

Evolution of the United States Banking System from Late 1920's Through 2008

- 1929** - The U.S. stock market crashes, signaling the onset of the Great Depression.
- 1929 to 1933** - Due to aggressive margin trading and excessive lending practices, over 9000 banks close their doors permanently, because loans could not be collected. A real estate bubble bursts causing involuntary debt reduction by borrowers. Depositors lose their savings.
- 1933 to 1934** - Congress enacts legislation (Glass-Steagal Act) to separate the banking system into two types of institutions, 'Banks' and 'Broker-Dealers'.
- 1933 to 1997** - The Banking/Financial industry operates through two clearly defined types of companies:

Type of Institution	Banks/Savings & Loans/Credit Unions	Broker-Dealers
Primary Business Activity	Permitted to offer short term savings accounts (time deposits) and use customer deposits to make loans to individuals and business. May issue Certificates of Deposit.	Permitted to offer long term savings accounts for stocks, bonds, etc.
Prohibited Business Activity	May not offer long term savings accounts nor purchase or hold stocks, bonds, etc. for customers.	May not use customer deposits to make long term loans to individuals or business.
Institution Ensuring Deposits	Federal Deposit Insurance Corporation (FDIC, created in 1933) Federal Savings and Loan Insurance Corporation (FSLIC) National Credit Union Share Insurance Fund (NCUSIF)	Securities Investors Protection Corporation (SIPC created in 1940)
Spirit of the Legislation	To provide cash in the form of loans to businesses and individuals to assist in creating and maintaining economic growth.	To protect long term savers from egregious lending activities of financial institutions and subsequent institutional risk.

- 1997** - After 64 years of lobbying, the banking industry finally succeeds in repealing the Glass-Steagal Act. President Bill Clinton signs legislation allowing commercial banks to operate broker-dealer businesses once again.
- 1997 to Present** - Several of the old style 'Independent Broker-Dealer' companies remain, however there is a new, more powerful enterprise, the 'Money-Center' type of Bank.

Type of Institution	Money-Center Banks/ Savings & Loan/Credit Unions	Independent Broker-Dealer
Primary Business Activity	Permitted to offer full service, one-stop financial services including loans, short-term savings, and long term investment accounts for stocks, bonds, etc. May use customer long term savings for active lending campaigns.	Permitted to offer long term investment accounts for stocks, bonds, etc.
Prohibited Business Activity		May not use customer deposits to make long term loans to individuals or business.
Institution Ensuring Deposits	May employ a combination of Federal Deposit Insurance Corporation (FDIC), and/or Securities Investors Protection Corporation (SIPC), Federal Savings and Loan Insurance Corporation (FSLIC), National Credit Union Share Insurance Fund (NCUSIF)	Securities Investors Protection Corporation (SIPC)
U.S. Federal Accounting Standard (FAS)	Commingled Asset - the financial institution is permitted to combine customers assets with it's own, which is considered to be a higher risk on any individual or corporate depositors balance sheet than a non-commingled asset.	Non-Commingled Asset - the financial institution is not permitted to combine customers assets with it's own, which is considered to be a lower risk on the depositors balance sheet.


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