

**Department of Legislative Services**  
Maryland General Assembly  
2013 Session

**FISCAL AND POLICY NOTE**

House Joint Resolution 3 (Delegate Braveboy, *et al.*)  
Rules and Executive Nominations

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**Reinstatement of the Separation of Commercial and Investment Banking  
Functions**

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This joint resolution urges the U.S. Congress to enact legislation that would (1) reinstate the separation of commercial and investment banking functions that were in effect under the Glass-Steagall Act and (2) prohibit commercial banks and bank holding companies from investing in stocks, underwriting securities, or investing in or acting as guarantors to derivative transactions.

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**Fiscal Summary**

**State Effect:** The joint resolution does not directly affect State operations or finances.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law/Background:** On January 3, 2013, the Return to Prudent Banking Act of 2013 was introduced in the U.S. House of Representatives. The Act has several provisions which serve to create a separation between commercial banking and investment banking institutions. Among these provisions, the Act (1) prohibits specified individuals from affiliating with both commercial banking and investment banking institutions; (2) revives the Banking Act of 1933 (Glass-Steagall Act); and (3) makes technical and conforming changes to the Gramm-Leach-Bliley Act (GLB Act).

As a response to the Great Crash of 1929, the Glass-Steagall Act was passed in 1933 with the intention of placing a barrier between commercial and investment banking. Among its provisions was a prohibition on commercial banks from underwriting securities, effectively forcing a bank to choose between being a commercial banking institution and an investment banking institution. In 1956, the Bank Holding Company Act was passed as an extension of the Glass-Steagall Act and placed further restrictions on commercial banking institutions, including a prohibition on underwriting insurance. In 1999, the GLB Act repealed the Glass-Steagall Act and, thus, allowed financial institutions to provide a wider range of services.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; U.S. Congress; *www.infopedia.com*; Public Broadcasting Organization; Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2013  
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