# The Won’t Get Fooled Again Act: The Emergency Version

*If the crash comes before the law does*

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# Contents

**Executive Summary** ..... **3**
**1. The Crash Is Here** ..... **5**
**2. The Fiscal Constraint** ..... **6**
2.1. Preserving America's Borrowing Capacity ..... 6
**3. The Failure of the Status Quo** ..... **9**
3.1. Why "No Bailout" Is a Myth ..... 9
**4. The Banking Solution** ..... **13**
4.1. Breaking the Cycle of Bailouts and Consolidation ..... 13
**5. The Technology Solution** ..... **23**
5.1. Systemically Important Technology Institutions ..... 23
5.2. The FDIC First, Then the Federal Digital Infrastructure Corporation (FDIC-Tech) ..... 24
5.3. The SITI Conversion Protocol: From Failure to Public Utility ..... 26
5.4. Compute Licensing and the Chip Registry ..... 29
5.5. Community Innovation Hubs ..... 36
**6. Legal Mechanisms for Receivership and Conversion** ..... **38**
6.1. Statutory Authority and National Security Review ..... 38
6.2. Shareholder Wipeout and Creditor Discipline ..... 39
6.3. Intellectual Property Preservation ..... 42
6.4. Leased Data Centers ..... 42
6.5. The Pension Protection Facility ..... 43
6.6. Aid Means Conversion ..... 44
6.7. Cases Already in Bankruptcy, Sales Already Made ..... 45
6.8. The Added Legal Risk of Acting Late ..... 46
6.9. What the Executive Can Do Alone ..... 46
**7. The Valuation Mechanism** ..... **48**
7.1. Protecting the Taxpayer ..... 48
7.2. The "Asset-Based" Valuation Standard ..... 48
7.3. The Valuation Formula ..... 48
7.4. Implications for Investors ..... 49
7.5. The Formula, the Courts, and the Licensed Market ..... 49
**8. Governance, Operations, and Democratic Oversight** ..... **50**
8.1. The Public Corporation Structure ..... 50
8.2. Civic Data Trusts ..... 53
8.3. Operational Resilience and Continuity of Service ..... 53
**9. Economic Viability** ..... **55**
9.1. Funding the Digital Commons ..... 55
9.2. The Compute Tax and Digital Stability Fund ..... 55
9.3. How Big Is the Bill? ..... 57
9.4. Revenue Generation ..... 60
9.5. Economic Stabilization Effects ..... 61
**10. Conclusion** ..... **62**

10.1. Better Late Than a Bailout ..... 62
**11. Appendix: Comparison of Resolution Regimes ..... 63**
**12. Appendix: How This Version Differs from the Plan-Ahead Version ..... 64**
**13. Appendix: What Takes Effect When ..... 66**




## Executive Summary

This is the version of the Won't Get Fooled Again Act for a crash that has already begun.

The Act was written to be passed ahead of time. Passed in advance, it works like insurance: the industry pays premiums for years, a registry shows who owns the nation's computing power, the firms that matter have filed plans for their own conversion, and every lender has priced in the knowledge that nobody will make it whole. When the failures come, the machinery is waiting.

If Congress waits, none of that exists. The funds are empty. Nobody knows who owns which chips. No firm has been designated, no plans have been filed, and the lenders made their loans expecting a rescue. Hardware is already being seized and sold. Failed companies are already in bankruptcy court. And the largest banks and technology companies are already in Washington asking for money, with a bill of their own in hand.

That last fact is the key to this version. In 2008, the entire U.S. financial system nearly collapsed.[1] Our biggest banks were at risk of failing without public support.[2] Our government authorized $700 billion in direct bailouts, plus a whole range of other support, with almost no conditions.[3] In a crisis, the Act is

[1] "GAO-12-169, Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Years 2011 and 2010 Financial Statements," U.S. Government Accountability Office, November 2011, https://www.gao.gov/assets/a586203.html. "By September 2008, for the first time in 80 years, the U.S. financial system was at risk of collapse."

[2] "Crisis and Response: An FDIC History, 2008–2013," Federal Deposit Insurance Corporation, 2017, https://www.fdic.gov/media/18626. "The announcement that the SRE would be invoked and government assistance would follow had the intended effect of stabilizing Citigroup and preventing its failure."

[3] "Troubled Asset Relief Program," U.S. Department of the Treasury, accessed September 27, 2026, https://home.treasury.gov/data/troubled-asset-relief-program. "Although Congress initially authorized $700 billion for TARP in October 2008, that authority was reduced to $475

not a rulebook that waits for failures. It is the term sheet for every rescue. **Any firm that needs public money to survive has failed, and it gets the terms of this Act:** shareholders wiped out, lenders paid only what their collateral is worth, executives' pay clawed back, and the institution converted. No federal agency, including the Federal Reserve, may offer help on any other terms.

Everything else in this version follows from having to act late:

- The whole cost is borrowed from the Treasury up front and repaid by the industry over 10 years or more, because there are no accumulated premiums to draw on.
- The companies barred from buying distressed chips and data centers are identified in the bill by a simple formula, because there is no registry from which to measure market shares.
- The rules take effect on the day the bill is introduced, and sales of distressed computing assets to the dominant firms since the crisis began can be unwound, because the race to grab assets is already under way.
- Failed companies already in bankruptcy court are moved into the new process, as Congress did with the bankrupt railroads in the 1970s.[4]
- The FDIC acts as receiver for technology companies from the first day, because a new agency cannot be built in the middle of a panic.
- Every bank deposit is guaranteed immediately by Act of Congress, and the banks are billed for it afterward.

Acting late is harder, more painful, and more expensive. More capacity will have gone dark, more engineers will have scattered, more assets will already have been sold, the legal challenges will be stronger, and the public will have to put up all of the money before the industry pays any of it back. But it can be done, and the alternative is the one the country has now lived through twice: a rescue written by the people being rescued.

One lesson of 2008 shapes this document. The first draft of the bank rescue was three pages long. It asked for $700 billion and declared the Treasury Secretary's decisions beyond the review of any court.[5] Members of Congress could read it in five minutes, saw a blank check, and refused to pass it;[6] the final bill,

billion by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)." "Troubled Asset Relief Program and the Federal Reserve's liquidity facilities," Board of Governors of the Federal Reserve System, November 18, 2008, https://www.federalreserve.gov/newsevents/testimony/bernanke20081118a.htm. "The Federal Deposit Insurance Corporation announced that it would guarantee non-interest-bearing transaction accounts at depository institutions and certain other liabilities of depository institutions and their holding companies, and the Federal Reserve expanded its provision of backstop liquidity to the financial system." "GAO-09-161, Troubled Asset Relief Program: Additional Actions Needed to Better Ensure Integrity, Accountability, and Transparency," U.S. Government Accountability Office, December 2008, https://www.gao.gov/assets/a283887.html. "The standard agreement between Treasury and the participating institutions does not require that these institutions track or report how they plan to use, or do use, their capital investments."

[4] *Blanchette v. Connecticut General Insurance Corporations*, 419 U.S. 102 (1974), https://www.law.cornell.edu/supremecourt/text/419/102. "Each railroad under a § 77 reorganization must proceed under the Rail Act unless its reorganization court within specified times finds"

[5] "GAO-09-161, Troubled Asset Relief Program: Additional Actions Needed to Better Ensure Integrity, Accountability, and Transparency," U.S. Government Accountability Office, December 2008, https://www.gao.gov/assets/a283887.html. "On September 20, 2008, Treasury proposed draft legislation to allow it to purchase up to $700 billion in troubled mortgage-related assets." Edward V. Murphy and Baird Webel, "Proposal to Allow Treasury to Buy Mortgage-Related Assets to Address Financial Instability," Congressional Research Service, September 22, 2008, https://www.everycrsreport.com/reports/RS22957.html. "Decisions by the Secretary would not be reviewable in court or by any administrative agency. … An unofficial three-page draft of a specific proposal circulated over the weekend of September 20, 2008. A revised draft circulated September 21."

[6] "Keith Hennessey Oral History," Miller Center, October 1, 2019, https://millercenter.org/the-presidency/presidential-oral-histories/keith-hennessey-oral-history. "They want a $700 billion blank check." "House Rejects Bailout Bill; Wall Street Shudders," NPR, September 29, 2008, https://www.npr.org/2008/09/29/95180529/house-rejects-bailout-bill-wall-street-shudders. "The final 110-page bill was a far cry from the no-strings-attached bill that Treasury Secretary Henry Paulson had offered Congress just a week ago."

written in days, ran to hundreds of pages,[7] some of it shaped by industry lobbyists.[8] In a crisis, whoever arrives with a finished text wins. So this is not a summary of what to do in an emergency. It is the whole plan, ready to go.

Section 12 lists every difference between this version and the plan-ahead version, and Section 13 sets out what takes effect when.

## 1. The Crash Is Here

The plan-ahead version of this document spends its first section making the case that the boom in AI investment is a bubble, and that its collapse would reach deep into the financial system: spending far ahead of revenue, companies financing their own customers, debt hidden in shell companies, loans secured by chips that lose their value in a few years, and banks, pension funds, and insurers exposed through the private credit funds they finance. In a crash, nobody needs persuading. That argument is set out in full in the plan-ahead version and is not repeated here.

This version assumes the following, or something like it, is already happening.

The companies that rent out computing power are defaulting on loans secured by their chips. Their lenders are seizing the hardware and selling it, and the price of used chips is falling fast — which pushes the next tier of borrowers into default, because their loans are secured by the same kind of hardware. Half-built data centers have stopped construction. One or more of the AI laboratories cannot meet its commitments to the cloud providers that host it, and those providers, which borrowed heavily against the laboratories' promises to pay, are themselves in trouble.

Private credit funds have stopped letting investors withdraw. Pension funds and insurers are reporting losses. Banks that lent to those funds are losing deposits to the handful of banks everyone believes are too big to fail. Companies that depend on a failing AI provider — hospitals, utilities, banks, government agencies — do not know whether the service will be there next week. Layoffs have begun.

In Washington, the Federal Reserve is preparing emergency lending programs, the Treasury is drafting a request for authority, and the largest banks and technology companies are offering to buy their failed competitors, provided the government covers the losses. They have a bill. The question is whether anyone else does.

[7] "Approval of bailout comes amid signs that a steep recession is just beginning," Los Angeles Times, October 4, 2008, https://web.archive.org/web/20251008112831/https://www.latimes.com/archives/la-xpm-2008-oct-04-fi-bailout4-story.html. "The 451-page Emergency Economic Stabilization Act grants the Treasury secretary unprecedented authority to buy up to $700 billion of troubled assets" "'Tax Extenders' Add To Cost Of Bailout Bill," NPR, October 3, 2008, https://www.npr.org/2008/10/03/95320567/tax-extenders-add-to-cost-of-bailout-bill. "The bill began as a three-page request from the White House. In the House, it picked up more than 100 pages of restrictions and oversight requirements. And on Wednesday, the Senate turned it into a 450-page behemoth."

[8] "Heavily invested in the outcome," Los Angeles Times, September 23, 2008, https://web.archive.org/web/20260106102241/https://www.latimes.com/archives/la-xpm-2008-sep-23-fi-polmoney23-story.html. "Seeking favorable language"

# 2. The Fiscal Constraint

## 2.1. Preserving America's Borrowing Capacity

The Won't Get Fooled Again Act is not merely good policy; it is fiscal necessity. America's ability to borrow — the foundation of its economic flexibility and geopolitical power — is increasingly at risk from decades of unproductive spending.[9] We cannot afford another multi-trillion-dollar bailout, and attempting one could trigger a crisis of confidence in the dollar itself.

### 2.1.1. The True Cost of "Free" Bailouts

For decades, a bipartisan consensus has held that large-scale government borrowing is justified when invested in productive capacity. This view, associated with economists in the Keynesian tradition, correctly recognizes that a sovereign nation issuing debt in its own currency faces different constraints than a household or business.[10] When borrowed funds flow into infrastructure, education, research, and industry, they generate returns that exceed the cost of servicing the debt.

The tragedy of American fiscal policy is that we have borrowed like believers in public investment while spending like opponents of it.

Between fiscal 2000 and fiscal 2024, the United States added approximately $30 trillion to its national debt.[11] What do we have to show for it?

$4-8 trillion on the post-9/11 wars, including Iraq and Afghanistan[12] that destabilized the Middle East, created ISIS,[13] and produced no lasting strategic benefit. $1.46 trillion in tax cuts over FY2018–FY2027 (2017 Tax Cuts and Jobs Act)[14] that primarily benefited corporations and the wealthy,[15] with no measurable increase in productive investment.[16] $500 billion in direct bailout costs from the 2008 financial crisis,[17] plus over $1 trillion outstanding in peak Federal Reserve emergency lending.[18] Vast sums in improvised

[9] "The Budget and Economic Outlook: 2026 to 2036," Congressional Budget Office, February 11, 2026, https://www.cbo.gov/publication/62105. "The risk of a fiscal crisis—that is, a situation in which investors lose confidence in the value of the U.S. government's debt—would increase. … Lawmakers might feel constrained from using federal tax and spending policies to respond to unforeseen events or for other purposes, such as to promote economic activity or strengthen national defense."

[10] "What Is Keynesian Economics? - Back to Basics - Finance & Development, September 2014," International Monetary Fund, August 27, 2014, https://www.imf.org/external/pubs/ft/fandd/2014/09/basics.htm. "Keynesian economists would advocate deficit spending on labor-intensive infrastructure projects to stimulate employment and stabilize wages during economic downturns."

[11] "Monthly Statement of the Public Debt of the United States," treasurydirect.gov, September 30, 2000, https://www.treasurydirect.gov/ftp/opd/opdm092000.pdf. "Total Public Debt Outstanding … 5,674,178" U.S. Government Accountability Office, "U.S. GAO," November 7, 2024, https://www.gao.gov/products/gao-25-107138. "As of September 30, 2024, the federal debt was $35.5 trillion."

[12] "U.S. Federal Budget," Costs of War, May 18, 2026, https://costsofwar.watson.brown.edu/costs/economic/us-federal-budget. "From late 2001 through fiscal year 2022, the U.S. appropriated and is obligated to spend an estimated $8 trillion for the post-9/11 wars"

[13] "The Islamic State," Council on Foreign Relations, November 15, 2007, https://www.cfr.org/backgrounders/islamic-state. "The group traces its lineage to the aftermath of the U.S. invasion of Iraq in 2003" "Instability in Iraq," Global Conflict Tracker, December 9, 2015, https://www.cfr.org/global-conflict-tracker/conflict/political-instability-iraq. "Since the U.S.-led invasion in 2003, Iraq has undergone a long period of instability"

[14] "Estimated Budget Effects Of The Conference Agreement For H.R.1, The Tax Cuts And Jobs Act," Joint Committee on Taxation, December 18, 2017, https://www.jct.gov/publications/2017/jcx-67-17.

[15] "Distributional Analysis of the Conference Agreement for the Tax Cuts and Jobs Act," Tax Policy Center, December 18, 2017, https://taxpolicycenter.org/publications/distributional-analysis-conference-agreement-tax-cuts-and-jobs-act. "Higher income households receive larger average tax cuts as a percentage of after-tax income" William G. Gale et al., "Effects of the Tax Cuts and Jobs Act: A Preliminary Analysis," Tax Policy Center (Urban Institute & Brookings Institution), June 13, 2018, https://www.brookings.edu/wp-content/uploads/2018/06/es_20180608_tcja_summary_paper_final.pdf. "TCJA reduces the top corporate income tax rate from 35 percent to 21 percent"

[16] "Economic Effects of the Tax Cuts and Jobs Act," Congress.gov, April 7, 2025, https://www.congress.gov/crs-product/R48485. "Investment by the corporate sector, which is the topic of several of the post-TCJA studies, increased in 2018 and 2019, but did not show any significant change from the general upward trend after accounting for normal fluctuations in tangible investments (equipment and structures)."

guarantees during the 2023 banking turmoil — coverage for which no bank had ever paid a premium, extended over a weekend.[19] Ongoing annual deficits reaching 5.8% of GDP in the CBO FY2026 baseline and projected to rise, with no plan for productive deployment.[20]

What we did not build:

- A modern passenger rail network (China built 31,317 miles of high-speed rail;[21] we built zero miles of dedicated high-speed line).[22]
- A resilient electrical grid capable of supporting clean energy and advanced manufacturing.
- Universal high-speed broadband connecting rural and urban America.
- Domestic leading-edge semiconductor capacity at scale (until the recent, inadequate CHIPS Act).
- Public AI research infrastructure ensuring American competitiveness for decades.
- Affordable housing at scale addressing the affordability crisis.

Instead, we have been drawing down our most valuable national asset — the world's trust in American debt — to finance empty consumption, crisis management, and the socialization of private losses.

### 2.1.2. The Dollar's Eroding Foundation

While this bipartisan consensus still largely controls Washington, the economic warning signs are now impossible to ignore.

The dollar index fell 10.8% in the first half of 2025[23] — the worst first half since 1973.[24] Over the year as a whole it was down nearly 10% against a basket of major currencies.[25] The euro rose 13% against the

[17]Deborah Lucas, "Measuring the Cost of Bailouts," Annual Review of Financial Economics, February 2019, https://mitsloan.mit.edu/shared/ods/documents?PublicationDocumentID=7433. "The total direct cost of crisis-related bailouts in the U.S. was on order of $500 billion, or 3.5 percent of GDP in 2009."

[18]U.S. Government Accountability Office, "U.S. GAO," July 21, 2011, https://www.gao.gov/products/gao-11-696. "Loans outstanding for the emergency programs peaked at more than $1 trillion in late 2008."

[19]"Joint Statement by Treasury, Federal Reserve, and FDIC," Board of Governors of the Federal Reserve System, March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312b.htm. "Secretary Yellen approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. Depositors will have access to all of their money starting Monday, March 13. … Any losses to the Deposit Insurance Fund to support uninsured depositors will be recovered by a special assessment on banks, as required by law."

[20]"The Budget and Economic Outlook: 2026 to 2036," Congressional Budget Office, February 11, 2026, https://www.cbo.gov/publication/62105. "Relative to the size of the economy, the deficit is 5.8 percent of gross domestic product (GDP) in 2026 and grows to 6.7 percent in 2036, which is greater than the 3.8 percent deficits averaged over the past 50 years."

[21]"China's railway mileage tops 165,000 km," www.gov.cn, January 4, 2026, https://english.www.gov.cn/archive/statistics/202601/04/content_WS6959fd54c6d00ca5f9a0863e.html. "During the 2021-2025 period, China's operating high-speed railway mileage increased by 32.98 percent from 37,900 km to 50,400 km."

[22]"High-Speed Train Noise Emission Standards," U.S. Department of Transportation, accessed September 27, 2026, https://www.transportation.gov/sites/dot.gov/files/2026-07/FRA%20NPRM%20HSR%20Noise.pdf. "There are no high-speed rail operations between 160 mph and 220 mph in the U.S." State of California, "NEWS Release: California Approves Team to Build Nation's First True High-Speed Rail Track and Systems," California High Speed Rail, June 1, 2026, https://hsr.ca.gov/2026/06/01/news-release-california-approves-team-to-build-nations-first-true-high-speed-rail-track-and-systems. "Nation's first true high-speed rail system"

[23]"Dollar Index Slumps 10.8% in Biggest First-Half Loss Since 1973," Bloomberg.com, June 30, 2025, https://web.archive.org/web/20250816060207/https://www.bloomberg.com/news/articles/2025-06-30/dollar-index-slumps-10-8-in-biggest-first-half-loss-since-1973-mcjmj1mo. "The US Dollar Index has fallen about 10.8% year-to-date, compared with a 14.8% slump in the first half of 1973."

[24]"US dollar has worst first half in more than 50 years amid Trump tariffs," The Guardian, June 30, 2025, https://www.theguardian.com/business/2025/jun/30/us-dollar-first-half-trump-tariffs. "That is its worst performance over the first six months of any year since 1973, and the worst half-year since the second half of 1991."

