

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

House Joint Resolution 8 (Delegate Braveboy, *et al.*)  
Rules and Executive Nominations

---

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

---

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.

---

**Fiscal Summary**

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

**Local Effect:** None.

**Small Business Effect:** None.

---

**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 In 1999, the GLB Act repealed the Glass-Steagall Act and, thus, allowed financial institutions to provide a wider range of services.

---

### **Additional Information**

**Prior Introductions:** HJ 3 of 2013 was heard by the House Rules and Executive Nominations Committee, but it received no further action.

**Cross File:** SJ 8 (Senator Muse, *et al.*) - Rules.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Library of Congress; Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2014  
mc/ljm

---

Analysis by: Joshua A. Lowery

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510