. § 1310 (https://www.law.cornell.edu/uscode/text/29/1310) 29 U.S.C. § 1341 (https://www.law.cornell.edu/uscode/text/29/1341) 29 U.S.C. § 1341a (https://www.law.cornell.edu/uscode/text/29/1341a) 29 U.S.C. § 1341b (https://www.law.cornell.edu/uscode/text/29/1341b) 29 U.S.C. § 1341c (https://www.law.cornell.edu/uscode/text/29/1341c) 29 U.S.C. § 1344 (https://www.law.cornell.edu/uscode/text/29/1344) 29 U.S.C. § 1371 (https://www.law.cornell.edu/uscode/text/29/1371) 29 U.S.C. § 1396 (https://www.law.cornell.edu/uscode/text/29/1396) 29 U.S.C. § 1396a (https://www.law.cornell.edu/uscode/text/29/1396a) 29 U.S.C. § 1396b (https://www.law.cornell.edu/uscode/text/29/1396b) 29 U.S.C. § 1396d (https://www.law.cornell.edu/uscode/text/29/1396d) 29 U.S.C. § 1396o (https://www.law.cornell.edu/uscode/text/29/1396o) 29 U.S.C. § 1396r-8 (https://www.law.cornell.edu/uscode/text/29/1396r-8) 29 U.S.C. § 1396u-2 (https://www.law.cornell.edu/uscode/text/29/1396u-2) 29 U.S.C. § 1396u-5 (https://www.law.cornell.edu/uscode/text/29/1396u-5) 29 U.S.C. § 1396w-3 (https://www.law.cornell.edu/uscode/text/29/1396w-3) 29 U.S.C. § 1396w-4 (https://www.law.cornell.edu/uscode/text/29/1396w-4) 29 U.S.C. § 1396w-5 (https://www.law.cornell.edu/uscode/text/29/1396w-5) 29 U.S.C. § 1396w-6 (https://www.law.cornell.edu/uscode/text/29/1396w-6) 29 U.S.C. § 1396w-7 (https://www.law.cornell.edu/uscode/text/29/1396w-7) 29 U.S.C. § 1396w-8 (https://www.law.cornell.edu/uscode/text/29/1396w-8) 29 U.S.C. § 1396w-9 (https://www.law.cornell.edu/uscode/text/29/1396w-9) 29 U.S.C. § 1396w-10 (https://www.law.cornell.edu/uscode/text/29/1396w-10) 29 U.S.C. §