[25]"Form 20-F for the Fiscal Year Ended December 31, 2025," UBS Group, 2025, https://www.ubs.com/global/en/investor-relations/financial-information/sec-filings/_jcr_content/root/contentarea/mainpar/toplevelgrid/col_1/tabteaser/tabteasersplit_2037369950/innergrid_2025441247/col_1/linklist/link_667226045_copy__685371726.0137500452.file/PS9jb250ZW50L2RhbS9hc3NldHMvY2MvaW52ZXN0b3ItcmVsYXRpb25zL3F1YXJ0ZXJsaWVzLzIwMjUvNHEyNS8yMGYtYW5udWFsLXJlcG9ydC11YnMtZ3JvdXAtMjAyNS5wZGY%3D/20f-annual-report-ubs-group-2025.pdf. "The US dollar index (DXY), which tracks the US dollar against six major peer currencies, decreased by 9.4%, its worst year since 2017."

dollar in 2025 as investors focused on growth risks inside the United States.[26]

Interest payments on federal debt now exceed the entire defense budget,[27] and are projected to rise to about 26% of federal revenue.[28] The Congressional Budget Office projects that interest costs reach $1 trillion annually in 2026.[29] It's a spending trend that has persisted over several different presidential administrations,[30] leading Harvard economist Kenneth Rogoff to recently remark, "both parties in the United States seem to think that debt is a free lunch."[31]

Foreign demand for Treasuries — once insatiable — is softening.[32] The share of U.S. debt held by the public owned by foreigners has fallen from about half to around a third today.[33] Central banks worried about devaluation of their dollar assets are buying gold at a historically rapid pace.[34] Moody's stripped the U.S. government of its top credit rating in 2025.[35]

As a Chatham House analysis concluded: "If the international monetary system cannot rely on the dollar's full convertibility, or its availability in a crisis, it is entering unknown territory."[36]

This is not an argument for austerity. It is an argument for prioritization. America still possesses the capacity to borrow for productive investment — but only if we stop squandering that capacity on preventable crises and speculator rescues.

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[26]European Central Bank, "Annual Report 2025," May 4, 2026, https://www.ecb.europa.eu/press/annual-reports-financial-statements/annual/html/ecb.ar2025~b7f898b33d.en.html. "The euro appreciated in nominal effective terms by 6.8% and against the US dollar by 13.1% compared with end-2024." European Commission et al., "European Economic Forecast. Autumn 2025," europa.eu, November 2025, https://economy-finance.ec.europa.eu/document/download/34538512-fff6-451a-8bbc-4c8d60e4d132_en?filename=ip327_en.pdf. "Growth expectations contribute to the dollar's weakening"

[27]U.S. Government Accountability Office, "GAO-26-108073, Financial Audit: FY 2025 and FY 2024 Consolidated Financial Statements of the U.S. Government," March 19, 2026, https://www.gao.gov/assets/gao-26-108073.pdf. "In fiscal year 2025, net interest spending of $970 billion (primarily interest on debt held by the public) was more than budget outlays for national defense."

[28]"The Budget and Economic Outlook: 2026 to 2036," Congressional Budget Office, 2026, https://www.cbo.gov/publication/62105. "Such outlays increase from 3.3 percent of GDP in 2026 … to 4.6 percent in 2036. … In 2036, revenues total 17.8 percent of GDP."

[29]"Director's Statement on the Budget and Economic Outlook for 2026 to 2036," Congressional Budget Office, February 11, 2026, https://www.cbo.gov/publication/62050. "Net outlays for interest go from $1.0 trillion in 2026 to $2.1 trillion in 2036, rising from 3.3 percent of GDP to 4.6 percent."

[30]U.S. Government Accountability Office, "GAO-25-107714, THE Nations's Fiscal Health: Strategy Needed as Debt Levels Accelerate, Annual Report to Congress, February 2025," February 2025, https://www.gao.gov/assets/gao-25-107714.pdf. "In fiscal year 2024, federal spending on net interest (primarily interest on debt held by the public) was $881.7 billion, 3.1 percent of GDP. The government's annual spending on net interest has more than tripled since 2017, when it was $262.6 billion."

[31]"What's next for the US dollar? Economists discuss at Davos," World Economic Forum, January 23, 2025, https://www.weforum.org/stories/financial-and-monetary-systems/us-dollar-will-be-indispensable-until-not/. "Both parties in the United States seem to think that debt is a free lunch."

[32]Jamie McGeever, "Commentary: Plunging private foreign demand could fan US bond rout flames," Reuters, August 18, 2026, https://www.reuters.com/commentary/reuters-open-interest/plunging-private-foreign-demand-could-fan-us-bond-rout-flames-mcgeever-2026-08-18/. "In the 12 months through June, net purchases of Treasuries by private foreign investors declined by more than 40% from the same period last year to $329 billion."

[33]"The Federal Government Has Borrowed Trillions. Who Owns All that Debt?" Peterson Foundation, September 19, 2026, https://www.pgpf.org/article/the-federal-government-has-borrowed-trillions-but-who-owns-all-that-debt/. "Foreign holdings were 49 percent of DHBP in 2011 but have since declined to 32 percent of DHBP in 2025."

[34]European Central Bank, "The international role of the euro, June 2026," June 2, 2026, https://www.ecb.europa.eu/press/other-publications/ire/html/ecb.ire202606.en.html. "Central bank gold purchases decreased to around 850 tonnes in 2025, down from over 1,000 tonnes annually between 2022 and 2024" Istvan Mak and Etienne Vaccaro-Grange, "Gold in Central Bank Reserves: Strategic Considerations, Market Risks, and Practical Guidance; IMF Note No. 26/07; July 2026," International Monetary Fund, July 2026, https://www.imf.org/-/media/files/publications/imf-notes/2026/english/insea2026007.pdf. "Gold provides a partial hedge against US dollar depreciation"

[35]"2025 United States Sovereign Rating Action," Moody's Ratings, May 16, 2025, https://www.moodys.com/web/en/us/about-us/usrating.html. "Has downgraded the Government of United States of America's (US) long-term issuer and senior unsecured ratings to Aa1 from Aaa"

[36]"The US dollar's role in the international monetary system is now dangerously in flux," Chatham House, April 16, 2025, https://www.chathamhouse.org/2025/04/us-dollars-role-international-monetary-system-now-dangerously-flux. "If the international monetary system cannot rely on the dollar's full convertibility, or its availability in a crisis, it is entering unknown territory."

#### 2.1.3. The WGFAA as Fiscal Protection

The Won't Get Fooled Again Act is designed to ensure that this crisis does not end in another multi-trillion-dollar bailout.

Unlike previous crisis responses:

The WGFAA is funded by the industries creating the risk. The Treasury advances the money, and compute taxes and G-SIB surcharges repay it over 10 years or more, so that resolution costs are borne by speculators, not taxpayers. The financial sector pays for bank resolutions; the tech sector pays for AI company resolutions. This is not a tax on productive activity; it is a charge on speculation.

The WGFAA converts crisis into asset. Rather than pouring public money into a hole to restore the status quo ante — leaving us with the same fragile system that produced the crisis — the conversion protocol transforms failed institutions into permanent public infrastructure. Banks that serve communities rather than shareholders. Research institutes that advance safety rather than quarterly earnings. Compute utilities that democratize access rather than concentrate power.

The WGFAA preserves fiscal space for genuine public investment. Every dollar we don't spend bailing out AI speculation is a dollar available for grid modernization, semiconductor independence, climate adaptation, housing, healthcare, and the public services that build shared prosperity. We cannot afford to do both; we must choose.

The choice before us is not between intervention and non-intervention. The crisis is here; some form of public response is necessary. The choice is between:

- An intervention that costs the public everything and returns nothing — trillions in bailout funds flowing to speculators, the same fragile system restored, our borrowing capacity further depleted.
- An intervention the public advances and the industry repays, which returns lasting assets: failed speculation converted into permanent public infrastructure.

We argue for the second approach, and the WGFAA is the guide.

## 3. The Failure of the Status Quo

### 3.1. Why "No Bailout" Is a Myth

The response to the banking turmoil of 2023 created a dangerous moral hazard, and it was never addressed before this crisis struck. The rhetoric of market discipline has been exposed as hollow; the reality is a system that protects the connected while concentrating risk in ever-larger institutions.

#### 3.1.1. The Hollow Rhetoric of 2023

The failures of Silicon Valley Bank, Signature Bank, and First Republic Bank in 2023 exposed the emptiness of the "no bailout" rhetoric espoused by political leaders.[37] Officially, deposit insurance stops

[37] "Transcript: Treasury Secretary Janet Yellen on," CBS News, March 12, 2023, https://www.cbsnews.com/news/janet-yellen-face-the-nation-transcript-03-12-2023/. "During the financial crisis, there were investors and owners of systemic large banks that were bailed out, and we're certainly not looking. And the reforms that have been put in place means that we're not going to do that again." The White House, "Remarks by

at $250,000 per depositor, per insured bank, per ownership category.[38] In practice, when Silicon Valley Bank failed — with some 94% of its deposits at the end of 2022 above that limit[39] — regulators guaranteed every dollar over a weekend.[40]

The problem was not that depositors were protected. It was how. The guarantee was improvised, it was not paid for in advance — no bank had ever paid a premium for that coverage — and it was discretionary.[41] Nobody knows whether the depositors of the banks failing now will receive the same treatment. That uncertainty is not neutral. Everyone understands that the government will never let depositors at JPMorgan Chase or Bank of America lose money, whatever the law says. Depositors at every other bank have to guess.

The result is a system that rescues the megabanks by accident. The moment a mid-size bank wobbles, large depositors everywhere move their money to the handful of banks they believe are too big to fail. In the week ended March 15, 2023, just after Silicon Valley Bank failed, about $120 billion in deposits left the country's smaller banks, by the Fed's initial estimate (later revised to about $196 billion),[42] while the 25 largest banks gained about $67 billion.[43] A panic that ought to test every bank's soundness instead hands the biggest banks a flood of cheap funding, whatever the condition of their own balance sheets, and drains the smaller banks that compete with them. A megabank that ought to fail can be kept alive by everyone else's fear. A sound community bank can be killed by it.

This is not capitalism; it is a system of privatized gains and socialized losses in which the implicit guarantee is handed out by size. It corrodes both economic efficiency and democratic legitimacy, and — as the next section shows — it feeds directly into consolidation.

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President Biden on Maintaining a Resilient Banking System and Protecting our Historic Economic Recovery," March 13, 2023, https://bidenwhitehouse.archives.gov/briefing-room/speeches-remarks/2023/03/13/remarks-by-president-biden-on-maintaining-a-resilient-banking-system-and-protecting-our-historic-economic-recovery/. "No losses will be borne by the taxpayers. Instead, the money will come from the fees that banks pay into the Deposit Insurance Fund."

[38] "Your Insured Deposits," Federal Deposit Insurance Corporation, May 14, 2024, https://www.fdic.gov/resources/deposit-insurance/brochures/insured-deposits. "The standard maximum deposit insurance amount is $250,000 per depositor, per insured bank, for each account ownership category."

[39] "Evolution of Silicon Valley Bank," Federal Reserve, May 18, 2023, https://www.federalreserve.gov/publications/2023-April-SVB-Evolution-of-Silicon-Valley-Bank.htm. "As of year-end 2022, approximately 94 percent of SVBFG's total deposits were uninsured."

[40] "Joint Statement by Treasury, Federal Reserve, and FDIC," Board of Governors of the Federal Reserve System, March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312b.htm. "Secretary Yellen approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. Depositors will have access to all of their money starting Monday, March 13."

[41] "FDIC Acts to Protect All Depositors of the former Silicon Valley Bank, Santa Clara, California," Federal Deposit Insurance Corporation, March 13, 2023, https://www.fdic.gov/news/press-releases/2023/pr23019.html. "The transfer of all the deposits was completed under the systemic risk exception approved yesterday. All depositors of the institution will be made whole." "FDIC Board of Directors Issues a Final Rule on Special Assessment Pursuant to Systemic Risk Determination," Federal Deposit Insurance Corporation, November 16, 2023, https://www.fdic.gov/news/press-releases/2023/pr23092.html. "Under the final rule, the FDIC will collect the special assessment at an annual rate of 13.4 basis points beginning with the first quarterly assessment period of 2024 (i.e., January 1 through March 31, 2024) with an invoice payment date of June 28, 2024"

[42] "Assets and Liabilities of Commercial Banks in the United States (H.8)," Federal Reserve, March 31, 2023, https://www.federalreserve.gov/releases/h8/20230331/. "Data for the week ending March 15, 2023, have been revised to represent a change in the way FDIC bridge banks were incorporated in the small bank data." In the revised Table 8 (small domestically chartered banks, seasonally adjusted), deposits fell from $5,576.9 billion in the week ending March 8 to $5,380.5 billion in the week ending March 15, a drop of $196.4 billion.

[43] Reuters, "Small U.S. banks see record drop in deposits after SVB collapse," March 24, 2023, https://web.archive.org/web/20230705230245/https://www.reuters.com/markets/us/us-large-bank-deposits-rose-week-after-svb-collapse-fed-data-2023-03-24/. "Deposits at small banks fell $119 billion to $5.46 trillion in the week ended March 15. … Deposits at large U.S. banks rose $67 billion in the week to $10.74 trillion"

### 3.1.2. The Consolidation Trap

The current resolution regime for failed banks exacerbates the "Too Big to Fail" problem rather than solving it. The FDIC's standard operating procedure is to sell the assets of a failed bank to a healthy institution.[44] The bulk of First Republic Bank's assets were sold to JPMorgan Chase, already the largest bank in the United States.[45]

This approach creates a paradox: to solve a temporary liquidity crisis, regulators permanently increase the concentration of the banking sector. Crises tend to leave us with fewer, larger banks — institutions that are even more "too big to fail" than their predecessors. This reduces competition, increases systemic risk posed by the surviving mega-banks, and leaves communities with fewer options for credit and financial services.

As the banking sector consolidates, it becomes less responsive to local economic needs and more focused on global capital markets and speculative activities. The community bank that once financed the local hardware store can be absorbed into a behemoth more interested in derivatives trading than small business lending.

The WGFAA breaks this cycle. By converting failed banks into public benefit institutions rather than selling them to competitors, we preserve competition, maintain local credit access, and stop feeding the consolidation machine.

### 3.1.3. The Inadequacy of Bankruptcy for AI

Just as our current financial regulations have only compounded issues like consolidation and reckless speculation, applying traditional bankruptcy procedures to failed AI companies presents unique risks that current laws are ill-equipped to handle.

IP Flight and National Security Risks: In a standard bankruptcy liquidation, assets are sold to the highest bidder. For a failed AI provider, key assets are the "model weights" — the numerical parameters that define the AI's intelligence. If these weights are sold on the open market to satisfy creditors, they could be acquired by foreign adversaries or non-state actors, posing severe national security risks. A Chinese tech giant or a sovereign wealth fund could acquire capabilities that cost hundreds of millions of dollars to develop, for pennies on the dollar in a fire sale.[46]

Spreading Sensitive Data: In addition to the underlying technology, many AI companies have access to vast amounts of personal information on their users, with some LLMs now specifically trained for healthcare and financial advice.[47] In the event of a company failure, this intimate data could be auctioned

[44] "Transparency & Accountability - Resolutions & Failed Banks," Federal Deposit Insurance Corporation, July 22, 2025, https://www.fdic.gov/about/transparency-accountability-resolutions-failed-banks. "The most common, and preferred, method for resolving a failing bank is a Purchase and Assumption (P&A) transaction, where a healthy institution (Assuming Institution) agrees to purchase some or all of the assets and assume some or all of the liabilities (including insured deposits) of the failed bank."

[45] "JPMorgan Chase Bank, National Association, Columbus, Ohio Assumes All the Deposits of First Republic Bank, San Francisco, California," Federal Deposit Insurance Corporation, May 1, 2023, https://www.fdic.gov/news/press-releases/2023/pr23034.html. "In addition to assuming all of the deposits, JPMorgan Chase Bank, National Association, agreed to purchase substantially all of First Republic Bank's assets."

[46] James Sanders, "What did it take to train Grok 4?" Epoch AI, September 12, 2025, https://epoch.ai/data-insights/grok-4-training-resources. "We estimate that training Grok 4 required 310 GWh of electricity, cost $490 million, used about 750 million liters of water, and emitted the equivalent of 150,000 tons of CO2."

[47] Singhal et al., "Toward expert-level medical question answering with large language models," Nature Medicine, January 8, 2025, https://www.nature.com/articles/s41591-024-03423-7. "We developed Med-PaLM 2, a medical LLM trained using an updated base model (PaLM 2; ref. 26) and targeted medical domain-specific fine-tuning." "Fin-Ally: Pioneering the Development of an Advanced, Commonsense-Embedded

off to data brokers, advertisers, or surveillance firms, effectively paying back creditors with customer privacy.

Service Disruption: A Chapter 7 liquidation involves ceasing operations. For an AI company providing critical infrastructure to hospitals, energy grids, financial systems, or government agencies, an abrupt shutdown would be catastrophic. Millions of API calls per day would simply stop working. The "wind-down" of such a company requires continuity of service that a liquidation trustee focused on creditor recovery is not incentivized or equipped to provide.

Loss of Public Investment: The immense public investment in these technologies — through tax breaks and other subsidies, and decades of university research — would be lost if the assets were simply scrapped or sold to a private monopoly. The public funded the basic research that made these technologies possible; the public should not lose everything when a private venture built on that research fails.[48]

Concentration of Private Power: Even setting aside foreign acquisition, domestic consolidation poses risks. If a failed AI provider's assets are acquired by one of the surviving hyperscalers, we simply exchange one form of fragility for another — further concentrating the market and increasing the systemic importance of the acquirer. Nor is the danger confined to the failure of one giant. The fire sale a crash produces is dozens of mid-size GPU-rental companies and data center operators failing in the same season — none of them individually "systemic" — with their hardware bought for pennies on the dollar by the three or four companies that already dominate cloud computing.

Lender Foreclosure: Many of the chips at risk are already pledged.[49] The loans that financed the build-out are secured by the customer contracts — lenders have generally refused to treat the chips alone as enough security[50] — and by the GPUs and the shell companies that hold them;[51] in some structures a finance vehicle owns the chips outright and leases them to the operator.[52] When a borrower defaults, the lenders move on both: they claim the contract revenue and they seize the hardware and sell it to whoever pays most, without needing a court's approval.[53] The race in a crash is as much a fight over who collects

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Conversational AI for Money Matters, 2026," sagepub.com, accessed September 27, 2026, https://journals.sagepub.com/doi/10.3233/FAIA251334. "Responses aligned with professional financial guidance"

[48] Artificial Intelligence Research et al., "2016-2019 Progress Report: Advancing Artificial Intelligence R&D," archives.gov, November 2019, https://trumpwhitehouse.archives.gov/wp-content/uploads/2019/11/AI-Research-and-Development-Progress-Report-2016-2019.pdf. "Many of today's commercial AI applications are founded on the results of decades of NSF-funded research."

[49] Jennifer Sor, "Chip fever has created an $11 billion debt market backed by Nvidia's AI-enabling GPUs," Business Insider, November 4, 2024, https://web.archive.org/web/20260921115008/https://www.businessinsider.com/nvidia-ai-gpu-chips-demand-artificial-intelligence-debt-investing-cloud-2024-11. "Collectively, they have purchased tens of thousands of Nvidia's highly sought-after chips and have offered them as collateral"

[50] Elizabeth Lopatto, "Nvidia's new financial strategy does not compute," The Verge, August 19, 2026, https://www.theverge.com/ai-artificial-intelligence/981668/nvidias-goldman-blackrock-gpu-compute-asset. "In most deals so far, the chips alone weren't enough — lenders also needed contractual cashflow on those chips."

[51] "CoreWeave Closes Landmark $8.5 Billion Financing Facility, Achieving First Investment-Grade Rated GPU-Backed Financing," March 31, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000129/ex991.htm. "Financing secured by HPC infrastructure and an associated customer contract." "Form 8-K Current Report — Item 1.01 Entry into a Material Definitive Agreement (DDTL 4.0 Facility)," CoreWeave, March 30, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000129/crwv-20260330.htm. "Secured by substantially all assets of CCAC VIII and its subsidiaries and a pledge of 100% of the equity interests in CCAC VIII"

[52] "Apollo Backs $5.4 Billion Valor and xAI Data Center Compute Infrastructure Transaction with $3.5 Billion Capital Solution," Apollo Global Management, January 7, 2026, https://ir.apollo.com/news-events/press-releases/detail/599/apollo-backs-5-4-billion-valor-and-xai-data-center-compute. "$5.4 billion acquisition and lease of data center compute infrastructure, including NVIDIA GB200 GPUs, to a subsidiary of xAI Corp"

[53] "§ 9-609. Secured Party's Right to Take Possession After Default," Legal Information Institute, https://www.law.cornell.edu/ucc/9/9-609. "A secured party may proceed under subsection (a): (1) pursuant to judicial process; or (2) without judicial process, if it proceeds without breach of the peace." "§ 9-607. Collection and Enforcement by Secured Party," Legal Information Institute, https://www.law.cornell.edu/ucc/9/9-607. "If so agreed, and in any event after default, a secured party: (1) may notify an account debtor or other person obligated on collateral to make payment or otherwise render performance to or for the benefit of the secured party"

the contracts as over who gets the chips (Section 1.2.5 of the plan-ahead version), and a resolution regime that cannot stop either will arrive to find nothing left to resolve.

