

## AMENDMENTS

2008—Subsec. (a). Pub. L. 110-289, § 1155(1), added subsec. (a) and struck out former subsec. (a) which related to violations or conduct for which the Director could impose a civil money penalty in accordance with this section.

Subsec. (b). Pub. L. 110-289, § 1155(2), added subsec. (b) and struck out former subsec. (b) which related to the amount of penalty the Director could impose for violations or conduct described in former subsection (a).

Subsec. (c)(1)(A). Pub. L. 110-289, § 1155(3)(A), (B), substituted “regulated entity” for “enterprise” and inserted “or entity-affiliated party” before “in writing”.

Subsec. (c)(1)(B). Pub. L. 110-289, § 1155(3)(A), (C), substituted “regulated entity” for “enterprise” and inserted “or entity-affiliated party” before “has been given”.

Subsec. (c)(2). Pub. L. 110-289, § 1155(3)(A), substituted “regulated entity” for “enterprise”.

Subsec. (d). Pub. L. 110-289, § 1155(4)(G), struck out “and section 4634 of this title” after “subsection (c)(1)”.

Pub. L. 110-289, § 1155(4)(F), which directed the striking out of “, or may, under the direction and control of the Attorney General of the United States, bring such an action”, was executed by striking out “, or may, under the direction and control of the Attorney General, bring such an action” after “may be available”, to reflect the probable intent of Congress.

Pub. L. 110-289, § 1155(4)(A)–(E), substituted “director, or entity-affiliated party” for “or director” in two places, “a regulated entity” for “an enterprise”, and “the regulated entity” for “the enterprise”, inserted “, or the United States district court within the jurisdiction of which the headquarters of the regulated entity is located,” after “District of Columbia”, and struck out “request the Attorney General of the United States to” after “Director may”.

Subsec. (g). Pub. L. 110-289, § 1155(5), substituted “A regulated entity” for “An enterprise”.

### § 4636a. Removal and prohibition authority

#### (a) Authority to issue order

##### (1) In general

The Director may serve upon a party described in paragraph (2), or any officer, director, or management of the Office of Finance a written notice of the intention of the Director to suspend or remove such party from office, or prohibit any further participation by such party, in any manner, in the conduct of the affairs of the regulated entity.

##### (2) Applicability

A party described in this paragraph is an entity-affiliated party or any officer, director, or management of the Office of Finance, if the Director determines that—

- (A) that party, officer, or director has, directly or indirectly—
  - (i) violated—
    - (I) any law or regulation;
    - (II) any cease and desist order which has become final;
    - (III) any condition imposed in writing by the Director in connection with the grant of any application or other request by such regulated entity; or
    - (IV) any written agreement between such regulated entity and the Director;
  - (ii) engaged or participated in any unsafe or unsound practice in connection with any regulated entity or business institution; or
  - (iii) committed or engaged in any act, omission, or practice which constitutes a breach of such party’s fiduciary duty;

(B) by reason of the violation, practice, or breach described in subparagraph (A)—

- (i) such regulated entity or business institution has suffered or will probably suffer financial loss or other damage; or
- (ii) such party has received financial gain or other benefit; and

(C) the violation, practice, or breach described in subparagraph (A)—

- (i) involves personal dishonesty on the part of such party; or
- (ii) demonstrates willful or continuing disregard by such party for the safety or soundness of such regulated entity or business institution.

#### (b) Suspension order

##### (1) Suspension or prohibition authority

If the Director serves written notice under subsection (a) upon a party subject to that subsection (a), the Director may, by order, suspend or remove such party from office, or prohibit such party from further participation in any manner in the conduct of the affairs of the regulated entity, if the Director—

- (A) determines that such action is necessary for the protection of the regulated entity; and
- (B) serves such party with written notice of the order.

##### (2) Effective period

Any order issued under this subsection—

- (A) shall become effective upon service; and
- (B) unless a court issues a stay of such order under subsection (g), shall remain in effect and enforceable until—
  - (i) the date on which the Director dismisses the charges contained in the notice served under subsection (a) with respect to such party; or
  - (ii) the effective date of an order issued under subsection (b).

##### (3) Copy of order

If the Director issues an order under subsection (b) to any party, the Director shall serve a copy of such order on any regulated entity with which such party is affiliated at the time such order is issued.

