PRESS RELEASES

Kennedy, Kim reintroduce bill to close "shadow banking" loophole and ensure a fair banking system (/public/press-releases?ID=A9DE994E-3C85-478E-80D6-68FD5CDCC7E6)

Jan 29 2026

WASHINGTON – Sens. John Kennedy (R-La.) and Andy Kim (D-N.J.), members of the Senate Banking Committee, today reintroduced the Close the Shadow Banking Loophole Act to ensure companies that operate like banks follow the same rules and receive the same Federal Reserve oversight banks do.

Currently, some companies can offer banking services through industrial loan companies (ILCs), whose parent companies are not subject to the same Federal Reserve consolidated oversight that applies to traditional bank holding companies. Kennedy and Kim's bill would close the gap and create a level playing field to help protect consumers and our nation's financial system.

"When a company looks like a bank, acts like a bank, and talks like a bank, Congress should treat it like a bank—but a loophole in federal law still lets some companies offer banking services without the same rigorous supervision. Our bipartisan Close the Shadow Banking Loophole Act would fix that gap and help keep Americans' hard-earned money—and our financial system—safe," said Kennedy.

"If you get to act like a bank, you need to follow the same rules as banks. The sooner Congress acts to apply uniform standards to all banking institutions and closes these shadow banking loopholes, the better we protect consumers and support the stability and security of our overall banking system," said Kim.

The Close the Shadow Banking Loophole Act would:

- Require a company that owns or controls an ILC to face the same standard Federal Reserve supervision as any other bank holding company under the Bank Holding Company Act.
- Allow existing ILCs to continue operating under current rules and give the Federal Deposit Insurance Corporation (FDIC) time to review ILC applications that are already pending.
- Block federal banking agencies from approving a change in ownership of an ILC unless the buyer is supervised by the Federal Reserve.

Background:

ILCs were first created in 1910 to help provide loans to industrial workers. Over time, ILC powers expanded, and today, some non-bank companies use ILCs to offer banking services while avoiding the level of consolidated oversight that applies to traditional banks.

That gap can make it harder for regulators to see the full picture—especially when the parent company has other lines of business that may create risks for consumers, competition, and financial stability.

Kennedy and Kim's bill would close this loophole, protect consumers, strengthen accountability, and help ensure the safety and soundness of the financial system.

Americans for Financial Reform, the Bank Policy Institute, the Center for Responsible Lending, the Consumer Federation of America, America's Credit Unions, Independent Community Bankers of America, National Community Reinvestment Coalition, the National Consumer Law Center, and the U.S. Public Interest Research Group support the Close the Shadow Banking Loophole Act.

"We support the Close the Shadow Banking Loophole Act and urge swift passage of the bill into law. Companies that act like banks should be regulated like banks. The ILC loophole blurs the line between banking and commerce and undermines Congressional safeguards to the detriment of consumers and the safety of the financial system," the organizations wrote in a joint statement.

Kennedy first helped introduce (https://www.kennedy.senate.gov/public/2023/12/kennedy-brown-introduce-close-the-shadow-banking-loophole-act-to-ensure-fair-banking-system) the Close the Shadow Banking Loophole Act in December 2023.

View the organizations' joint letter in support of Kennedy and Kim's bill here (https://www.kennedy.senate.gov/public/_cache/files/0/a/0a2d5316-d635-405f-86e3-098e3f758829/2BD1627103524ACF5652CDED6B8F339D70DD1FA1D212DEAFC3B1096840C0050C.bpi-letter-of-support-for-the-close-the-shadow-banking-loophole-act-1.29.26.pdf).

Full text of the Close the Shadow Banking Loophole Act is available here (https://www.kennedy.senate.gov/public/_cache/files/c/2/c23c4dd0-ff91-4ad9-91d1-aa25c472acce/DA019A48557C43391C961933FC886B5598BB63270AF38C6C498AF67A07824E8D.close-the-shadow-banking-loophole-act.text.pdf).