The WGFAA provides an alternative path: conversion to public ownership that maintains service continuity, preserves national security and personal privacy, retains the value of public investment, and prevents further market concentration.

# 4. The Banking Solution

## 4.1. Breaking the Cycle of Bailouts and Consolidation

The chronic instability of the national U.S. banking sector is not an inevitability. In fact, it is the result of decades of short-sighted economic policy. Other industrialized nations, even individual US states, maintain banking systems with significantly lower failure rates.[54] The WGFAA draws on these successful models to propose a fundamental restructuring of how America handles failed banks.

Every failed bank that is still a functioning bank is converted, whatever its size. A small town's bank matters as much to the people who depend on it as a giant bank matters to the country. A rule that converted only the largest banks would leave every other failed bank to be sold in the usual way, usually to a bigger bank, and would treat the giants' customers better than everyone else's.[55] Under the WGFAA, size decides only who owns the converted bank (Section 4.1.4). It never decides whether the bank is converted.

What counts as a functioning bank is written into the statute. A failed bank is converted unless the FDIC finds, in writing, that one of three things is true: it has no real base of customer deposits, because its funding was mostly brokered deposits or other hot money; it has no real business of lending to households and firms; or its failure was driven mainly by fraud, leaving little sound business to keep. The FDIC applies the test one bank at a time, but conversion is the default, and every finding that a bank should not be converted is published with its reasons. When a bank fails the test, its customers' accounts and its sound loans are moved to a nearby Public Benefit Bank, credit union, or community bank. They are never sold to a bank with more than $250 billion in assets. These are plain rules, written into the bill itself. There is no room for banks to negotiate their way out of the conversion framework.

[54] "Why Canada Didn't Have a Banking Crisis in 2008," NBER, January 12, 2011, https://www.nber.org/digest/dec11/why-canada-didnt-have-banking-crisis-2008. "While in 2008 and 2009 the United States experienced bank failures, bailouts, and the worst recession since the 1930s, Canada had no bank failures, no bailouts, and its recession was less severe than either that of the early 1980s or early 1990s." Canada Deposit Insurance Corporation (CDIC), "CDIC 2025 Annual Report (English)," Canada Deposit Insurance Corporation, 2025, https://www.cdic.ca/wp-content/uploads/cdic-2025-annual-report.pdf. "The last member failure was in 1996"

[55] "Transparency & Accountability - Resolutions & Failed Banks," Federal Deposit Insurance Corporation, July 22, 2025, https://www.fdic.gov/about/transparency-accountability-resolutions-failed-banks. "The most common, and preferred, method for resolving a failing bank is a Purchase and Assumption (P&A) transaction, where a healthy institution (Assuming Institution) agrees to purchase some or all of the assets and assume some or all of the liabilities (including insured deposits) of the failed bank." Ivan T. Ivanov and Stephen A. Karolyi, "Fighting Failure: The Persistent Real Effects of Resolving Distressed Banks," communitybanking.org, April 7, 2021, https://www.communitybanking.org/~/media/files/communitybanking/2021/ivanov_fightingfailure.pdf. "In nearly 95% of resolutions, the acquiring bank is larger than the target."

### 4.1.1. Better Banking Models: Stability by Design

Germany's Sparkassen (Public Savings Banks): Germany relies on a network of around 337 Sparkassen, or municipal savings banks.[56] These are generally public law institutions whose mandate is to serve the local region, not to maximize shareholder profit.[57] They are legally restricted from engaging in high-risk speculative trading.[58] During the 2008 crisis, while private German banks suffered, the Sparkassen actually increased their lending to small and medium-sized enterprises, acting as a stabilizer for the real economy rather than a vector of contagion.[59] This model demonstrates that public banking is not only viable but actively superior at serving the real economy during periods of stress.

Canada's Stability Culture: Canada's banking system is widely regarded as one of the most stable in the world.[60] It avoided the worst of the 2008 crisis largely due to a regulatory culture that prioritizes stability over financial innovation.[61] Canadian mortgages carry strict origination standards; the risk-taking ethos of American finance is foreign to Canadian banking culture.[62] The WGFAA seeks to import this stability by converting failed U.S. banks into institutions that prioritize reliable utility banking over speculative growth.

The Bank of North Dakota (BND): Within the United States, the state-owned Bank of North Dakota offers a powerful precedent. Established in 1919,[63] it acts as a "banker's bank," partnering with local community

[56] "Sparkassen-Finanzgruppe," Deutscher Sparkassen- und Giroverband, August 24, 2026, https://www.dsgv.de/s-finanzgruppe/organisation-und-struktur/sparkassen.html. "Mit bundesweit 337 Instituten*, über 10.500 Geschäftsstellen und beinahe 200.000 Mitarbeiterinnen und Mitarbeitern sind Sparkassen in ganz Deutschland vertreten." [With 337 institutions nationwide, over 10,500 branches, and almost 200,000 employees, savings banks (Sparkassen) are represented throughout Germany.]

[57] "Financial Report 2025 of the Savings Banks Finance Group," Deutscher Sparkassen- und Giroverband (DSGV), 2025, https://financialreport.dsgv.de/downloads/Financial_Report_2025.pdf. "Savings Banks are generally institutions under public law" "Laws," Deutsche Bundesbank, July 1, 2014, https://www.bundesbank.de/en/tasks/financial-supervision/legal-basis/national-legal-basis/laws-915520. "Savings banks are run in line with the regional principle; they are expected to cater particularly to the needs of the regional economy."

[58] "Verordnung über die Organisation und den Geschäftsbetrieb der Sparkassen (Sparkassenordnung – SpkO)" [Regulation on the Organization and Business Operations of Savings Banks (Savings Bank Regulation – SpkO)], Bayerisches Staatsministerium des Innern, May 1, 2019, https://www.gesetze-bayern.de/Content/Document/BaySpkO/true. "Die Sparkassen dürfen keine Geschäfte betreiben, bei denen die mit dem jeweiligen Geschäft verbundenen Risiken für die Sparkasse nicht tragbar oder von ihr nicht steuerbar sind (Spekulationsverbot)." [Savings banks (Sparkassen) may not engage in transactions where the risks associated with a given transaction are unbearable or unmanageable for the savings bank (prohibition on speculation).]

[59] Doris Neuberger, "Financial Inclusion, Regulation, and Education in Germany," Asian Development Bank Institute, June 2015, https://www.adb.org/sites/default/files/publication/160699/adbi-wp530.pdf. "Figure 3 shows that in 2008–2009, commercial banks and Landesbanken sharply reduced loans to domestic enterprises and the self-employed, while savings banks and cooperative banks increased them." IMF, "Germany: Technical Note on Banking Sector Structure; IMF Country Report 11/370; July 2011," International Monetary Fund, July 2011, https://www.imf.org/external/pubs/ft/scr/2011/cr11370.pdf. "During the crisis, private commercial banks and LB suffered substantial losses from their investment portfolios, whereas Sparkassen and cooperative banks showed relatively stable profitability and had continuous access to stable funding from retail deposits."

[60] "IMF Executive Board Concludes 2025 Financial System Stability Assessment with Canada," August 1, 2025, https://www.imf.org/en/News/Articles/2025/07/31/pr-25270-canada-imf-concludes-2025-financial-system-stability-assessment. "Canada's financial system is strong and well-regulated and has demonstrated resilience in recent years. Stress tests indicate that banks and NBFIs are generally resilient to severe solvency and liquidity shocks." "Key facts about Canada's competitiveness for foreign direct investment: May 2024," GAC, May 2024, https://international.canada.ca/en/global-affairs/corporate/reports/chief-economist/international-investment/2024-05-key-facts. "Canada's financial system is one of the soundest in the world"

[61] M. Estevão et al., "Canada: Selected Issues; IMF Country Report 09/163; April 22, 2009," International Monetary Fund, May 2009, https://www.imf.org/external/pubs/ft/scr/2009/cr09163.pdf. "Notable structural factors in Canada include high franchise values, a mortgage market characterized by prudent underwriting, and an overall prudent and conservative culture in the financial sector." OECD, "OECD Economic Surveys: Canada 2012," June 2012, https://www.oecd.org/content/dam/oecd/en/publications/reports/2012/06/oecd-economic-surveys-canada-2012_g1g156f0/eco_surveys-can-2012-en.pdf. "Canadian banks' prudence in lending served them well in the global economic crisis, but financial innovation could also have significant benefits for consumers."

[62] "Mortgage stress tests and household financial resilience under monetary policy tightening," Bank of Canada, November 2024, https://www.bankofcanada.ca/2024/11/staff-analytical-note-2024-25. "In Canada, residential mortgages are generally subject to robust underwriting practices and regulatory constraints."

[63] "Bank of North Dakota - State Agencies," State Historical Society of North Dakota, accessed September 27, 2026, https://www.history.nd.gov/archives/stateagencies/bankofND.html. "The Bank of North Dakota was established in 1919"

banks to increase lending capacity rather than competing with them.[64] In 2024, BND earned a return on average assets of 1.91%[65], far above the 1.1% median for U.S. banks rated by S&P Global through the first nine months of 2024,[66] while taking none of the speculative risks that periodically blow up Wall Street balance sheets. It exists primarily to serve North Dakota's economy. It has never required a bailout,[67] and it returns its profits to the state: $140 million to the general fund for the 2025-27 biennium,[68] and $335 million in total returns to the state in 2024,[69] directly reducing the tax burden on North Dakota residents. The BND demonstrates that public banking works in America, we simply haven't scaled it.

### 4.1.2. The Bank Conversion Protocol

Under the WGFAA, a failed bank that is still a functioning bank is not sold to a larger private bank (increasing consolidation) or bailed out to preserve shareholder value (rewarding speculation). It is converted into a Public Benefit Bank. A bank kept alive with emergency federal support is treated the same way: under Section 6.6, taking that support counts as failing.

This requires changing one rule in particular. Current law obliges the FDIC to resolve a failed bank by whatever method costs its insurance fund the least,[70] and the cheapest method is usually a sale to another bank.[71] That rule is why failed banks keep ending up inside bigger banks. The WGFAA amends it: for every failed bank that passes the test above, conversion is the required resolution, and the cost to the fund is weighed against the public value of the institution that results, not against the highest bid.

The conversion timeline mirrors existing FDIC practice for failed bank resolutions — typically completed over a single weekend.[72] On Friday evening, the FDIC assumes receivership. Over the weekend, the charter conversion is executed, an interim board is appointed, and executive leadership transition begins. On Monday morning, branches open under the new Public Benefit Bank charter. Depositors notice nothing; their accounts function normally. The bank keeps its name, its signs, and its brand. The change customers will notice, over time, is in its lending: a shift from shareholder returns to community devel-

[64] "Interview with Eric Hardmeyer," Federal Reserve Bank of Minneapolis, September 3, 2010, https://www.minneapolisfed.org/article/2010/interview-with-eric-hardmeyer. "We're also a banker's bank. So, to access our programs, you would have to work through a local originating bank." "BND Operations," Bank of North Dakota, January 29, 2026, https://bnd.nd.gov/about-bnd/bnd-operations/. "Bank of North Dakota maintains strong relationships with financial institutions in the state and does not compete with them."

[65] Hanryano Y Lethe Sarungallo and Nicholas J Wetzel, "Bank of North Dakota," S&P Global Ratings, December 22, 2025, https://bnd.nd.gov/wp-content/uploads/2025-SP_RatingsDirect_BankofNorthDakota_3497716_Dec-22-2025.pdf. "Consistent with the full-year 2024 ROAA of 1.91%."

[66] Federal Deposit Insurance Corporation, "FDIC Quarterly Banking Profile Fourth Quarter 2024," FDIC, February 2025, https://www.fdic.gov/news/speeches/2025/fdic-quarterly-banking-profile-fourth-quarter-2024. "resulting in a return on assets ratio of 1.12 percent for the full year"

[67] Bank of North Dakota, "BND Addresses Inaccurate Reporting by National Media," October 28, 2024, https://bnd.nd.gov/bnd-addresses-inaccurate-reporting/. "BND was not bailed out with $1 billion in ARPA money, nor has it ever needed or required a 'bailout."

[68] "Enrolled Senate Bill No. 2014," Sixty-ninth Legislative Assembly of North Dakota, 2025, https://ndlegis.gov/assembly/69-2025/regular/documents/25-0181-06000.pdf. "The Bank of North Dakota shall transfer $140,000,000 from the Bank's current earnings and undivided profits to the general fund during the biennium beginning July 1, 2025, and ending June 30, 2027."

[69] "Breaking the Barrier: Annual Report 2024," Bank of North Dakota, 2024, https://bnd.nd.gov/wp-content/uploads/2024-BND-Annual-Report.pdf. "The Bank's return on investment was a healthy 15.8%, and the total return to the state was $335 million or 4.29%."

[70] "12 U.S.C. § 1823: Corporation monies," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=%28title%3A12+section%3A1823%28c%29+edition%3Aprelim%29. "The least costly to the Deposit Insurance Fund of all possible methods"

[71] "GAO-25-107023, Federal Deposit Insurance ACT: Federal Agency Efforts to Identify and Mitigate Systemic Risk from the March 2023 Bank Failures," U.S. Government Accountability Office, January 23, 2025, https://files.gao.gov/reports/GAO-25-107023/index.html. "Most commonly used purchase and assumption because FDIC often finds it as the least costly and disruptive alternative"

[72] FDIC – Division of Finance/Jannie Eaddy, "FDIC 2023 Annual Report," Federal Deposit Insurance Corporation, 2023, https://www.fdic.gov/about/financial-reports/reports/2023annualreport/2023-arfinal.pdf. "The FDIC generally resolves failed banks under the FDI Act over a weekend to limit impacts to bank customers, but preparation activities for a resolution begin well before that period of time."

opment. This is not theoretical; the FDIC has executed over 500 bank resolutions since 2008.[73]

### 4.1.3. Automatic Charter Conversion to Public Benefit Bank (PBB)

Upon receivership, the failed bank's private charter is revoked. A new charter is issued, designating the entity as a Public Benefit Bank (PBB). Every converted bank is a Public Benefit Bank, whoever owns it (Section 4.1.4): it has no shareholders, it carries the mission set out below, and it is barred from the activities listed below.

Mission Mandate: The new PBB is statutorily required to put its lending to productive use. Its lending portfolio must shift away from speculative asset financing and toward productive lending: small business loans, infrastructure financing, affordable housing, and community development. The extractive logic of shareholder value maximization is replaced by a mandate to serve the communities where the bank operates.

National Banks: The largest converted banks are national institutions, and their mandate is national as well. A bank with customers in every state keeps lending in the communities it serves, and it also puts its size to work on the country's big undertakings: new industries, major infrastructure, and the ambitious ventures that the megabanks passed over because trading paid better.[74]

Prohibited Activities: The PBB is strictly prohibited from engaging in proprietary trading, derivatives speculation, or financing of other financial intermediaries (shadow banks). It returns to the boring, essential work of banking: taking deposits and making loans to productive enterprises.

Operational Continuity: The bank retains its branches, depositor accounts, and non-executive staff, ensuring no disruption to customers. The teller at your local branch keeps their job; your checking account continues to function; your small business line of credit remains in place. The only change customers perceive is the shift in the bank's long-term mission and the removal of shareholder pressure to maximize short-term profits at the expense of customer welfare.

This is not nationalization in the Venezuelan or Argentine sense — a government seizing profitable enterprises to extract their value. The conversion protocol applies only to *failed* institutions already in FDIC receivership. The shareholders have already lost; their equity is usually worthless.[75] The question is not whether to expropriate private property, but what to do with the wreckage. The current answer — usually sell it to a larger bank, sometimes increasing concentration — serves no one but the acquiring bank's shareholders.[76] The WGFAA answer — convert it to public purpose — serves the communities that depend on local credit. Critics who call this "socialism" are defending a system where private failure

[73] "Crisis and Response: An FDIC History, 2008–2013," Federal Deposit Insurance Corporation, 2017, https://www.fdic.gov/media/18626. "In all, 489 FDIC-insured banks failed during the crisis years 2008 through 2013." "Bank Failures," Federal Deposit Insurance Corporation (FDIC), accessed September 27, 2026, https://www.fdic.gov/resources/resolutions/bank-failures/in-brief/2014. "There were 18 bank failures in 2014."

[74] "Banks that trade securities grant fewer loans," Deutsche Bundesbank, April 26, 2016, https://www.bundesbank.de/en/publications/research/research-brief/2016-03-security-trade-loans-765600. "In conclusion, our findings indicate that banks' securities trading activities during the crisis did, in actual fact, partially lead to the crowding-out of lending to the real economy."

[75] "Managing the Crisis: The FDIC and RTC Experience, Volume 1: History," Federal Deposit Insurance Corporation, accessed September 27, 2026, https://www.fdic.gov/resources/publications/managing-the-crisis/documents/managing-the-crisis.pdf. "Of the claimants, stockholders have the lowest priority and rarely if ever receive a dividend."

[76] "Transparency & Accountability - Resolutions & Failed Banks," Federal Deposit Insurance Corporation, July 22, 2025, https://www.fdic.gov/about/transparency-accountability-resolutions-failed-banks. "The most common, and preferred, method for resolving a failing bank is a Purchase and Assumption (P&A) transaction" U.S. Government Accountability Office, "GAO-13-71, Financial Institutions: Causes and Consequences of Recent Bank Failures," January 2013, https://www.gao.gov/assets/gao-13-71.pdf. "120 of the 188 metropolitan areas affected by bank failures between June 30, 2009, and June 29, 2010, likely experienced no change in market concentration"

becomes public bailout but private success remains private profit. That is not capitalism; it is a rigged game.

To be clear: "shareholders wiped out" means existing equity is extinguished — worth zero. The physical branches and loan portfolios become assets of the newly chartered Public Benefit Bank, which also takes on the failed bank's obligations to its depositors. The former shareholders receive nothing because their equity was already worthless at the point of FDIC receivership; the government is not taking assets from them but rather preventing those assets from being sold to a competing mega-bank at fire-sale prices.

What Moves and What Stays Behind: A bank owes money to two very different groups. Depositors are customers; their accounts are the business itself, and they move to the Public Benefit Bank along with the loans and branches that back them. Bondholders, subordinated debt holders, and the creditors of the parent holding company are investors who were paid interest to bear risk. Their claims stay behind in the receivership of the failed bank, alongside the worthless shares, and are paid only from whatever the FDIC recovers. This is broadly how the FDIC already resolves failed banks,[77] and federal law already ranks depositors ahead of bondholders.[78] The largest banks are in fact required to issue a thick layer of long-term debt whose stated purpose is to absorb losses in a failure.[79] The WGFAA simply insists that it be used.

Deposit Coverage: The WGFAA insures all deposits, at every insured bank, explicitly, from the day it is signed. In a crisis there is no time to set premiums, so the guarantee is free at first and the banks are billed for its cost afterward (Section 4.1.5). After that, banks pay for the coverage through risk-based premiums. There are four reasons.

First, it ends the accidental rescue of the megabanks. As Section 3.1.1 showed, a limit on insurance does not impose discipline evenly. It sends money fleeing, at the first sign of trouble, from smaller banks to the few that everyone believes the government stands behind. If a megabank is insolvent, it should be found insolvent and converted under this Act — not floated through the crisis on deposits that fled from its sounder competitors. Only when a deposit is equally safe at every bank does a panic stop working as a subsidy to size.

Second, it stops the consolidation that follows. When runs topple mid-size banks, they tend to end the same way: fewer, larger banks.[80] Some $7.7 trillion of American deposits at the end of 2022 — 43% of the

[77] "Insured Depository Institution Resolutions Handbook," Federal Deposit Insurance Corporation, February 27, 2025, https://www.fdic.gov/bank-failures/resolutions-handbook.pdf. "If the FDIC receives an acceptable least cost bid, depending on the transaction structure, the FDIC will transfer to the AI either the insured and uninsured deposits or only the insured deposits—in addition to any other assets purchased by the AI pursuant to the P&A Agreement. … Claims against the failed insured depository institution are paid from the funds recovered by the FDIC as receiver through its liquidation efforts."