#### (c) Notice, hearing, and order

##### (1) Notice

A notice under subsection (a) of the intention of the Director to issue an order under this section shall contain a statement of the facts constituting grounds for such action, and shall fix a time and place at which a hearing will be held on such action.

##### (2) Timing of hearing

A hearing shall be fixed for a date not earlier than 30 days, nor later than 60 days, after the date of service of notice under subsection (a), unless an earlier or a later date is set by the Director at the request of—

- (A) the party receiving such notice, and good cause is shown; or
- (B) the Attorney General of the United States.

##### (3) Consent

Unless the party that is the subject of a notice delivered under subsection (a) appears at

the hearing in person or by a duly authorized representative, such party shall be deemed to have consented to the issuance of an order under this section.

**(4) Issuance of order of suspension**

The Director may issue an order under this section, as the Director may deem appropriate, if—

(A) a party is deemed to have consented to the issuance of an order under paragraph (3); or

(B) upon the record made at the hearing, the Director finds that any of the grounds specified in the notice have been established.

**(5) Effectiveness of order**

Any order issued under paragraph (4) shall become effective at the expiration of 30 days after the date of service upon the relevant regulated entity and party (except in the case of an order issued upon consent under paragraph (3), which shall become effective at the time specified therein). Such order shall remain effective and enforceable except to such extent as it is stayed, modified, terminated, or set aside by action of the Director or a reviewing court.

**(d) Prohibition of certain specific activities**

Any person subject to an order issued under this section shall not—

(1) participate in any manner in the conduct of the affairs of any regulated entity or the Office of Finance;

(2) solicit, procure, transfer, attempt to transfer, vote, or attempt to vote any proxy, consent, or authorization with respect to any voting rights in any regulated entity;

(3) violate any voting agreement previously approved by the Director; or

(4) vote for a director, or serve or act as an entity-affiliated party of a regulated entity or as an officer or director of the Office of Finance.

**(e) Industry-wide prohibition**

**(1) In general**

Except as provided in paragraph (2), any person who, pursuant to an order issued under this section, has been removed or suspended from office in a regulated entity or the Office of Finance, or prohibited from participating in the conduct of the affairs of a regulated entity or the Office of Finance, may not, while such order is in effect, continue or commence to hold any office in, or participate in any manner in the conduct of the affairs of, any regulated entity or the Office of Finance.

**(2) Exception if Director provides written consent**

If, on or after the date on which an order is issued under this section which removes or suspends from office any party, or prohibits such party from participating in the conduct of the affairs of a regulated entity or the Office of Finance, such party receives the written consent of the Director, the order shall, to the extent of such consent, cease to apply to such party with respect to the regulated entity or such Office of Finance described in the

written consent. Any such consent shall be publicly disclosed.

**(3) Violation of paragraph (1) treated as violation of order**

Any violation of paragraph (1) by any person who is subject to an order issued under subsection (h) shall be treated as a violation of the order.

**(f) Applicability**

This section shall only apply to a person who is an individual, unless the Director specifically finds that it should apply to a corporation, firm, or other business entity.

**(g) Stay of suspension and prohibition of entity-affiliated party**

Not later than 10 days after the date on which any entity-affiliated party has been suspended from office or prohibited from participation in the conduct of the affairs of a regulated entity under this section, such party may apply to the United States District Court for the District of Columbia, or the United States district court for the judicial district in which the headquarters of the regulated entity is located, for a stay of such suspension or prohibition pending the completion of the administrative proceedings pursuant to subsection (c). The court shall have jurisdiction to stay such suspension or prohibition.

**(h) Suspension or removal of entity-affiliated party charged with felony**

**(1) Suspension or prohibition**

**(A) In general**

Whenever any entity-affiliated party is charged in any information, indictment, or complaint, with the commission of or participation in a crime involving dishonesty or breach of trust which is punishable by imprisonment for a term exceeding 1 year under Federal or State law, the Director may, if continued service or participation by such party may pose a threat to the regulated entity or impair public confidence in the regulated entity, by written notice served upon such party, suspend such party from office or prohibit such party from further participation in any manner in the conduct of the affairs of any regulated entity.

**(B) Provisions applicable to notice**

**(i) Copy**

A copy of any notice under subparagraph (A) shall be served upon the relevant regulated entity.

**(ii) Effective period**

A suspension or prohibition under subparagraph (A) shall remain in effect until the information, indictment, or complaint referred to in subparagraph (A) is finally disposed of, or until terminated by the Director.