[78] "12 U.S.C. § 1821: Insurance Funds," Legal Information Institute, https://www.law.cornell.edu/uscode/text/12/1821. "Amounts realized from the liquidation or other resolution of any insured depository institution by any receiver appointed for such institution shall be distributed to pay claims (other than secured claims to the extent of any such security) in the following order of priority: (i) Administrative expenses of the receiver. (ii) Any deposit liability of the institution. (iii) Any other general or senior liability of the institution"

[79] "Federal Reserve Board adopts final rule to strengthen the ability of government authorities to resolve in orderly way largest domestic and foreign banks operating in the United States," Board of Governors of the Federal Reserve System, December 15, 2016, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20161215a.htm. "Requiring a GSIB to maintain sufficient amounts of long-term debt, which can be converted to equity during resolution, would help achieve this objective by providing a source of private capital to support the firm's critical operations during resolution."

[80] "Lessons Learned from the U.S. Regional Bank Failures of 2023," Federal Deposit Insurance Corporation, May 17, 2024, https://www.fdic.gov/news/speeches/2024/lessons-learned-us-regional-bank-failures-2023. "A regional bank, New York Community Bank's subsidiary Flagstar Bank, purchased Signature a week after it was placed in receivership." "An Underappreciated Risk: The Resolution of Large Regional Banks in the United States," Federal Deposit Insurance Corporation, October 16, 2019, https://www.fdic.gov/news/speeches/2019/spoct1619.html. "Approximately 95

total — sit above the insurance limit.[81] As long as that money is safe only at the largest banks, it will keep migrating to them, crisis after crisis.

Third, a converted bank needs its depositors. The point of conversion is to keep a working bank — its branches, its loans, its customer relationships — in service to its community. A bank that loses half its deposits on the way to conversion is not a functioning piece of public infrastructure; it is a shell. A full guarantee means the deposits stay where they are, and the Public Benefit Bank opens on Monday morning with its funding intact.

Fourth, depositors were never the source of discipline that theory makes them out to be. Silicon Valley Bank's depositors included many sophisticated investors, and they noticed nothing until the day they all ran at once: on March 9, 2023, $42 billion left in a single day,[82] with about another $100 billion queued for the next morning.[83] A payroll clerk cannot audit a bank's bond portfolio, and should not have to. Under the WGFAA, discipline falls on the people who are paid to bear risk and have the means to judge it: shareholders, who are wiped out; bondholders, who are left behind in the receivership; and executives, whose pay is clawed back.

The familiar objection is that insuring every deposit invites recklessness: a badly run bank could raise unlimited insured funds and gamble with them, as the savings and loans did in the 1980s. The answer is that the guarantee already exists wherever it matters most, and at present it is free. The WGFAA makes it explicit and makes banks pay for it: first through the assessment that recovers the cost of the emergency guarantee, and then through premiums on the newly covered deposits. Both rise with a bank's size, and the premiums with its risk as well, so the largest banks, which have enjoyed the implicit guarantee without charge, pay the most.[84] And a bank that gambles with insured money now faces a consequence its owners cannot escape: not a bailout, not a sale to a friendly rival, but conversion. Full insurance does remove one crude alarm. A run is how a failing bank has often been exposed, and without runs a bank that is quietly insolvent can stay open longer, as the savings and loans did. Regulators therefore carry the whole burden of closing bad banks early, and the Act gives them both the duty and a ready destination: a bank whose capital falls below the existing prompt-corrective-action floor is placed in receivership and, if it is a functioning bank, converted.

There is precedent. From 2010 through 2012, Congress insured noninterest-bearing transaction accounts

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percent of resolutions conducted by the FDIC since 2007 involved purchase and assumption transactions, generally involving a single acquirer assuming nearly all of the failing bank's liabilities."

[81] FDIC, "Options For Deposit Insurance Reform - Section 3: History of Deposit Insurance in the U.S," Federal Deposit Insurance Corporation, 2023, https://www.fdic.gov/analysis/options-deposit-insurance-reforms/report/options-deposit-insurance-reform-section-3.pdf. "As of December 31, 2022, estimated uninsured deposits held by insured depository institutions totaled about $7.7 trillion, which is 43 percent of domestic deposits."

[82] "Lessons Learned from the U.S. Regional Bank Failures of 2023," Federal Deposit Insurance Corporation, May 17, 2024, https://www.fdic.gov/news/speeches/2024/lessons-learned-us-regional-bank-failures-2023. "By that evening, $42 billion in deposits had left the bank with an additional $100 billion staged to be withdrawn the next day."

[83] the Consumer Financial Protection Bureau, "Material Loss Review of Silicon Valley Bank," Federal Reserve, September 25, 2023, https://oig.federalreserve.gov/reports/board-material-loss-review-silicon-valley-bank-sep2023.pdf. "Its funding structure was primarily concentrated in private equity and venture capital firms. … The withdrawal requests pending for the following day amounted to $100 billion."

[84] William C. Dudley, "Ending Too Big to Fail," Federal Reserve Bank of New York, November 7, 2013, https://www.newyorkfed.org/newsevents/speeches/2013/dud131107.html. "The firm, by being too big to fail, gains an implicit guarantee at the taxpayers' expense that it does not have to pay for."

without limit.[85] After the 2023 failures the FDIC itself studied unlimited coverage and concluded that, of the options it considered, it offers the clearest solution to bank runs and the greatest benefit to financial stability, while warning of its cost to the insurance fund and its effect on risk-taking — the costs that priced premiums and the certainty of conversion are designed to meet.[86] In 2023 the cost of covering uninsured depositors, about $16 billion, as the FDIC estimated in November 2023, was billed to larger banks rather than to taxpayers.[87] The WGFAA makes that the rule rather than the exception.

### 4.1.4. Governance and Capitalization

Governance and Ownership: The Board of Directors is replaced. Executive leadership responsible for the failure is removed and subject to compensation clawbacks. Who owns the converted bank, and so who chooses its board, depends on its size.

Local and Regional Banks: A local or regional bank becomes the property of its depositors. The receiver moves its business into a newly chartered mutual bank: it has no shareholders, each depositor has one vote, as each member of a credit union does, and the depositors elect the board, with seats reserved for the bank's employees.[88] This is an old American form, not a new one.[89] Mutual savings banks and credit unions are owned by the people who bank with them, under charters and regulators that already exist, and community bankers have long worked alongside both.[90] Because no official appoints the board, no administration can remove it. The mechanics are close to what the FDIC does now. When it takes over

[85] "Dodd-Frank Wall Street Reform and Consumer Protection Act," United States Congress, July 21, 2010, https://www.govinfo.gov/content/pkg/PLAW-111publ203/html/PLAW-111publ203.htm. "The Corporation shall fully insure the net amount that any depositor at an insured depository institution maintains in a noninterest-bearing transaction account." "Final Rule: Temporary Unlimited Coverage for Noninterest - Bearing Transaction Accounts," Federal Deposit Insurance Corporation, November 9, 2010, https://www.fdic.gov/news/inactive-financial-institution-letters/2010/final-rule-temporary-unlimited-coverage-noninterest-bearing. "All funds held in noninterest-bearing transaction accounts will be fully insured, without limit, from December 31, 2010, through December 31, 2012."

[86] FDIC, "Options For Deposit Insurance Reform -Section 7: Conclusion," Federal Deposit Insurance Corporation, 2023, https://www.fdic.gov/analysis/options-deposit-insurance-reforms/report/options-deposit-insurance-reform-section-7.pdf. "Of the options considered, Unlimited Coverage provides the clearest solution to bank runs, at the expense of more significant implications for Fund adequacy and market disruptions, and the greatest potential of the options for increases in bank risk-taking." FDIC, "Options For Deposit Insurance Reform - Section 6: Options for Increased Deposit Insurance Coverage," Federal Deposit Insurance Corporation, 2023, https://www.fdic.gov/analysis/options-deposit-insurance-reforms/report/options-deposit-insurance-reform-section-6.pdf. "Although Unlimited Coverage likely provides the greatest financial stability benefits of the options considered, it is also a significant departure from the existing system."

[87] "Final Rule on Special Assessment Pursuant to Systemic Risk Determination," Federal Deposit Insurance Corporation, November 16, 2023, https://www.fdic.gov/news/fact-sheets/special-assessment-final-rule-11-07-23.html. "Currently, the FDIC estimates that of the total cost of the failures of Silicon Valley Bank and Signature Bank, approximately $16.3 billion was attributable to the protection of uninsured depositors. … Under the final rule, the banks that benefited most from the assistance provided under the systemic risk determination will be charged a special assessment to recover losses to the DIF resulting from the protection of uninsured depositors." "Special Assessment Pursuant to Systemic Risk Determination," Federal Deposit Insurance Corporation, November 29, 2023, https://public-inspection.federalregister.gov/2023-25813.pdf. "No banking organizations with total assets under $5 billion would pay the special assessment."

[88] "Overview of Federal Credit Unions," National Credit Union Administration, accessed October 4, 2026, https://publishedguides.ncua.gov/charteringmanual/Content/CharteringManual/IntroductionSummary/OverviewFCUs.htm. "Members exercise democratic control: each member has one vote, regardless of the number shares owned."

[89] Moysich and Alane, "History of the Eighties - Chapter 6," Federal Deposit Insurance Corporation, accessed October 5, 2026, https://www.fdic.gov/resources/publications/history-eighties/volume-1/history-80s-volume-1-part2-06.pdf. "Mutual savings banks in the United States date to 1816, when the Philadelphia Saving Fund Society began operations on a voluntary basis and the Provident Institution for Savings in Boston was granted the first savings bank charter." Breitenstein and Eric C., "Mutual Institutions: Owned by the Communities they Serve," FDIC Quarterly, 2016, https://www.fdic.gov/analysis/quarterly-banking-profile/fdic-quarterly/2016-vol10-4/article2.pdf. "Mutual savings banks and mutual savings and loan associations (S&Ls) form a unique part of the banking industry, in that they are owned by their depositors rather than by shareholders."

[90] Breitenstein and Eric C., "Mutual Institutions: Owned by the Communities they Serve," FDIC Quarterly, October 2016, https://www.fdic.gov/analysis/quarterly-banking-profile/fdic-quarterly/2016-vol10-4/article2.pdf. "Mutual savings banks and mutual savings and loan associations (S&Ls) form a unique part of the banking industry, in that they are owned by their depositors rather than by shareholders." "Starting a New Federal Credit Union," NCUA, July 22, 2026, https://ncua.gov/support-services/credit-union-resources-expansion/starting-new-federal-credit-union. "Credit unions need a charter — a license to operate — from either the National Credit Union Administration or a state credit union regulator."

a failed bank it can already move the bank's business into a newly chartered institution, a bridge bank,[91] and federal law already provides for savings institutions chartered in mutual form.[92] What the Act adds is a mutual charter made for this purpose. The existing federal mutual and credit union charters carry lending limits written for home lenders and for small consumer lenders, and a converted commercial bank that went on lending to businesses would run into them.[93] Two other routes are open. A state, a city, or a county may take ownership instead, and then appoints the board together with community stakeholders and employee representatives, loosely modeled on the Sparkassen governance structure.[94] And where a sound credit union already serves the same community, the receiver may transfer the failed bank's accounts and loans to it, the way credit unions already buy banks; that business then operates under the credit union's own charter.[95] The Act gives the receiver the power to resolve a failed bank by any of these routes.

The Largest Banks: A bank with more than $250 billion in assets is a national institution with customers in every state, and no single community or body of depositors can speak for it. It becomes a federal public corporation (Section 8.1). Its board is accountable to the public at large: publicly appointed directors serve fixed, staggered terms on the rules in Section 8.1, alongside representatives of employees, of customers, and of the regions where the bank does most of its business. In every case the point is the same. Leadership answers to the people and communities the bank serves, rather than to distant shareholders focused on quarterly earnings.

Capitalization: The cost of this conversion is borne by the financial industry, not the taxpayer, but in a crisis the money has to be borrowed first. The WGFAA establishes a Public Bank Capitalization Fund, financed by a surcharge on the deposit insurance premiums of the largest private banks (Global Systemically Important Banks, or G-SIBs). Had the Act been passed in advance, that fund would have been filling for years. Passed in the middle of a crash, it starts empty. It therefore borrows what the conversions need from the Treasury, up to $75 billion (Section 9.2), just as the Deposit Insurance Fund can borrow from the Treasury today,[96] and the surcharge repays the loan over 10 years or more. At an illustrative rate

[91] "Insured Depository Institution Resolutions Handbook," Federal Deposit Insurance Corporation, February 27, 2025, https://www.fdic.gov/bank-failures/resolutions-handbook.pdf. "A bridge depository institution (BDI)—also known as a bridge bank—is a new, temporary depository institution chartered by the OCC after a failed insured depository institution is closed by its chartering authority, and the FDIC is appointed receiver."

[92] "12 CFR § 5.21," Legal Information Institute, https://www.law.cornell.edu/cfr/text/12/5.21. "A Federal mutual savings association must have a charter in the following form."

[93] "12 U.S.C. § 1464: Federal savings associations," Office of the Law Revision Counsel, https://web.archive.org/web/20261005/https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section1464&num=0&edition=prelim. "The aggregate amount of loans made under this subparagraph may not exceed 20 percent of the total assets of the Federal savings association, and amounts in excess of 10 percent of such total assets may be used under this subparagraph only for small business loans, as that term is defined by the Comptroller." "12 U.S.C. § 1757a: Limitation on member business loans," Legal Information Institute, https://www.law.cornell.edu/uscode/text/12/1757a. "No insured credit union may make any member business loan that would result in a total amount of such loans outstanding at that credit union at any one time equal to more than the lesser of— (1) 1.75 times the actual net worth of the credit union; or (2) 1.75 times the minimum net worth required under section 1790d(c)(1)(A) of this title for a credit union to be well capitalized."

[94] "Constitutive Elements of a (German) Savings Bank," Deutscher Sparkassen- und Giroverband, August 2012, https://www.sparkassenstiftung.de/fileadmin/user_upload/pdf/2012_08_ConstitutiveElements.pdf. "The supervisory board is made up of a percentage of city council representatives, qualified citizens and employees."

[95] "Merger and Acquisition Frequently Asked Questions," NCUA, April 21, 2026, https://ncua.gov/support-services/credit-union-merger-acquisition/merger-and-acquisition-faqs. "In other words, a federally insured credit union may purchase assets and assume liabilities (including deposits) of a selling entity. However, federally insured credit unions can't acquire a bank charter."

[96] Legal Information Institute, Cornell Law School, "12 U.S. Code § 1824 - Borrowing authority," https://www.law.cornell.edu/uscode/text/12/1824. "The Corporation is authorized to borrow from the Treasury … not exceeding in the aggregate $100,000,000,000 outstanding at any one time."

of 0.10% a year, a surcharge on the roughly $9 trillion in deposits held by the eight U.S. G-SIBs[97] would raise on the order of $9 billion annually, a small fraction of those banks' operating costs; JPMorgan Chase alone reported $95.6 billion in noninterest expense for 2025.[98] Five years of that surcharge comes to $45 billion, which, as a rough illustration, would repay the cost of giving a bank the size of First Republic a capital cushion of 8% to 10% of its assets twice over, a range equal to the leverage ratio community banks may hold in place of the full risk-based capital rules and well above the 5% leverage ratio that counts as well capitalized. This ensures that the institutions creating systemic risk pay for the solution. In many failures, leaving the shareholders and bondholders behind is enough to fill the hole in the balance sheet, because their losses absorb it. Where a gap remains even after that, the fund does not have to borrow the whole amount on the first day. A Public Benefit Bank may open with the gap on its books, backed by a guarantee from the fund, and close it from its own earnings on a fixed schedule — a bank of $200 billion earning 1% on its assets retains about $2 billion a year. The private banks rescued after 2008 were healed in much the same way, partly by time, guaranteed funding, and retained profits; the difference is that here the recovery belongs to the bank's depositors or to the public, not to shareholders.[99] The fund pays cash only if a bank falls behind its schedule, which keeps the borrowing down in the worst weeks and lets the same surcharge support many more conversions. The Fund also covers legal defense costs arising from conversion challenges. Shareholder litigation is inevitable; the Fund ensures that legal fees do not drain resources from the converted institution's public mission or fall on taxpayers.

The principle is simple: the industry that created the risk pays for the resolution. The Treasury lends the money, and the banks pay it back.

G-SIBs will resist these surcharges — that is certain. But the political economy favors this structure. First, the surcharge is not a general tax: it repays a specific debt, the cost of resolving failures in the banks' own industry, as the assessment after the 2023 failures did.[100] Second, the alternative — taxpayer-funded resolutions — faces far greater political opposition in the post-2008 era. Third, G-SIBs already carry systemic-risk capital surcharges under Basel III; the principle that the largest banks pay more for the risk they create is settled, and this applies it to the cost of resolution.[101] The WGFAA does not ask

[97] "Global Systemically Important Banks," Federal Reserve, February 25, 2026, https://www.federalreserve.gov/supervisionreg/global-systemically-important-banks.htm. "As of February 2026, eight U.S. banking organizations were included in the GSIB supervisory program" SIFMA, "SIFMA Research Quarterly - Banks 4Q25," February 2026, https://www.sifma.org/wp-content/uploads/2025/11/Research-Quarterly-US-Banks-4Q-2025.pdf. "Chart 74: Total Deposits ($T): G-SIBs"

[98] "Annual Report 2025," JPMorganChase, April 6, 2026, https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/annualreport-2025.pdf. "Noninterest expense was $95.6 billion, up 4%"

[99] "FRB: Dodd-Frank Act Stress Test 2014: Supervisory Stress Test Methodology and Results," Board of Governors of the Federal Reserve System, March 2014, https://www.federalreserve.gov/bankinforeg/stress-tests/ccar/march-2014-introduction.htm. "Much of the additional increase in recent years is attributable to a significant accretion of common equity through retained earnings." "Crisis and Response: The Temporary Liquidity Guarantee Program: A Systemwide Systemic Risk Exception," Crisis and Response: An FDIC History, 2008–2013, accessed September 27, 2026, https://www.fdic.gov/resources/publications/crisis-response/book/crisis-response-chapter-2.pdf. "The DGP provided liquidity by guaranteeing participating entities' newly issued senior unsecured borrowing, thereby allowing participants to roll over maturing debt or issue additional debt."

[100] "Special Assessment Pursuant to Systemic Risk Determination," Federal Deposit Insurance Corporation, accessed October 5, 2026, https://www.fdic.gov/deposit-insurance-assessments/special-assessment-pursuant-systemic-risk-determination. "Currently, the FDIC estimates the total cost of the failures of Silicon Valley Bank and Signature Bank that must be recovered through the special assessment is approximately $16.7 billion."

[101] "The G-SIB framework - Executive Summary," Bank for International Settlements, October 25, 2018, https://www.bis.org/publications/fsi-summary-g-sib-framework-executive-summary. "G-SIBs are required to hold additional capital, the amount of which depends on their score."

Wall Street to fund its competitors out of altruism; it forces them to fund systemic stability because the alternative — chaotic failures or taxpayer bailouts — is worse for everyone, including them.

What Lenders Get: Depositors are covered in full. The bank's lenders are not. Some of them hold collateral: a Federal Home Loan Bank, for example, lends to a bank against mortgages and securities.[102] Those lenders must be paid the value of their collateral. This is a requirement of the Constitution, not a favor: a claim on collateral is a property right, and the government may not take property without paying for it (Section 6.1). But what they are owed is what the collateral would fetch in the market on the day of failure, which in a crash may be small, and not the amount they lent. The shortfall is their loss. Bondholders and other lenders without collateral are paid only from whatever the FDIC recovers from the failed bank's remaining assets, in the order federal law already sets.[103] In many failed bank resolutions, senior secured creditors recover a substantial portion of their claims; general unsecured creditors and subordinated debt holders typically face significant haircuts.[104] The government does not pay for creditors' losses. That is what separates this from a bailout. Lenders receive what the assets are worth and no more, and under the WGFAA those assets are put to public use rather than sold to a competing mega-bank.

### 4.1.5. Banking Measures for a Crisis Already Under Way

The banking half of the Act is the easier half to run in an emergency, because the FDIC already exists and already knows how to take over a bank in a weekend. Five things change when the Act is passed during a crisis rather than before it.

The guarantee has to come from Congress, immediately. Since 2010 the FDIC has not been allowed to create a broad guarantee program on its own; it needs a vote of Congress.[105] That is why, in 2023, regulators could only cover depositors one failed bank at a time, while everyone else's depositors were left guessing. The emergency bill guarantees every deposit at every insured bank from the day it is signed. The guarantee is free at first, because there is no time to set premiums. Its cost is recovered afterward through an assessment on the banks, weighted toward the largest, as was done in 2023.[106]

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[102]FHFA, "About the FHLBank System," U.S. FEDERAL HOUSING, July 22, 2026, https://www.fhfa.gov/about/federal-home-loan-bank-system. "The FHLBanks provide liquidity to members mainly through advances, which are long- and short-term loans priced at a small spread over comparable U.S. Department of the Treasury obligations. Advances are primarily collateralized by residential mortgage loans, and government and agency securities."

[103]"12 U.S.C. § 1821: Insurance Funds," Legal Information Institute, https://www.law.cornell.edu/uscode/text/12/1821. "Amounts realized from the liquidation or other resolution of any insured depository institution by any receiver appointed for such institution shall be distributed to pay claims (other than secured claims to the extent of any such security) in the following order of priority"

[104]Bennett and Rosalind L., "Market Discipline by Bank Creditors during the 2008-2010 Crisis," Federal Deposit Insurance Corporation, August 2014, https://www.fdic.gov/analysis/cfr/working-papers/2014/2014-03.pdf. "Columns 4 and 5 show that subordinated debt holders were always expected to lose all of their claims and that secured creditors were always expected to fully recover their assets. … Expected loss rates for general creditor claims (GCC) were between 94 and 100 percent. … In the banks where subordinated debt existed, the FDIC expected holders of such debt to lose 100 percent of their claims."

[105]Legal Information Institute, Cornell Law School, "12 U.S. Code § 5612 - Emergency financial stabilization," https://www.law.cornell.edu/uscode/text/12/5612. "The Corporation shall exercise the authority under this section to issue guarantees up to that specified maximum amount upon passage of the joint resolution of approval, as provided in subsection (d). Absent such approval, the Corporation shall issue no such guarantees."

[106]"FDIC Board of Directors Issues a Final Rule on Special Assessment Pursuant to Systemic Risk Determination," Federal Deposit Insurance Corporation, November 16, 2023, https://www.fdic.gov/news/press-releases/2023/pr23092.html. "The Federal Deposit Insurance Corporation (FDIC) Board of Directors today approved a final rule to implement a special assessment to recover the loss to the Deposit Insurance Fund (DIF) associated with protecting uninsured depositors following the closures of Silicon Valley Bank and Signature Bank." FDIC – Division of Finance/Jannie Eaddy, "FDIC 2023 Annual Report," Federal Deposit Insurance Corporation, 2023, https://fraser.stlouisfed.org/files/docs/publications/fdic/fdic_ar_2023.pdf. "Banks with assets over $50 billion will pay 95 percent of the special assessment."

Conversions start at once. The Public Benefit Bank charter is created by the Act itself, and the rule requiring the FDIC to take the cheapest resolution (Section 4.1.2) is overridden from the first day, so that the first failure is converted rather than sold.

The failing-bank loophole closes at once. The exception that lets a bank already over the nationwide deposit cap buy a failed bank is repealed effective on the date of introduction. Without that, the crisis will be over and the mergers done before the rule changes.

The capital comes from the Treasury line, and from time. The capitalization fund will be empty. Conversions are financed by borrowing from the Treasury, up to $75 billion (Section 9.2), repaid from the surcharge on the largest banks. The ability of a Public Benefit Bank to open with a gap on its books and fill it from earnings (Section 4.1.4) matters most here, because it reduces the cash needed in the worst weeks.

Guarantee new borrowing, never old bonds. In a panic, banks can lose access to the short-term borrowing they depend on, and wiping out bondholders in the middle of it can spread fear to sound banks. If that channel has to be supported, the Act allows the FDIC to guarantee banks' new borrowing for a fee, as it did in 2008.[107] It does not guarantee the bonds investors already hold. Ireland did that in September 2008, guaranteeing nearly everything its banks owed;[108] some of the banks turned out to be insolvent, and the guarantee came close to bankrupting the state.[109]

# 5. The Technology Solution

## 5.1. Systemically Important Technology Institutions

Just as the failure of a major bank threatens financial liquidity, the failure of a major AI laboratory or compute provider threatens the digital infrastructure of the 21st century. The WGFAA treats these entities not as standard corporations subject to ordinary bankruptcy, but as Systemically Important Technology Institutions (SITIs): critical public infrastructure in waiting.

[107] "Crisis and Response: The Temporary Liquidity Guarantee Program: A Systemwide Systemic Risk Exception," Federal Deposit Insurance Corporation, accessed September 27, 2026, https://www.fdic.gov/resources/publications/crisis-response/book/crisis-response-chapter-2.pdf. "The DGP provided liquidity by guaranteeing participating entities' newly issued senior unsecured borrowing, thereby allowing participants to roll over maturing debt or issue additional debt." "FIL-139-2008 Attachment," Federal Deposit Insurance Corporation, accessed September 27, 2026, https://www.fdic.gov/news/inactive-financial-institution-letters/2008/fil08139a.html. "All newly issued senior unsecured debt will be charged an annualized assessment of generally 50, 75, or 100 basis points (depending on debt term) multiplied by the amount of debt issued, and calculated through the maturity date of that debt or June 30, 2012, whichever is earlier."

[108] "Chapter 7: The Guarantee," Joint Committee of Inquiry into the Banking Crisis, accessed September 27, 2026, https://inquiries.oireachtas.ie/banking/volume-1-report/chapter-7/. "The guarantee will cover all existing aforementioned facilities with these institutions and any new such facilities issued from midnight on 29 September 2008" International Monetary Fund. Monetary and Capital Markets Department, "Ireland: Financial Sector Assessment Program: Technical Note-Financial Safety Net, Bank Resolution, and Crisis Management," IMF Staff Country Reports, 2016/09/29, https://www.elibrary.imf.org/view/journals/002/2016/313/article-A001-en.xml. "A guarantee covering virtually all liabilities (€375 billion)"

[109] "Chapter 8: Post-Guarantee Developments," Joint Committee of Inquiry into the Banking Crisis, March 2016, https://inquiries.oireachtas.ie/banking/volume-1-report/chapter-8/. "Anglo and INBS were deemed to be non-viable" International Monetary Fund, "Ireland: Lessons from Its Recovery from the Bank-Sovereign Loop," Departmental Papers, October 23, 2015, https://www.elibrary.imf.org/view/journals/087/2015/012/article-A001-en.xml. "Public debt climbed rapidly as revenues collapsed and as banks' rising loan losses increasingly required public support."

## 5.2. The FDIC First, Then the Federal Digital Infrastructure Corporation (FDIC-Tech)

In a crisis there is no time to build an agency. Under this version the FDIC itself acts as receiver for failed technology companies from the day the Act is signed, using the staff, procedures, and legal machinery it already has for banks, with the Department of Energy's national laboratories supplying technical operators (Section 8.3).

The Act also creates the Federal Digital Infrastructure Corporation (FDIC-Tech), a new body tasked with ensuring the stability of the digital economy. It is established as a separate corporation within 18 months. From then on it is the receiver for any technology company that fails, and it runs the permanent rules for computing clusters described in Section 5.4.

### 5.2.1. Mandate and Authority

The FDIC is granted authority to act as the receiver for insolvent SITIs, and the FDIC-Tech inherits that authority when it is established. The mandate has two sides, and both are written into the statute. The first mirrors that of the FDIC for banks: to maintain public confidence and resolve failed institutions with minimal cost to the taxpayer. The second is to keep access to computing power broad and competitive. An agency charged only with preventing harm learns that "no" is always the safe answer; the receiver for technology companies, first the FDIC and then the FDIC-Tech, is also charged with making sure that the nation's computing capacity gets built, used, and widely shared.

Resolution Authority: The WGFAA grants the FDIC "Orderly Liquidation Authority" (similar to Title II of Dodd-Frank) over technology companies designated as systemically important.[110] This allows the agency to place a failing firm in receivership, remove its management, and operate it as a "bridge entity" to prevent systemic contagion. Unlike traditional bankruptcy, which prioritizes creditor recovery, resolution under this Act prioritizes service continuity and public benefit.

Asset Preservation: The agency is empowered to freeze critical digital assets (code, data, model weights) to prevent their deletion or unauthorized transfer during the resolution process. This includes the power to override contractual "kill switches" or internal policies requiring data destruction upon insolvency. The assets that represent billions in investment and years of research are preserved for public benefit rather than destroyed to satisfy narrow private interests.

A Defined Trigger: A firm is placed in receivership only when it has failed or is on the point of failing. Three events are failure by definition, and each puts a SITI into receivership automatically, with no vote and no official's judgment. The firm files for bankruptcy. It misses a payment of $100 million or more on its debts or leases and has still not paid when the grace period in its own contract runs out, or after 30 days, whichever comes first. Or it takes emergency federal support (Section 6.6). A payment withheld in a good-faith dispute over whether it is owed does not count as missed, and neither does one the lenders have agreed to defer; a firm kept alive on such extensions can still be reached by the early route below. The FDIC certifies that the event has happened, which is a matter of record, and takes over. Any bankruptcy

[110] "Resolution Authority," Federal Deposit Insurance Corporation, accessed September 27, 2026, https://www.fdic.gov/resolutions/resolution-authority. "As a backstop, when an orderly resolution under the Bankruptcy Code might not be possible, Title II of the Dodd-Frank Act provides the Orderly Liquidation Authority."

case then gives way to the receivership, as Dodd-Frank already provides for failed financial companies.[111] A firm that had already filed for bankruptcy, or had left such a payment unpaid past its grace period, when the Act took effect is in receivership from that day; Section 6.7 covers the cases already in bankruptcy court. A company that is paying what it owes cannot be converted under this Act, whatever regulators think of its business model.

Acting Early, with Three Keys: Waiting for one of those events is often waiting too long. By the time a payment is missed, lenders have seized hardware, staff have left, and customers have gone. So the Act also allows receivership when a firm has not yet crossed one of those lines but cannot pay its obligations as they come due, owes more than its assets are worth, or is about to file for bankruptcy. This is the same "in default or in danger of default" standard that Dodd-Frank applies to financial companies.[112] Because that is a judgment, and because AI companies are politically sensitive in a way banks are not, no single official may make it. As under Dodd-Frank, it requires a written recommendation from two-thirds of the FDIC's board (the FDIC-Tech's, once it exists) and two-thirds of the Federal Reserve Board, and a determination by the Secretary of the Treasury, who must consult the President.[113] A president who wanted to put a disfavored company into receivership would need two boards to agree in writing that it had failed, and the members of one of them, the Federal Reserve Board, cannot be removed at will (Section 8.1).[114] And an administration that preferred a bailout cannot avoid a conversion by declining to vote, because the automatic triggers do not wait for one.

Fast Court Review: A firm placed in receivership may challenge it in federal district court, whether the challenge is to a finding of failure or to the claim that an automatic trigger occurred. As under Dodd-Frank, the court has 24 hours from receiving the petition, and if it has not ruled by then the receivership goes ahead.[115] Its review is limited to whether the finding was arbitrary or, for an automatic trigger, whether the event occurred. Owners get their day in court without getting months in which to strip assets.

Automatic Freeze: From the moment the receiver is appointed, and for 90 days after, lenders may not seize or sell collateral, landlords and suppliers may not cancel contracts on account of the insolvency, and counterparties may not trigger cross-defaults. The FDIC has some of the same protection when it

[111]"12 U.S.C. § 5388: Dismissal and exclusion of other actions," Office of the Law Revision Counsel, https://web.archive.org/web/20261005/https://uscode.house.gov/view.xhtml?edition=prelim&num=0&req=granuleid%3AUSC-prelim-title12-section5388. "Any case or proceeding commenced with respect to the covered financial company under the Bankruptcy Code or the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.) shall be dismissed, upon notice to the bankruptcy court"

[112]Legal Information Institute, Cornell Law School, "12 U.S. Code § 5383 - Systemic risk determination," https://www.law.cornell.edu/uscode/text/12/5383. "the Secretary (in consultation with the President) determines that— (1) the financial company is in default or in danger of default"

[113]Legal Information Institute, Cornell Law School, "12 U.S. Code § 5383 - Systemic risk determination," https://www.law.cornell.edu/uscode/text/12/5383. "Such recommendation shall be made upon a vote of not fewer than ⅔ of the members of the Board of Governors then serving and ⅔ of the members of the board of directors of the Corporation then serving."

[114]"Trump v. Cook and For-Cause Removal of Federal," Congress.gov, July 6, 2026, https://www.congress.gov/crs-product/LSB11449. "The Court held that the President could not do so 'for any reason, or no reason,' noting that Congress had not authorized removals at will or explicitly precluded judicial review." "25A312 Trump v. Cook (06/29/2026)," Supreme Court of the United States, June 29, 2026, https://www.supremecourt.gov/opinions/25pdf/25a312_5468.pdf. "The Federal Reserve's Governors do not serve at the President's pleasure—they instead serve staggered 14-year terms, and may be removed only 'for cause."

[115]"Subchapter II—Orderly Liquidation Authority," Office of the Law Revision Counsel, https://web.archive.org/web/20261005/https://uscode.house.gov/view.xhtml?path=/prelim@title12/chapter53/subchapter2&edition=prelim. "If the Court does not make a determination within 24 hours of receipt of the petition— (I) the petition shall be granted by operation of law; (II) the Secretary shall appoint the Corporation as receiver; and (III) liquidation under this subchapter shall automatically and without further notice or action be commenced and the Corporation may immediately take all actions authorized under this subchapter."

takes over a bank.[116] Without it, a failing firm's lenders race each other to grab the hardware, and the race itself finishes the firm off. In a crash that race has already started, which is why the freeze takes effect on the day the bill is introduced (Section 5.4.7).

### 5.2.2. Designating Firms in a Crisis

The plan-ahead version has a council of regulators designate Systemically Important Technology Institutions in advance, on a written record, with a right of reply. In a crisis there is no time for that, and a designation made in haste is exactly the kind a court throws out. So the emergency bill does the designating itself.

The statute sets the thresholds, and a firm that meets any one of them is a SITI by operation of law:

- Scale: it owns or operates 3% or more of the nation's AI computing capacity, or has more than $10 billion in annual revenue from AI and cloud services, or more than 50 million monthly users in the United States
- Critical dependency: it is the primary AI or computing provider for 25 or more hospital systems, electric or water utilities, systemically important financial institutions, or federal agencies
- Interconnectedness: it owes more than $25 billion in debt and lease obligations to U.S. banks, insurers, pension funds, and credit funds

The FDIC and the Treasury apply the thresholds within days, using the emergency reporting order described in Section 5.4.7, and publish the list. A firm may contest its place on the list afterward, in the single designated court (Section 7.5); contesting it does not delay anything. The Technology Stability Oversight Council is then established on the plan-ahead model and takes over designation once the emergency has passed.

Because a firm designated this way has filed no conversion plan and escrowed no access to its systems, the Act relies on the emergency continuity powers in Section 8.3.

## 5.3. The SITI Conversion Protocol: From Failure to Public Utility

The Dodd-Frank Act requires large banks to write "living wills" planning for their own orderly resolution (death).[117] The plan-ahead version of this Act goes further and requires SITIs to plan for their own conversion. In a crisis no such plans exist. The firms failing now are converted without them, under the emergency continuity powers in Section 8.3, and the planning requirement applies to the firms that remain private (Section 13). The principle is the same either way. These institutions provide infrastructure that cannot be allowed to simply "die" or be liquidated piecemeal, and from the day the bill is introduced

[116] Legal Information Institute, Cornell Law School, "12 U.S. Code § 1821 - Insurance Funds," https://www.law.cornell.edu/uscode/text/12/1821. "No person may exercise any right or power to terminate, accelerate, or declare a default under any contract to which the depository institution is a party, or to obtain possession of or exercise control over any property of the institution or affect any contractual rights of the institution, without the consent of the conservator or receiver, as appropriate, during the 45-day period beginning on the date of the appointment of the conservator, or during the 90-day period beginning on the date of the appointment of the receiver, as applicable."

[117] "Living Wills (or Resolution Plans)," Federal Reserve, June 20, 2025, https://www.federalreserve.gov/supervisionreg/resolution-plans.htm. "The Dodd-Frank Act requires large banking organizations and certain other firms to periodically submit resolution plans to the Federal Reserve and the Federal Deposit Insurance Corporation. Each plan, commonly known as a living will, must describe the company's strategy for rapid and orderly resolution in the event of material financial distress or failure of the company, as well as include both public and confidential sections."

every SITI operates with the clear legal understanding that insolvency results in immediate conversion to a public utility.

### 5.3.1. The "Public Utility" Trigger

Receivership: When a SITI fails, whether by one of the automatic triggers or by the three-key determination in Section 5.2.1, it is placed in receivership with the FDIC. This is receivership, not conservatorship: a conservator holds a firm for its owners and hands it back when it recovers, as with Fannie Mae and Freddie Mac after 2008, while a receiver ends the owners' interest and passes the working institution to a new owner. The receiver's mandate is to maintain operations and service continuity for the public benefit, not to maximize recovery for creditors.

Non-Profit Conversion: The entity is reorganized as a federal public corporation with no shares (Section 8.1), as a Public Compute Utility or a Public Research Institute. Its mission shifts from profit maximization to "safe, equitable, and open access" to digital resources. The profit motive that incentivized reckless deployment and safety shortcuts is removed.

### 5.3.2. The "CERN for AI" Model (Public Research Institutes)

For failed frontier AI labs (an insolvent OpenAI or Anthropic, for example), the conversion creates a Public Research Institute modeled after CERN (European Organization for Nuclear Research).

Structure: These entities operate as national public research consortiums, governed by boards representing the scientific community, civil society, government, and the workforce. They are insulated from market pressure to ship products before safety testing is complete.

Mission: The profit motive is replaced by a mandate for scientific advancement and safety. The institute focuses on alignment research, interpretability, and the development of "public option" models that are open, transparent, and designed for societal benefit rather than surveillance or advertising optimization.

Open Access: The proprietary models ("weights") held by the failed firm are classified as public goods. Access is granted to academic and non-profit researchers under strict safety protocols, breaking the near-monopoly on frontier AI research currently held by a handful of private firms.[118] The public investment that made these technologies possible is returned to the public.

Safety Mandate: Relieved of the pressure to ship products for quarterly earnings, the new institute focuses on the hard problems of AI safety that private firms have under-researched. It serves as the "gold standard" for responsible AI development, pressuring the surviving private sector to raise its own standards through competition on safety rather than speed.

### 5.3.3. The National Research Cloud (Public Compute Utility)

For failed cloud providers and data center operators, the conversion creates a Public Compute Utility (PCU). Hardware assets are integrated into a National Research Cloud.

[118] "Research and Development," Stanford HAI AI Index Report, 2026, https://hai.stanford.edu/assets/files/ai_index_report_2026_chapter_1_research_development.pdf. "Over the past decade, the share produced by industry has grown steadily and now represents the largest share by a wide margin (91.2%). In 2025, Epoch AI identified two notable AI models originating from academia, compared to 93 from industry." "Developments in Artificial Intelligence markets: New evidence on model characteristics, prices and providers," ECOSCOPE, June 17, 2025, https://oecdecoscope.blog/2025/06/17/developments-in-artificial-intelligence-markets-new-evidence-on-model-characteristics-prices-and-providers/. "Moreover, the developers and models that make it to the frontier have been changing, with five to six players alternating at the frontier (OpenAI, Meta, DeepSeek, Anthropic, etc.) and around ten others following closely."

Infrastructure Access: The GPUs, data centers, and networking equipment of failed firms provide compute capacity to universities, startups, non-profits, government at every level, and the public at large, at subsidized rates where the mission calls for it. This democratizes access to the raw power needed for AI development, breaking the current oligopoly where only the wealthiest firms can afford frontier-scale training runs.[119]

Utility Regulation: PCUs operate under public utility regulation. They must offer non-discriminatory access and regulated pricing, preventing price gouging during periods of high demand. They cannot refuse service to qualified researchers or startups based on competitive considerations.

Grid Stability: As public entities, PCUs are mandated to coordinate with energy grid operators to ensure their power consumption does not destabilize the electrical grid or drive up costs for residential ratepayers. Unlike private data centers that externalize energy costs onto communities, public utilities internalize these considerations.