**(2) Removal or prohibition**

**(A) In general**

If a judgment of conviction or an agreement to enter a pretrial diversion or other similar program is entered against an entity-affiliated party in connection with a

crime described in paragraph (1)(A), at such time as such judgment is not subject to further appellate review, the Director may, if continued service or participation by such party may pose a threat to the regulated entity or impair public confidence in the regulated entity, issue and serve upon such party an order removing such party from office or prohibiting such party from further participation in any manner in the conduct of the affairs of the regulated entity without the prior written consent of the Director.

**(B) Provisions applicable to order**

**(i) Copy**

A copy of any order under subparagraph (A) shall be served upon the relevant regulated entity, at which time the entity-affiliated party who is subject to the order (if a director or an officer) shall cease to be a director or officer of such regulated entity.

**(ii) Effect of acquittal**

A finding of not guilty or other disposition of the charge shall not preclude the Director from instituting proceedings after such finding or disposition to remove a party from office or to prohibit further participation in the affairs of a regulated entity pursuant to subsection (a) or (b).

**(iii) Effective period**

Unless terminated by the Director, any notice of suspension or order of removal issued under this subsection shall remain effective and outstanding until the completion of any hearing or appeal authorized under paragraph (4).

**(3) Authority of remaining board members**

**(A) In general**

If at any time, because of the suspension of 1 or more directors pursuant to this section, there shall be on the board of directors of a regulated entity less than a quorum of directors not so suspended, all powers and functions vested in or exercisable by such board shall vest in and be exercisable by the director or directors on the board not so suspended, until such time as there shall be a quorum of the board of directors.

**(B) Appointment of temporary directors**

If all of the directors of a regulated entity are suspended pursuant to this section, the Director shall appoint persons to serve temporarily as directors pending the termination of such suspensions, or until such time as those who have been suspended cease to be directors of the regulated entity and their respective successors take office.

**(4) Hearing regarding continued participation**

**(A) In general**

Not later than 30 days after the date of service of any notice of suspension or order of removal issued pursuant to paragraph (1) or (2), the entity-affiliated party may request in writing an opportunity to appear before the Director to show that the continued service or participation in the con-

duct of the affairs of the regulated entity by such party does not, or is not likely to, pose a threat to the interests of the regulated entity, or threaten to impair public confidence in the regulated entity.

**(B) Timing and form of hearing**

Upon receipt of a request for a hearing under subparagraph (A), the Director shall fix a time (not later than 30 days after the date of receipt of such request, unless extended at the request of such party) and place at which the entity-affiliated party may appear, personally or through counsel, before the Director or 1 or more designated employees of the Director to submit written materials (or, at the discretion of the Director, oral testimony) and oral argument.

**(C) Determination**

Not later than 60 days after the date of a hearing under subparagraph (B), the Director shall notify the entity-affiliated party whether the suspension or prohibition from participation in any manner in the conduct of the affairs of the regulated entity will be continued, terminated, or otherwise modified, or whether the order removing such party from office or prohibiting such party from further participation in any manner in the conduct of the affairs of the regulated entity will be rescinded or otherwise modified. Such notification shall contain a statement of the basis for any adverse decision of the Director.

**(5) Rules**

The Director is authorized to prescribe such rules as may be necessary to carry out this subsection.

(Pub. L. 102-550, title XIII, §1377, as added Pub. L. 110-289, div. A, title I, §1153(a)(2), July 30, 2008, 122 Stat. 2770.)

PRIOR PROVISIONS

A prior section 1377 of Pub. L. 102-550 was renumbered section 1379 and is classified to section 4637 of this title.

**§ 4636b. Criminal penalty**

Whoever, being subject to an order in effect under section 4636a of this title, without the prior written approval of the Director, knowingly participates, directly or indirectly, in any manner (including by engaging in an activity specifically prohibited in such an order) in the conduct of the affairs of any regulated entity shall, notwithstanding section 3571 of title 18, be fined not more than \$1,000,000, imprisoned for not more than 5 years, or both.

(Pub. L. 102-550, title XIII, §1378, as added Pub. L. 110-289, div. A, title I, §1156(a), July 30, 2008, 122 Stat. 2777.)

PRIOR PROVISIONS

A prior section 1378 of Pub. L. 102-550 was renumbered section 1379A and is classified to section 4638 of this title.

**§ 4637. Notice after separation from service**

The resignation, termination of employment or participation, or separation of an entity-af-