Whole Sites, Not Loose Chips: A GPU is useless without a powered building, cooling, networking, and the people who know how to run it all. The National Research Cloud therefore takes over complete working data centers, with their staff, that it can operate from the first day — not pallets of hardware that would sit in a warehouse. Loose chips and sites the utility does not need are sold to private buyers under the rules in Section 5.4.

No Ceiling, and No Hoarding: The goals of the National Research Cloud are to maintain the nation's computing capacity through a crash, to keep services running, and to widen access to computing power. None of those goals is served by an arbitrary limit on its size, and the statute sets none: the National Research Cloud may acquire any failed firm's working capacity. What the statute does impose is a rule against hoarding. A crash means there are more chips than customers, and idle chips burn electricity while earning nothing. The utility therefore runs what has users and may power down what does not, but capacity left idle for more than 30 days must be offered for sale to buyers under the concentration cap (Section 5.4.5). Capacity that is down for planned maintenance, or already committed to a customer, does not count as idle. The short clock is deliberate. It keeps the government from simply failing to switch a data center on. If there is truly no demand for computing, nobody will want the chips, and the offer costs nothing. If someone does want them, the utility either puts the capacity to work or sells it, and because the dominant firms are barred, the buyers will be smaller competitors. The public holds capacity in order to use it, not to keep it off the market.

An Anchor Customer: The federal government spends billions of dollars a year renting computing power, including from[120] the same three companies that dominate the market.[121] The WGFAA directs federal

[119] "Full Report: Artificial Intelligence markets," OECD, accessed September 27, 2026, https://www.oecd.org/en/publications/artificial-intelligence-markets_d531d73f-en/full-report.html. "Although the market is highly oligopolistic" Cottier et al., "The rising costs of training frontier AI models," arXiv.org, 2024/05/31, https://arxiv.org/abs/2405.21015. "Only the most well-funded organizations will be able to finance frontier AI models."

[120] "GAO-26-107530, CLOUD Computing: Federal Government Needs to Address Procurement Challenges," U.S. Government Accountability Office, June 23, 2026, https://files.gao.gov/reports/GAO-26-107530/index.html. "Federal government spending on contracts for cloud services has grown rapidly over the past 10 years, from $2.3 billion to over $10 billion each year." C. Todd Lopez, "Department Names Vendors to Provide Joint Warfighting Cloud Capability," Chief Information Officer, December 12, 2022, https://dodcio.defense.gov/In-the-News/Article/3267572/department-names-vendors-to-provide-joint-warfighting-cloud-capability/. "The four companies include Amazon Web Services Inc., Google Support Services LLC, Microsoft Corporation and Oracle."

agencies to move their AI and general computing workloads onto the National Research Cloud as its capacity and security certifications allow. This gives the utility steady revenue once the workloads begin to move, within 18 months (Section 13), and every dollar moved is a dollar that no longer reinforces the dominant firms. The Tennessee Valley Authority grew the same way: it sold power commercially, and the federal government was among its largest customers.[122]

Staying Current: AI chips age quickly. Hardware bought in a fire sale is top of the line only until the next chip architecture arrives (the annual releases in between are mid-generation refreshes), and it is written off over five or six years. The utility's charter therefore requires it to set aside a fixed share of its enterprise-tier revenue (Section 9.4) for replacing hardware, so that the public's computing power does not decay into a museum.

## 5.4. Compute Licensing and the Chip Registry

Converting failed SITIs is not enough to keep a crash from concentrating computing power. Most of the companies failing in an AI bust are not individually systemic; their hardware passes through ordinary bankruptcy or lender foreclosure, and the natural buyers are the three or four hyperscalers that already own most AI chips.[123] The WGFAA therefore sets a small number of rules for who may own and buy large clusters of advanced AI chips. They are administered by the FDIC until the FDIC-Tech is established, and by the FDIC-Tech from then on; no further agency is created. Sections 5.4.1 to 5.4.6 describe the permanent rules. None of them can be switched on in a week, so Section 5.4.7 sets out what the emergency bill does in the meantime.

### 5.4.1. What the Rules Are For

The rules have three jobs. They keep a fire sale from handing the nation's best chips to the companies that already control the most computing power. They give the public first pick of failed firms' data centers. And they make sure that chips from a liquidated cluster do not quietly disappear abroad.

On the last point, no new export regime is needed. Exporting advanced chips to China and other countries of concern already requires a Commerce Department license, and a lender who forecloses on chips cannot lawfully ship them there.[124] The gap is smuggling. It already happens, through shell companies, false paperwork, small resellers, and shipment through third countries; federal prosecutors have brought cases involving hundreds of chips and servers at a time,[125] and investigators believe the documented cases

[121]Synergy Research Group, "Q2 Cloud Market Passes $143 Billion; Highest Growth Rate in Eight Years," July 30, 2026, https://www.srgresearch.com/articles/q2-cloud-market-passes-143-billion-highest-growth-rate-in-eight-years. "Q2's worldwide market share was 28%, 20%, and 15%, respectively."

[122]"Congressional Record - Senate," Congressional Record, 88th Congress, 2nd Session, January 8, 1964, https://www.govinfo.gov/content/pkg/GPO-CRECB-1964-pt1/pdf/GPO-CRECB-1964-pt1-2-1.pdf. "TVA sold 27.4 billion kilowatt-hours, about 46 percent of its total sales, to one customer, the Atomic Energy Commission (AEC)."

[123]Luke Emberson, "Five hyperscalers now own over two-thirds of global AI compute," Epoch AI, April 14, 2026, https://epoch.ai/data-insights/hyperscalers-control-most-compute. "Amazon, Google, Meta, Microsoft, and Oracle collectively hold an estimated 71% of the world's cumulative AI compute as of Q4 2025, measured in H100-equivalents of computing power."

[124]"EAR 742," Bureau of Industry and Security, April 30, 2012, https://www.bis.gov/regulations/ear/742. "A license is required to export, reexport, or transfer (in-country) items specified in ECCNs 3A001.z.1.a, z.2.a, z.3.a, z.4.a; 3A090.a"

[125]"U.S. Citizens and Chinese Nationals Arrested for Exporting Artificial Intelligence Technology to China," justice.gov, November 20, 2025, https://www.justice.gov/opa/pr/us-citizens-and-chinese-nationals-arrested-exporting-artificial-intelligence-technology. "Falsifying paperwork, creating fake contracts, and misleading U.S. authorities … The first and second exports resulted in 400 NVIDIA A100 GPUs being exported to the PRC" "Countering AI Chip Smuggling Has Become a National Security Priority," Center for a New American Security (CNAS), September 25, 2026, https://www.cnas.org/publications/reports/countering-ai-chip-smuggling-has-become-a-national-security-priority. "Multiple chip resellers and start-ups in the PRC" "Three Charged with Conspiring to Unlawfully Divert Cutting Edge U.S. Artificial Intelligence Technology

understate the traffic.[126] Once a chip has been sold inside the United States, no law requires anyone to know where it is. A 2023 executive order would have required the largest clusters to report to the Commerce Department,[127] but it was rescinded in January 2025 before the rule took effect.[128] A fire sale — thousands of chips sold in small lots by liquidators whose only goal is cash — is the smuggler's ideal market.

### 5.4.2. The Registry

A national registry records large AI computing clusters: who owns each one, where it is, and who holds loans against it. The FDIC starts it from the emergency census (Section 5.4.7), and the FDIC-Tech keeps it once that body exists. The model is the Federal Aviation Administration's aircraft registry, which has recorded the ownership of, and the liens filed against, every civil aircraft registered in the country for decades.[129] It is a database, not a permission system. Both bodies need the same information anyway to set premiums, designate SITIs, and plan resolutions.

Threshold: Registration applies to anyone who owns or operates 1,000 or more advanced AI accelerators, defined by a stated level of computing performance rather than by maker or model. Chips a company designs for its own use count the same as chips it buys: Google's and Amazon's in-house accelerators are among the largest single blocks of computing power in the country, and a registry that counted only chips bought from outside suppliers would measure both firms at a fraction of their real capacity.[130] Below the line nothing applies. Gaming cards, workstations, university labs, and small company clusters are never touched.

Owner and Operator: Ownership of the hardware and control of it are coming apart. Nvidia has arranged with six of the largest investment managers to raise more than $500 billion through financing vehicles

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to China," justice.gov, March 19, 2026, https://www.justice.gov/opa/pr/three-charged-conspiring-unlawfully-divert-cutting-edge-us-artificial-intelligence. "Diverting hundreds of servers with advanced artificial intelligence capabilities to Chinese customers"

[126] "Bureau of Industry and Security Fiscal Year 2026 Budget: Export Controls and the AI Arms Race," Committee on Foreign Affairs, U.S. House of Representatives, June 12, 2025, https://www.govinfo.gov/content/pkg/CHRG-119hhrg62140/pdf/CHRG-119hhrg62140.pdf. "Not catching all of it, that there's a lot that goes undetected"

[127] "Executive Order 14110—Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence," Administration of Joseph R. Biden, Jr, October 30, 2023, https://www.govinfo.gov/content/pkg/DCPD-202300949/html/DCPD-202300949.htm. "Companies, individuals, or other organizations or entities that acquire, develop, or possess a potential large-scale computing cluster to report any such acquisition, development, or possession, including the existence and location of these clusters and the amount of total computing power available in each cluster."

[128] "Initial Rescissions of Harmful Executive Orders," Federal Register, January 28, 2025, https://www.federalregister.gov/documents/full_text/html/2025/01/28/2025-01901.html. "The following executive actions are hereby revoked" "United States: AI tug-of-war - Trump pulls back Biden's AI plans," Baker McKenzie, January 28, 2025, https://web.archive.org/web/20260928/https://insightplus.bakermckenzie.com/bm/technology-media-telecommunications_1/united-states-ai-tug-of-war-trump-pulls-back-bidens-ai-plans. "Pursuant to the Biden Order, the Bureau of Industry and Security's (BIS), a Commerce Department agency, published a proposed rule to establish reporting requirements on the development of advanced AI models and computing clusters under its Defense Production Act authority, but had not issued a final rule prior to the revocation of the Biden Order."

[129] "Aircraft Registration," Federal Aviation Administration, accessed September 27, 2026, https://www.faa.gov/licenses_certificates/aircraft_certification/aircraft_registry/about_aircraft_records. "The Aircraft Registry (Registry) collects the information necessary to establish and maintain the record for all United States civil aircraft." "Aircraft Registration," Federal Aviation Administration, accessed September 27, 2026, https://www.faa.gov/licenses_certificates/aircraft_certification/aircraft_registry/clear_titles. "Aircraft records contain any liens, security documents, and releases filed with the Aircraft Registration Branch and found to meet recording requirements."

[130] Luke Emberson, "Google controls the most AI computing power, driven by its custom TPUs," Epoch AI, April 7, 2026, https://epoch.ai/data-insights/google-custom-tpus-ai-compute. "Google held the most compute as of Q4 2025, driven by its in-house-designed TPU chips. … These figures include Nvidia and AMD data center GPUs, Google TPUs, Amazon Trainium and Inferentia chips" "Amazon.com Announces Fourth Quarter Results," February 5, 2026, https://www.sec.gov/Archives/edgar/data/1018724/000101872426000002/amzn-20251231xex991.htm. "Project Rainier, the world's largest operational AI compute cluster with 500,000+ Trainium2 chips" "Implementation of Additional Due Diligence Measures for Advanced Computing Integrated Circuits; Amendments and Clarifications; and Extension of Comment Period," Federal Register, January 16, 2025, https://public-inspection.federalregister.gov/2025-00711.pdf. "Integrated circuits specified by 3A090 include graphical processing units (GPUs), tensor processing units (TPUs)"

that would hold title to chips and lease them to the companies that run them,[131] and chips leased from one company to another already exist.[132] The registry therefore records both the entity that holds title to a cluster and the entity that operates it, and a lease of registered capacity is itself recorded. A map that showed only the legal owners would be accurate and useless.

Once Registered, Always Tracked: A size threshold invites an obvious trick: break a big cluster into small lots and every lot falls below the line. So chips that have ever been part of a registered cluster stay on the registry by serial number through every resale, whatever the size of the lot — the way a car title follows the car. A startup or university buying a rack of used chips from a registered cluster files a free online notice; there is no license, no fee, and no waiting period.

Early Warning: Restarting a dark data center is far harder than keeping a live one running, and by the time a small operator reaches liquidation its staff may be gone and its machines cold. The owner of a registered cluster must therefore notify the registry's keeper when it defaults on a loan secured by the cluster, or when it has less than 60 days of operating cash. Every SITI gives the same notice, whether or not it owns a registered cluster. The notice is confidential. It gives the public time to exercise its first option (Section 5.4.6) while the site is still running.

Better Technology When It Exists: Congress is considering bills that would require advanced chips to be able to verify their own location.[133] If that becomes law, the registry will use it. The registry does not depend on it.

### 5.4.3. The Owner License

Owning or operating a registered cluster requires a license. The license attaches to the owner, once — not to each chip, each site, or each use — and it is "shall-issue": an owner that meets the published standards for physical security, cybersecurity, and reporting gets the license. Nobody reviews what is run on the chips.

The precedents are familiar. From 1946 to 1964 all fissionable material in the United States was owned by the government by law, and private reactors leased it.[134] Today a lender may hold a lien on a nuclear plant but may not take possession of it without the regulator's consent,[135] and a broadcast license cannot

[131] "Nvidia Partners With Apollo, BlackRock, Blackstone, Brookfield, Goldman Sachs and KKR to Establish AI Compute Infrastructure Financing Platforms to Mobilize Over $500 Billion of Third-Party Capital," August 10, 2026, https://nvidianews.nvidia.com/news/nvidia-partners-with-apollo-blackrock-blackstone-brookfield-goldman-sachs-and-kkr-to-establish-ai-compute-infrastructure-financing-platforms-to-mobilize-over-500-billion-of-third-party-capital. "To mobilize over $500 billion of third-party capital for the buildout of AI infrastructure over time" "AI chip financing: can a leasing model solve the GPU supply problem?" Pinsent Masons, August 17, 2026, https://www.pinsentmasons.com/out-law/analysis/ai-chip-financing-can-a-leasing-model-solve-the-gpu-supply-problem. "A financial vehicle, established by one or more of the participating firms, acquires the chips from Nvidia and leases them to the end user"

[132] "Apollo Backs $5.4 Billion Valor and xAI Data Center Compute Infrastructure Transaction with $3.5 Billion Capital Solution," Apollo Global Management, January 7, 2026, https://ir.apollo.com/news-events/press-releases/detail/599/apollo-backs-5-4-billion-valor-and-xai-data-center-compute. "$5.4 billion acquisition and lease of data center compute infrastructure, including NVIDIA GB200 GPUs, to a subsidiary of xAI Corp"

[133] "H.R.3447," Congress.gov, March 26, 2026, https://www.congress.gov/bill/119th-congress/house-bill/3447/text. "Not later than 180 days after the date of the enactment of this Act, the Secretary shall require any covered integrated circuit product to be outfitted with chip security mechanisms that implement location verification, using techniques that are feasible and appropriate on such date of enactment, before it is exported, reexported, or in-country transferred to or in a foreign country."

[134] "Atomic Energy Act of 1946," United States Statutes at Large, August 1, 1946, https://www.govinfo.gov/content/pkg/STATUTE-60/pdf/STATUTE-60-Pg755.pdf. "All right, title, and interest within or under the jurisdiction of the United States, in or to any fissionable material, now or hereafter produced, shall be the property of the Commission" Alice Buck, "The Atomic Energy Commission," U.S. Department of Energy, July 1983, https://www.energy.gov/management/articles/history-atomic-energy-commission. "The terms of the Atomic Energy Act enabled the Commission to encourage private industry to build its own nuclear plants, using fissionable material leased from the Government."

[135] "10 CFR Part 50 – Domestic Licensing of Production and Utilization Facilities," U.S. Nuclear Regulatory Commission, January 30, 2025, https://www.nrc.gov/reading-rm/doc-collections/cfr/part050/part050-0081.html. "No creditor so secured may take possession of the facility

change hands without the approval of the Federal Communications Commission.[136] Proposals to account for advanced chips in the way nations account for fissile material are now part of the mainstream debate over AI security.[137] The WGFAA borrows the narrowest piece of those regimes: control over who may hold the hardware.

This is deliberately not a safety regime for what AI systems do. That is a separate and much larger question, and folding it into a crisis-resolution statute would do justice to neither.

### 5.4.4. Not Another Nuclear Regulatory Commission

The Nuclear Regulatory Commission is a warning as much as a model. It reviews applications case by case,[138] works without binding deadlines,[139] bills applicants by the hour,[140] and has a mandate centered on safety, under which refusing is always the safe choice.[141] Each of those failures is designed out:

- Bright lines: below the threshold nothing applies, and above it the standards are published in advance
- Clocks: the parties to any transfer of a registered cluster, or of control of a SITI or of a company that owns a registered cluster, file a notice, and the transfer goes ahead after 30 days unless the FDIC-Tech objects in writing — the way the great majority of mergers clear antitrust review today[142]
- A two-sided mandate: the FDIC-Tech answers for access to computing power as well as for stability (Section 5.2.1)
- No hourly fees: the regime is funded from the compute levy (Section 9.2), so the agency has no financial interest in a long review

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pursuant to the provisions of this section prior to either the issuance of a license from the Commission authorizing such possession or the transfer of the license."

[136] "47 U.S.C. § 310: License ownership restrictions," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=(title:47%20section:310%20edition:prelim). "No construction permit or station license, or any rights thereunder, shall be transferred, assigned, or disposed of in any manner, voluntarily or involuntarily, directly or indirectly, or by transfer of control of any corporation holding such permit or license, to any person except upon application to the Commission and upon finding by the Commission that the public interest, convenience, and necessity will be served thereby."

[137] Dan Hendrycks, Eric Schmidt and Alexandr Wang, "Superintelligence Strategy," nationalsecurity.ai, March 2025, https://files.nationalsecurity.ai/Superintelligence_Strategy.pdf#page=10. "By treating AI chips as they would fissile material—cataloging each unit, supervising its destination, and guarding against unauthorized diversion—states can deny terrorists or other rogue actors the raw power to train their own weaponizable AI." EOP, "America's AI Action Plan," The White House, July 2025, https://www.congress.gov/119/meeting/house/118623/documents/HHRG-119-JU03-20250918-SD003.pdf. "Explore leveraging new and existing location verification features on advanced AI compute"

[138] "Licensing," U.S. Nuclear Regulatory Commission, accessed September 27, 2026, https://www.nrc.gov/regulations-legislation/how-we-regulate/licensing. "The NRC staff reviews the submission, using standard review plans"

[139] "Fire Grants and Safety Act of 2023; Advance Act of 2024," 118th Congress, July 9, 2024, https://www.congress.gov/118/plaws/publ67/PLAW-118publ67.pdf. "With respect to a combined license for which the applicant has satisfied the requirements described in subsection (b), the Commission shall, to the maximum extent practicable—" "NEIMA Milestone Schedules and Fixed Fee Caps for Requested Activities of the Commission," U.S. Nuclear Regulatory Commission, accessed September 27, 2026, https://www.nrc.gov/about-nrc/generic-schedules. "Will address the EO 14300 policy to establish fixed deadlines for final decisions"

[140] "10 CFR Part 170 – Fees for Facilities, Materials, Import and Export Licenses, and Other Regulatory Services Under the Atomic Energy Act of 1954, as Amended," U.S. Nuclear Regulatory Commission, June 10, 1999, https://www.nrc.gov/reading-rm/doc-collections/cfr/part170/part170-0012. "Full cost fees will be determined based on the professional staff time and appropriate contractual support services expended. The full cost fees for professional staff time will be determined at the professional hourly rates in effect the time the service was provided."

[141] "Mission Guidance," U.S. Nuclear Regulatory Commission, accessed September 27, 2026, https://www.nrc.gov/about-nrc/governing-laws/advance-act/secy-25-0031. "Protects public health and safety and advances the nation's common defense and security"

[142] "Merger Review," Federal Trade Commission, October 31, 2018, https://www.ftc.gov/news-events/topics/competition-enforcement/merger-review. "The vast majority of deals reviewed by the FTC and the Department of Justice are allowed to proceed after the first, preliminary review." "Getting in Sync with HSR Timing Considerations," Federal Trade Commission, August 31, 2017, https://www.ftc.gov/enforcement/competition-matters/2017/08/getting-sync-hsr-timing-considerations. "If the waiting period expires without either agency issuing a request for additional information (Second Request), the parties have met their HSR filing obligation and can consummate the transaction. The agencies will not send a letter or notice that the waiting period has ended."

- Discretion in one place only: a healthy company selling to another healthy company below the cap files a notice and moves on; real judgment is exercised only when the seller has failed or has warned that it is about to

### 5.4.5. The Concentration Cap

No company that controls more than 5% of the nation's registered AI computing capacity may acquire compute assets out of a bankruptcy, a receivership, or a lender's foreclosure. Until the registry can measure those shares, the barred companies are identified by the formula in Section 5.4.7. Capacity is charged to the company that controls its use: a cluster leased from a financing vehicle or another company counts against the lessee, not the owner, so that the same chips are never counted twice. The rule is written into the statute and enforces itself; it needs no case-by-case approval. A sale that breaks it is void, not merely challengeable, and it does not depend on any administration choosing to enforce it: the receiver, any rival bidder, and the attorney general of any state may sue to void the sale and recover the assets.

The model is the nationwide deposit cap, which bars any interstate acquisition that would leave one bank holding more than 10% of all deposits at insured institutions nationwide.[143] That cap has one fatal flaw: an exception for acquiring a failing bank,[144] which is how JPMorgan Chase, already over the cap, was allowed to absorb First Republic in 2023.[145] The WGFAA cap has no such exception. A failing seller is the case it exists for. The Act repeals the banking exception as well (Section 4.1.5).

The cap limits one thing: buying the wreckage. A capped company may still buy as many new chips as it likes from manufacturers and go on growing, and in a glut it will not be short of supply.

Two ways around the cap are closed. The first is leasing. A small company under the cap could buy distressed chips and lease them straight to a giant, which would then control them as surely as if it had bought them. So capacity acquired in a distressed sale may not be leased to a capped company, or dedicated to its use under contract, for five years after the sale, which is most of a chip's working life. The second is getting there first. A giant that cannot buy a failed firm's assets can buy the firm a month before it fails. So once a company has given its early-warning notice (Section 5.4.2), neither its registered clusters nor control of the company may pass to a capped company, whether by purchase, by merger, or by a deal to hire its staff and license its technology. The notice is confidential, so the bar is applied when

[143] "12 U.S.C. § 1831u: Interstate bank mergers," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section1831u&num=0&edition=prelim. "The responsible agency may not approve an application for an interstate merger transaction if the resulting bank (including all insured depository institutions which are affiliates of the resulting bank), upon consummation of the transaction, would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States."

[144] "12 U.S.C. § 1828: Regulations governing insured depository institutions," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section1828&num=0&edition=prelim. "Subparagraph (A) shall not apply to an interstate merger transaction that involves 1 or more insured depository institutions in default or in danger of default, or with respect to which the Corporation provides assistance under section 1823 of this title."

[145] "Application by JPMorgan Chase Bank, National Association to purchase certain assets and assume certain liabilities of First Republic Bank," Office of the Comptroller of the Currency, May 1, 2023, https://www.occ.gov/topics/charters-and-licensing/app-by-jp-morgan-chase-bank.pdf. "The nationwide 10 percent deposit concentration limitation does not apply in this case because the Failed Entity is in receivership. 12 U.S.C. § 1828(c)(13)." Nupur Anand et al., "Insight: How JPMorgan's Dimon won the First Republic deal," Reuters, May 2, 2023, https://web.archive.org/web/20231129053734/https://www.reuters.com/business/finance/how-jpmorgans-dimon-won-first-republic-deal-2023-05-02/. "JPMorgan holds more than 10% of the nation's total bank deposits, and federal law prevents a large bank from an acquisition that would put it above that threshold. Acquisitions of failed banks can be exempted from the rule."

the parties file their transfer notice (Section 5.4.4): the FDIC, and later the FDIC-Tech, must object. A deal that breaks either rule is void on the same terms as a sale that breaks the cap.

### 5.4.6. Distressed Sales

When a registered cluster is sold out of a bankruptcy, a receivership, or a foreclosure — whether or not the seller was ever designated a SITI — the following order applies:

1. The public goes first. The assets are offered for sale to every eligible buyer, and the public has a right of first refusal, exercisable within the 30-day notice period, to acquire them for the National Research Cloud by matching the best eligible bid. It never pays less than the asset-based price defined in Section 7: where the best bid is lower than that price, or there are no bids, it pays the Section 7 price. The purchase is paid for from the Digital Stability Fund, which in a crisis means from its Treasury credit line (Section 9.2), and the public takes whole working sites. A bidder whose winning bid is matched is reimbursed its reasonable costs of bidding, as the opening bidder is in an ordinary bankruptcy sale, so that the public's option does not discourage others from bidding at all.
2. Buyers under the cap go second. Everything the public does not take is sold on the open market to licensed buyers below the 5% line: mid-size cloud companies, startups, universities, and ordinary businesses. Cheap hardware in their hands builds real competitors to the dominant firms, which the government cannot do alone.
3. Companies over the cap are barred.

Two Hats, Kept Apart: The seller in these sales and the public buyer must not be the same body. The receiver, which is the FDIC at first and the FDIC-Tech later, has a duty to the failed firm's creditors; the National Research Cloud is a separate public corporation with its own board (Section 8.1), and it is the Cloud, not the receiver, that decides whether to exercise the public's option and at what price. The FDIC has long worn two hats in the same way, as insurer and as receiver,[146] and the courts have accepted the arrangement, treating the two capacities as legally separate.[147] Independent appraisal (Section 7.3) and court review of the price (Section 7.5) sit on top of that separation.

Distressed sales of registered chips must run through approved channels. The receiver, trustee, or lender conducting the sale must verify and record every buyer, as banks already must for their customers, and must offer whole sites and large lots before breaking a cluster into small ones. Small-lot sales are the last resort, and they are where scrutiny concentrates.

Lenders keep their rights but not their choice of buyer. A lender with a lien on a registered cluster may still foreclose, but — like the holder of a lien on a nuclear plant — it may not operate the hardware without a license and may sell it only to a licensed buyer under the cap, after the public has had its option.

A paper registry will not stop a determined smuggler with a clean shell company. It will show exactly whose chips went missing — which today nobody could say.

[146] "1930–1939," Federal Deposit Insurance Corporation, May 15, 2025, https://www.fdic.gov/history/1930-1939. "With regard to failed bank resolution, the FDIC is required to be the receiver when a national bank fails; the FDIC could serve as receiver when state-chartered banks fail, but it took a number of years before the FDIC routinely served as receiver in such cases."

[147] "DeCell & Associates v. Federal Deposit Insurance Corporation, as Receiver for Guaranty Bank," uscourts.gov, November 1, 1994, https://www.ca5.uscourts.gov/opinions/pub/94/94-20165.CV0.wpd.pdf. "It is well-settled that the FDIC operates in two separate and legally distinct capacities, each with very different responsibilities."

### 5.4.7. Until the Registry Exists

None of Section 5.4 can be switched on in a week. There is no registry, so nobody can measure who controls 5% of the nation's computing capacity; and by the time one is built, the fire sale will be over. The emergency bill therefore does four things at once, and phases in the permanent rules behind them.

It identifies the barred buyers. Until the registry can measure market shares, the companies barred from acquiring distressed computing assets are fixed by a formula anyone can apply: the five largest providers of cloud computing services in the United States by revenue in the last fiscal year, and any company they control. From the date of introduction the same firms are barred from leasing distressed capacity, and from buying a company that has defaulted on a loan secured by its chips or is within 60 days of running out of cash (Section 5.4.5). The formula lapses when the registry's first measurement is published, and the 5% rule takes over.

It stops the race on the day of introduction. The freeze on seizures of collateral, the bar on sales to the dominant firms, and the public's first option all take effect on the date the bill is introduced in Congress, not the date it is signed. Tax bills have long used the same device, and for the same reason: otherwise the weeks of debate become a deadline, and every lender races to seize and sell before the door closes.[148]

It looks back. A sale of distressed computing assets to one of those firms made after the crisis began, on a date fixed in the bill, may be unwound by the receiver, with the buyer repaid what it paid. Bankruptcy law already lets a trustee reverse payments and transfers made in the 90 days before a failure; this applies the same idea to the assets that matter most.[149]

It orders an emergency census. Every owner or operator of 1,000 or more advanced AI accelerators — by performance level, whatever the maker, and including chips designed in-house — must report, within 14 days, what it holds or runs, where, who holds title to it, and who has lent against it. This is one job the Defense Production Act genuinely authorizes — it gives the President power to require information from industry[150] — and it was the authority behind the cluster-reporting requirement of 2023.[151] The census becomes the first edition of the registry.

The owner license, the 30-day notice for transfers, and serial-number tracking follow within a year. Distressed sales in the meantime run through the receiver, with every buyer identified and recorded.

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[148] "Retroactive Taxes," LII / Legal Information Institute, accessed September 27, 2026, https://www.law.cornell.edu/constitution-conan/amendment-5/retroactive-taxes. "It has been customary from the beginning for Congress to give some retroactive effect to its tax laws, usually making them effective from the beginning of the tax year or from the date of introduction of the bill that became the law." *Untermyer et al. v. Anderson, Collector of Internal Revenue*, 276 U.S. 440 (1928), https://www.law.cornell.edu/supremecourt/text/276/440. "The problem of preventing loss of revenue by transactions intervening between the date when legislation is introduced and its final enactment is not a new one"

[149] "Chapter 7 - Bankruptcy Basics," United States Courts, accessed September 27, 2026, https://www.uscourts.gov/court-programs/bankruptcy/bankruptcy-basics/chapter-7-bankruptcy-basics. "The trustee's avoiding powers include the power to: set aside preferential transfers made to creditors within 90 days before the petition"

[150] "50 U.S.C. § 4555: Investigations; records; reports; subpoenas; right to counsel," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title50-section4555&edition=prelim. "The President shall be entitled, while this chapter is in effect and for a period of two years thereafter, by regulation, subpoena, or otherwise, to obtain such information from, require such reports and the keeping of such records by, make such inspection of the books, records, and other writings, premises or property of, and take the sworn testimony of, and administer oaths and affirmations to, any person as may be necessary or appropriate, in his discretion, to the enforcement or the administration of this chapter and the regulations or orders issued thereunder."

[151] "Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence," Federal Register, November 1, 2023, https://www.federalregister.gov/documents/2023/11/01/2023-24283/safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence. "Within 90 days of the date of this order, to ensure and verify the continuous availability of safe, reliable, and effective AI in accordance with the Defense Production Act, as amended, 50 U.S.C. 4501 et seq., including for the national defense and the protection of critical infrastructure, the Secretary of Commerce shall require"

## 5.5. Community Innovation Hubs

The WGFAA also funds something that has nothing to do with failed companies or data centers, and that a crash makes more urgent: places for people to work. A Community Innovation Hub is a building — a community center for starting things. Residents who meet simple criteria sign up for a free membership: people starting a business, freelancers, students, workers retraining after a layoff, local nonprofits. They get a desk, meeting rooms, fast internet, workshops and classes, mentors, small-business counseling, and, above all, other people doing the same thing in the same room.

These places already exist, and they work. The efactory in Springfield, Missouri, run by Missouri State University, opened in 2013 in a converted downtown building with the help of a $2.75 million federal grant awarded in 2009.[152] It offers coworking space, offices, an accelerator, and training.[153] Its clients have gone on to create roughly 3,000 jobs as of its 2023 tenth anniversary and raise $153 million in investment,[154] and it has since added a third coworking space.[155] There are hundreds of similar hubs across the country, in old mills, libraries, and storefronts, run by universities, cities, and nonprofits.[156]

What the United States has never done is build them at scale. China did. Its "mass entrepreneurship and innovation" campaign, launched in 2015,[157] helped give China nearly 15,000 startup incubators, the most in the world,[158] and changed the country's culture around starting a company.[159] It also offers a warning: local officials chasing subsidies opened spaces that sat empty, and many closed once the money

[152]Michelle S. Rose, "The efactory: A place for movers, shakers, dreamers and doers," Alumni News, September 24, 2019, https://blogs.missouristate.edu/bearbulletin/2019/09/24/the-efactory-a-place-for-movers-shakers-dreamers-and-doers/. "The efactory, a Missouri State program, is a unique resource. … The efactory is in downtown Springfield. It's in a building known as the Missouri State University Robert W. Plaster Free Enterprise Center. Missouri State took over the building, a former poultry processing plant, in 2009. The efactory opened in 2013." "IDEA Commons at Missouri State University Brings Key Players Together to Boost Business Development, Advance Innovation," U.S. Economic Development Administration, May 6, 2018, https://www.eda.gov/impact/success-stories/innovation-and-entrepreneurship/idea-commons-missouri-state-university. "In 2009, EDA supported this regional vision by awarding a $2.75 million grant to help establish The eFactory, a tech-focused entrepreneurship center designed to accelerate startup companies and new small businesses."

[153]"Workspaces," missouristate.edu, December 19, 2022, https://efactory.missouristate.edu/workspaces/. "We offer flexible office workspace solutions for growing teams. Private offices at the efactory range in size from 150 to 1,300 square feet." "Training and Professional Development Home," missouristate.edu, August 14, 2026, https://efactory.missouristate.edu/training/. "We offer many types of training to help jumpstart new businesses all the way through leadership training for seasoned professionals at large corporations."

[154]"As Missouri State University's efactory celebrates 10 years in business, it's adding a third coworking space," KSMU Radio, July 20, 2023, https://www.ksmu.org/news/2023-07-20/as-missouri-state-universitys-efactory-celebrates-10-years-in-business-its-adding-a-third-coworking-space. "Clients have created roughly 3,000 jobs over the years, securing at least $153 million in capital equity for their companies."

[155]"New location offers expanded space for remote workers and entrepreneurs," missouristate.edu, July 19, 2023, https://efactory.missouristate.edu/blog/2023/07/19/new-location/. "At efactory's 10th Anniversary Celebration, efactory announced the opening of a third coworking space at Brick City building 3."

[156]"Small Business Incubators Income Tax Exemption Draft Evaluation," Oklahoma Incentive Evaluation Commission, October 1, 2024, https://oklahoma.gov/content/dam/ok/en/omes/documents/OklahomaSmallBusinessIncubators_Draft_10.1.2024.pdf. "According to estimates from the International Business Incubator Association, there are 1,400 incubators in the U.S." "City of Bloomington Takes Indiana Landmarks' Top Award for Rehabilitation of The Mill," in.gov, May 20, 2019, https://bloomington.in.gov/news/2019/05/20/4086. "The Mill opened as a coworking and business incubator space October 31, 2018. The Mill is being operated by Dimension Mill Inc., an independent 501(c)(3) nonprofit organization"

[157]"China's Innovation Ecosystem," World Economic Forum Global Agenda Council on China, August 2016, https://www3.weforum.org/docs/WEF_GAC_On_China_Innovation_WhitePaper_2016.pdf. "In 2015, China launched a pioneering programme called Mass Entrepreneurship and Innovation."

[158]"非凡"十四五"奋进新征程——"十四五"经济社会发展成就" [Extraordinary Progress on the New Journey — Achievements of the "14th Five-Year Plan" in Economic and Social Development], National Bureau of Statistics of China, June 2, 2026, https://www.stats.gov.cn/zt_18555/ztfx/sswjjshfzcjbg/202606/t20260601_1963836.html. "截至 2024 年底，全国孵化器数量近 1.5 万家" [By the end of 2024, the number of incubators nationwide was nearly 15,000.] "我国科技型企业孵化成果丰硕：孵化超 30 万家企业" [Our country's tech incubation efforts have yielded rich results: over 300,000 enterprises incubated - News Channel], CCTV, May 16, 2025, https://news.cctv.cn/2025/05/16/ARTIC5ZnJ9mNoDPQepsmmCWn250516.shtml. "我国科技型企业孵化器数量全球第一" [Our country's number of science and technology business incubators ranks first in the world.]

[159]Cheng et al., "The Emergence of Startup Ecosystems in China," Springer, Singapore, 2026, https://link.springer.com/chapter/10.1007/978-981-95-6513-9_6. "The MEI initiative has also fostered a cultural shift in China toward greater acceptance of entrepreneurship as a viable and prestigious career path."

moved on.[160] Federal support in the United States errs in the other direction. The main program for this purpose, the Economic Development Administration's Build to Scale, is funded at about $50 million a year, for grants ranging from the low hundreds of thousands of dollars up to $5 million; the Small Business Administration's 2025 accelerator competition gave first-stage prizes of $75,000;[161] and the regional Tech Hubs program was authorized at $10 billion but has received a small fraction of that.[162] The country knows how to do this. It funds it at a trickle.

Under the WGFAA:

- Grants go both to existing hubs and to new ones. Cities, counties, tribal governments, libraries, community colleges, universities, and nonprofits apply, and an established hub with a record of results can apply for money to expand.
- Every congressional district is guaranteed at least one funded hub, so that the program reaches rural areas, small cities, and neighborhoods far from any technology industry. The remaining money is awarded competitively.
- Grants cover both buildings and operations, run for several years, and require a modest local match that is waived for distressed communities.
- Funding follows use, not square footage. Hubs report their membership, the businesses started, and the jobs created, and renewal depends on those numbers — the lesson of China's empty incubators.
- The program is run by the Economic Development Administration, which already makes grants of exactly this kind, not by a new office.
- Each hub is governed locally. Where a Public Benefit Bank operates in the same community (Section 4), the two work together: the hub helps a business get started, and the bank lends to it. Once the National Research Cloud is running (Section 5.3.3), hub members are a natural first audience for its low-cost tier, but the hubs do not depend on it.

The hubs are paid for by the industry. The fee begins on enactment, and the first grants go out within 18 months (Section 13). When cable television was built out, cities required cable operators — as a condition of using the public's rights of way — to pay franchise fees of up to 5% of their gross cable service revenue,[163] part of which funded community studios where any resident could learn to make television.[164]

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[160]Reuters, "Insight - China's innovation economy a real estate bubble in disguise?" MarketScreener, July 7, 2016, https://www.marketscreener.com/news/latest/Insight-China-s-innovation-economy-a-real-estate-bubble-in-disguise-22640264. "Some local governments have rebranded empty office space as innovation centres." Sixth Tone, "Made in China: The Boom and Bust of Makerspaces," November 8, 2018, https://www.sixthtone.com/news/1003171/made-in-china-the-boom-and-bust-of-makerspaces. "Reacting to the oversupply of so-called makerspaces, the government and venture capitalists began tightening their purse strings."

[161]"SBA Growth Accelerator Fund Competition to Accelerate Innovation-Driven Ecosystem Building with Up to $9 Million in Awards," U.S. Small Business Administration, December 19, 2024, https://www.sba.gov/article/2024/12/19/sba-growth-accelerator-fund-competition-accelerate-innovation-driven-ecosystem-building-9-million. "The Stage One application offers $75,000 in cash prizes to organizations"

[162]"Tech Hubs and Build to Scale (B2S) Program Updates," Congress.gov, September 9, 2026, https://www.congress.gov/crs-product/IF13310. "From FY2023 through FY2026, EDA received a total of $200 million in appropriations for B2S … P.L. 117-167 established EDA's Tech Hubs program in FY2022 and authorized $10 billion in appropriations over five years (FY2023-FY2027)." "FY2024 Build to Scale Program Frequently Asked Questions," U.S. Economic Development Administration, September 2024, https://www.eda.gov/sites/default/files/2024-09/FY24-B2S-FAQs_FINAL.pdf. "The U.S. Congress appropriated funding in the amount of $50M for this competition. EDA expects to make 40-50 awards spanning from the low hundreds of thousands of dollars to the maximum of $5 million."

[163]"47 U.S.C. § 542: Franchise fees," U.S. Government Publishing Office, https://www.govinfo.gov/content/pkg/USCODE-2020-title47/html/USCODE-2020-title47-chap5-subchapV-A-partIII-sec542.htm. "Any cable operator may be required under the terms of any franchise to pay a franchise fee" "47 U.S.C. § 541: General franchise requirements," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=

The same principle later connected the nation's schools and libraries to the internet, through the E-Rate program, paid for by telecommunications carriers.[165] The WGFAA applies it to the AI industry: a Public Access Fee of 1% of U.S. revenue from AI and cloud services, charged to providers above the SITI revenue threshold (Section 5.2.2), is dedicated by statute to the hubs.

## 6. Legal Mechanisms for Receivership and Conversion

The implementation of the WGFAA relies on a robust set of legal authorities to carry out the receivership and conversion of failed institutions without lengthy litigation that would allow asset stripping or value destruction.

### 6.1. Statutory Authority and National Security Review

Direct Statutory Authority: The power to place a failed SITI in receivership and convert it comes from the WGFAA itself. It is tempting to reach instead for the Defense Production Act, but that would be a mistake. The DPA lets the President prioritize contracts and allocate scarce materials; it does not transfer the ownership of a company.[166] When President Truman seized the steel mills in 1952 without clear authority from Congress, the Supreme Court reversed him.[167] With clear authority from Congress the ground is firm. Congress has written special insolvency regimes for banks, for financial companies,[168] and — most to the point — for the bankrupt railroads of the Northeast, whose assets it conveyed in the 1970s to the

(title:47%20section:541%20edition:prelim). "Any franchise shall be construed to authorize the construction of a cable system over public rights-of-way"

[164] "Public, Educational, and Governmental (PEG) Access Cable Television Channels: Issues for Congress," everycrsreport.com, October 7, 2011, https://www.everycrsreport.com/reports/R42044.html. "Historically, many jurisdictions imposed a franchise fee of 5% of gross cable revenues on franchisees and then used a portion of those revenues to support PEG operations." "Wyandotte ConneX TV Studio," City of Wyandotte, Michigan, accessed September 27, 2026, https://www.wyandottemi.gov/338/Wyandotte-ConneX-TV-Studio. "Any resident of Wyandotte can take our free video workshop"

[165] "FCC Launches Modernization of E-rate Program to Deliver Students and Teachers Access to High-Capacity Broadband Nationwide," Federal Communications Commission, July 19, 2013, https://docs.fcc.gov/public/attachments/DOC-322288A1.pdf. "By 2005, the E-rate program had successfully connected 94% of U.S. classrooms to the Internet, and by 2006, nearly all public libraries were connected to the Internet (98%)." "The Universal Service Fund: How it Impacts the United States," Federal Communications Commission, August 8, 2024, https://docs.fcc.gov/public/attachments/DOC-404602A1.pdf. "As required by law, telecommunications carriers contribute a portion of their revenues to the Universal Service Fund."

[166] "Chapter 55—Defense Production," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?path=/prelim@title50/chapter55&edition=prelim. "The President is hereby authorized (1) to require that performance under contracts or orders (other than contracts of employment) which he deems necessary or appropriate to promote the national defense shall take priority over performance under any other contract or order, and, for the purpose of assuring such priority, to require acceptance and performance of such contracts or orders in preference to other contracts or orders by any person he finds to be capable of their performance, and (2) to allocate materials, services, and facilities in such manner, upon such conditions, and to such …" "Evaluating the Defense Production Act," Congress.gov, June 12, 2025, https://www.congress.gov/119/chrg/CHRG-119hhrg60988/CHRG-119hhrg60988.pdf. "As the DPA is currently constructed, it does not allow for the requisitioning of companies."

[167] *Youngstown Sheet & Tube Co. et al. v. Sawyer. Sawyer v. Youngstown Sheet & Tube Co. et al*, 343 U.S. 579 (1952), https://www.law.cornell.edu/supremecourt/text/343/579. "There is no statute that expressly authorizes the President to take possession of property as he did here. Nor is there any act of Congress to which our attention has been directed from which such a power can fairly be implied." "The President's Powers and Youngstown Framework," Constitution Annotated, accessed September 27, 2026, https://constitution.congress.gov/browse/essay/artII-S1-C1-5/ALDE_00013794/. "By a 6-3 vote, the Court held the seizure unconstitutional."

[168] "12 U.S.C. § 1821: Insurance Funds," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=(title:12%20section:1821%20edition:prelim). "The Corporation may… as receiver, place the insured depository institution in liquidation and proceed to realize upon the assets of the institution." "12 U.S.C. § 5384: Orderly liquidation of covered financial companies," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section5384&num=0&edition=prelim. "It is the purpose of this subchapter to provide the necessary authority to liquidate failing financial companies that pose a significant risk to the financial stability of the United States in a manner that mitigates such risk and minimizes moral hazard."

publicly created Conrail.[169] Creditors sued, and the Supreme Court upheld the conveyance.[170]

What the Constitution Requires: The conversion framework is built to meet four conditions. First, the firm must actually have failed (Section 5.2.1); wiping out the owners of a solvent company would be a taking of their property. Second, secured lenders must receive the value of their collateral, because a lien is property;[171] the Supreme Court struck down a New Deal farm-relief law in 1935 for stripping mortgage holders of theirs.[172] What they are owed is the collateral's value on the day of failure — not the amount of the loan. Third, every creditor must receive at least what an ordinary liquidation would have paid. Fourth, the courts have the last word on value: Congress cannot make its own price conclusive, so the valuation formula in Section 7 is the government's offer, and a creditor who believes liquidation would have paid more may sue the United States for the difference. The Conrail precedent is a caution here as well as a comfort — after years of litigation over what the railroads' assets had been worth,[173] the government settled with the Penn Central estate alone in 1980 for some $2.1 billion.[174] In a genuine glut, where liquidation values are low, that exposure is small. It is not zero, and the Treasury credit line in Section 9.2 is sized with it in mind, along with the added risk of acting late (Section 6.8).

CFIUS Review: The WGFAA mandates that any proposed sale of a SITI's assets, and any distressed sale of a registered computing cluster, is subject to automatic review by the Committee on Foreign Investment in the United States (CFIUS). This ensures that critical algorithms, training data, model weights, and data centers do not fall into the hands of foreign adversaries. The review occurs automatically; no party need petition for it.

## 6.2. Shareholder Wipeout and Creditor Discipline

The conversion process ensures that those who financed the bubble — shareholders first, then lenders — bear the cost of its failure, while the public gains lasting assets.

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[169] *Blanchette v. Connecticut General Insurance Corporations*, 419 U.S. 102 (1974), https://www.law.cornell.edu/supremecourt/text/419/102. "As a comprehensive solution to a national rail crisis precipitated by the entry into reorganization proceedings under § 77 of the Bankruptcy Act of eight major railroads in the northeast and midwest region of the country, Congress supplemented § 77 with the Regional Rail Reorganization Act of 1973 (Rail Act)." "In the Matter of the Central Railroad Company of New Jersey, Debtor," Justia, January 1, 2002, https://law.justia.com/cases/federal/appellate-courts/F2/579/804/126815/. "On April 1, 1976, the rail properties were finally conveyed to Conrail, and after that date the obligation of the bankrupt railroads to maintain rail services ceased."

[170] Supreme Court of the United States, "U.S. Reports: Regional Rail Reorganization Act Cases, 419 U.S. 102 (1974)," December 16, 1974, https://tile.loc.gov/storage-services/service/ll/usrep/usrep419/usrep419102/usrep419102.pdf. "The suits here were brought by the major creditors and sole shareholder of Penn Central." Eric W. Beshers, "Conrail: Government Creation & Privatization of an American Railroad," World Bank, March 15, 1989, https://documents1.worldbank.org/curated/en/265011468779360450/txt/multi-page.txt. "Of particular significance was the Supreme Court ruling, late in 1974, that upheld the constitutionality of the mandatory conveyance to Conrail of the properties specified in the Final System Plan."

[171] *Cecil W. Armstrong et al., Petitioners, v. United States of America*, 364 U.S. 40, https://www.law.cornell.edu/supremecourt/text/364/40. "We hold that there was a taking of these liens for which just compensation is due under the Fifth Amendment." "Wright v. Union Central Life Insurance Co. et al," United States Reports (U.S. Supreme Court), December 9, 1940, https://www.govinfo.gov/content/pkg/USREPORTS-311/pdf/USREPORTS-311-273.pdf. "Safeguards were provided to protect the rights of secured creditors, throughout the proceedings, to the extent of the value of the property."

[172] *Louisville Joint Stock Land Bank v. Radford*, 295 U.S. 555 (1935), https://supreme.justia.com/cases/federal/us/295/555/. "As here applied, it has taken from the Bank the following property rights recognized by the law of Kentucky: 1. The right to retain the lien until the indebtedness thereby secured is paid. 2. The right to realize upon the security by a judicial public sale."

[173] "CED-79-78 Information on U.S. Railway Association Contracts With Law Firms," U.S. General Accounting Office, 1979, https://www.gao.gov/assets/ced-79-78.pdf. "These valuations and the method by which they were determined were challenged by creditors and the trustees of the bankrupt estates."

[174] "Government Agrees to Pay Penn Central $2.1 Billion for Properties Given Conrail," The Washington Post, November 17, 1980, https://web.archive.org/web/20170828155059/https://www.washingtonpost.com/archive/business/1980/11/18/government-agrees-to-pay-penn-central-21-billion-for-properties-given-conrail/937c6ad9-2d93-4ffd-93c7-6ab253e85815/. "The agreement, which still must be approved by a special three-judge federal court, places a $1.46 billion value on the Penn Central properties in 1976 dollars. Interest since 1976 at the statutory rate of 8 percent, compounded annually, amounts to $653 million, bringing the total price to be paid Penn Central to $2.113 billion."

The Shell and the Successor: The receiver moves the failed firm's assets and operations — data centers, hardware, software, model weights, customer contracts, and staff — into a new public entity. The old company's shares and its debts stay behind in the shell of the failed firm. The new entity pays the shell the asset-based price defined in Section 7, and that money is distributed to the shell's creditors in order of priority. Whatever debt it does not cover is written off. The government does not assume the failed firm's debts. To do so would be to bail out its lenders, and a bailout of lenders is still a bailout.

Extinguishing Equity: Existing shareholders are wiped out completely. Executive stock options are canceled. This strictly enforces the principle that equity holders — who stood to gain unlimited upside from speculative bets — must bear the full cost of failure. There is no "haircut"; there is a zeroing out.

Secured Lenders: A lender with a lien on hardware or buildings is paid the value of that collateral on the day of failure, as the Constitution requires (Section 6.1), and no more.[175] A fund that lent $10 billion against GPUs now worth $3 billion receives $3 billion. The remaining $7 billion becomes an unsecured claim against the shell, where it will recover little or nothing. That loss is not a flaw in the framework. It is the market discipline that reckless lending has escaped for a generation. These lenders were not warned, which makes their legal challenges stronger (Section 6.8), but the lenders who finance the next build-out will know the rule, and credit for speculation will be scarcer and dearer for it, which is the point. The choice of how to settle belongs to the receiver, not the lender. It may take over a loan and keep making the payments, which makes sense when the collateral is worth more than the debt or the terms are good. It may pay the lender the collateral's current value and keep the hardware free and clear, either in cash or, as a bankruptcy court may already order, in installments with interest over several years. Or it may hand the collateral back and let the lender sell it, subject to the rules on distressed sales (Section 5.4.6). It will choose whichever costs the public least.

Contracts as Collateral: Several of the largest loans behind the build-out are secured by customer contracts as well as by hardware (Section 1.2.5 of the plan-ahead version), and a contract is worth something only while the provider keeps delivering.[176] Left to a liquidation, a failed provider goes dark, its customers cancel, and the contract is worth little more than what has already been earned. It is the receiver's freeze and the public's money that keep the contract alive. A lender's claim on a contract is therefore fixed at what the contract would have fetched on the day of failure with no rescue, and everything the contract earns afterward, through the receiver's work and the public's investment, belongs to the public entity. The public keeps the failed firm running; it does not, by doing so, make the lenders whole.

Who Is Paid First: Among unsecured claims, the WGFAA fixes the order of payment in the statute itself, before any firm is resolved:

1. Employees, for all earned wages, benefits, and accrued leave
2. Small suppliers and contractors, for the first $250,000 owed to each

[175] "68. The Government As Secured Creditor," justice.gov, December 7, 2018, https://www.justice.gov/archives/usam/civil-resource-manual-68-government-secured-creditor. "The minimum formulation of the secured creditor's constitutional right is that the value of the collateral at the time of the filing of the petition may not be injured by the debtor or by powers derived from the Bankruptcy Code."

[176] "CoreWeave Closes Landmark $8.5 Billion Financing Facility, Achieving First Investment-Grade Rated GPU-Backed Financing," March 31, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000129/ex991.htm. "The first investment-grade rated financing secured by HPC infrastructure and an associated customer contract."

3. Customers, whose prepaid credits and service contracts are carried over to the new public entity and honored in full — the counterpart of a bank's depositors
4. Local governments and utilities, for taxes and service bills
5. All other creditors — banks, bondholders, private credit funds, hedge funds, and private equity — in the ordinary order of priority

Congress sets payment priorities of this kind routinely: wages and taxes already rank ahead of general creditors in bankruptcy,[177] and depositors rank ahead of bondholders when a bank fails.[178]

No Favorites After the Fact: What the receiver may not do is decide, once a firm has failed, which creditors deserve to be paid. The 2009 rescue of Chrysler drew lasting criticism because secured lenders were seen to receive less than a favored creditor ranked below them,[179] and the perception that Washington picks winners among creditors was said to damage confidence in the rule of law.[180] An emergency bill cannot claim that its preferences were written down before the loans were made. What it can do is write them into the statute before any firm is resolved, so that the same order applies to every failure and no official chooses among creditors afterward.

Keeping the Lights On: One exception is practical rather than moral. The receiver may pay in full the creditors it needs in order to keep services running — the power company, critical vendors, the landlord of a site the public entity intends to keep. The FDIC has the same authority under Dodd-Frank, on the same condition: no other creditor may be left with less than a liquidation would have paid.[181]

Executive Clawbacks: Senior executives and directors who were substantially responsible for the failure must return the compensation they received in the five years before it — salary, bonuses, and the proceeds of stock sales alike. For every senior executive, regardless of fault, bonuses and stock-sale proceeds taken in the two years before the failure are recovered automatically. Leadership that extracted hundreds of millions in compensation while steering the firm toward insolvency does not get to keep those winnings.

This is not punitive; it is the restoration of basic market discipline. In a functioning capitalist system, equity holders accept risk of total loss in exchange for unlimited upside, and lenders accept the risk of loss in exchange for interest. For too long, executives, investors, and creditors in systemically important firms have enjoyed the upside while shifting the downside to the public. The WGFAA ends this arrangement.

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[177] "11 U.S.C. § 507: Priorities," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title11-section507&num=0&edition=prelim. "(8) Eighth, allowed unsecured claims of governmental units, only to the extent that such claims are for—" "11 U.S.C. § 726: Distribution of property of the estate," Legal Information Institute, https://www.law.cornell.edu/uscode/text/11/726. "(1) first, in payment of claims of the kind specified in, and in the order specified in, section 507 of this title"

[178] "Section 11. Insurance Funds," Federal Deposit Insurance Corporation, May 7, 2026, https://www.fdic.gov/federal-deposit-insurance-act/section-11-insurance-funds. "(i) Administrative expenses of the receiver. (ii) Any deposit liability of the institution. (iii) Any other general or senior liability of the institution."

[179] Roe et al., "How the Chrysler Reorganization Differed from Prior Practice," Journal of Legal Analysis, December 1, 2013, https://academic.oup.com/jla/article/5/2/399/858710. "Several major financial creditors insisted that priority in bankruptcy was not respected in the Chrysler bankruptcy."

[180] Warburton and A. Joseph, "Understanding the Bankruptcies of Chrysler and General Motors: A Primer," SSRN, April 19, 2010, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1532562. "Critics of the reorganizations assert that the bankruptcies threaten to undermine the rule of law."

[181] "12 U.S.C. § 5390: Powers and duties of the Corporation," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section5390&num=0&edition=prelim. "All claimants of a covered financial company that are similarly situated under paragraph (1) shall be treated in a similar manner, except that the Corporation may take any action (including making payments, subject to subsection (o)(1)(D)(i)) that does not comply with this subsection, if—"

Current law already allows a smaller clawback. When the FDIC winds down a failed financial giant under Dodd-Frank, it may recover two years of pay, salary included, from the executives and directors substantially responsible.[182] In this version the Act passes during a crisis, so its clawbacks reach back to pay received before it became law, and they will be challenged in court. Courts usually uphold laws that attach new costs to past conduct,[183] but in 1998 the Supreme Court barred a law from making a company pay for the health care of coal miners it had stopped employing more than 25 years before, a cost it could not have foreseen.[184] Recovering five years of pay from the people who ran a firm that failed on their watch is a far stronger case. The Act also provides that if a court rules otherwise, the clawbacks still reach everything paid after the Act became law.

### 6.3. Intellectual Property Preservation

A key legal challenge in tech bankruptcy is the treatment of intellectual property, which may be the firm's most valuable asset but also poses unique risks.

Preventing Deletion: The WGFAA grants the receiver the power to issue "preservation orders" that legally prohibit a failing AI company from deleting data or model weights. This overrides any internal "kill switches," contractual obligations to destroy data upon insolvency, or attempts by management to destroy evidence of safety violations. The assets are frozen in place pending conversion.

Algorithmic Disgorgement Exception: While the FTC has used "algorithmic disgorgement" (forced deletion of AI models) as a penalty for privacy violations, the WGFAA creates a "Public Trust Exception."[185] Models trained on illegally gathered data may need remediation, but the underlying model structures and weights can be preserved and "sanitized" for public research use rather than destroyed entirely. The technical knowledge embedded in these systems is not lost; it is redirected to public benefit.

### 6.4. Leased Data Centers

Much of the physical infrastructure of AI is not owned by the companies that use it.[186] A data center is often held by a separate shell company, financed by bondholders, and leased back to the AI firm or cloud provider.[187] Placing the tenant in receivership would deliver a lease, not a building.

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[182] "12 U.S.C. § 5390: Powers and duties of the Corporation," Office of the Law Revision Counsel, https://web.archive.org/web/20261005/https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section5390&num=0&edition=prelim. "The Corporation, as receiver of a covered financial company, may recover from any current or former senior executive or director substantially responsible for the failed condition of the covered financial company any compensation received during the 2-year period preceding the date on which the Corporation was appointed as the receiver of the covered financial company, except that, in the case of fraud, no time limit shall apply."

[183] *Usery v. Turner Elkhorn Mining Co*, 428 U.S. 1 (1976), https://supreme.justia.com/cases/federal/us/428/1/. "This is true even though the effect of the legislation is to impose a new duty or liability based on past acts."

[184] *Eastern Enterprises v. Apfel*, 524 U.S. 498 (1998), https://supreme.justia.com/cases/federal/us/524/498/. "We conclude that the Coal Act, as applied to petitioner Eastern Enterprises, effects an unconstitutional taking."

[185] Rebecca Kelly Slaughter, "Protecting Consumer Privacy in a Time of Crisis," Federal Trade Commission, February 10, 2021, https://www.ftc.gov/system/files/documents/public_statements/1587283/fpf_opening_remarks_210_.pdf. "Everalbum shows how we can apply this principle to privacy cases where companies collect and use consumers' data in unlawful ways: we should require violators to disgorge not only the ill-gotten data, but also the benefits—here, the algorithms—generated from that data."

[186] Synergy Research Group, "Hyperscale Operators to Account for 67% of all Data Center Capacity by 2031," srgresearch.com, April 7, 2026, https://www.srgresearch.com/articles/hyperscale-operators-to-account-for-67-of-all-data-center-capacity-by-2031. "Almost 60% of that hyperscale capacity is now in own-built, owned data centers with the balance being in leased facilities." "Form 10-K for the Fiscal Year Ended December 31, 2025," CoreWeave, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000104/crwv-20251231.htm. "We lease all of our data centers and certain equipment under lease agreements"

[187] "Client Alert: Emerging Litigation Risks in Financing AI Data Centers Boom," quinnemanuel.com, March 13, 2026, https://www.quinnemanuel.com/the-firm/publications/client-alert-emerging-litigation-risks-in-financing-ai-data-centers-boom/. "The SPV raises debt from institutional lenders, uses the proceeds to construct or acquire the data center, and upon completion, leases the facility back to the

As receiver for a technology company, the FDIC therefore holds the same powers it already holds over a failed bank's contracts.[188] It may take over a lease on its existing terms. It may reject a lease the public entity does not need, leaving the landlord with an ordinary unsecured claim in the shell. And where a site is essential and its lease was written at bubble-era prices, it may acquire the building from the shell company at the asset-based price in Section 7. Where the shell company exists only to keep a failed firm's debt off its books, the receiver may treat the two as one.

A Failed Laboratory's Compute Contracts: The same powers apply in reverse. A failed AI laboratory holds contracts to buy computing power worth tens or hundreds of billions of dollars from cloud providers and data center operators, far more than a public research institute can use. The receiver may keep such a contract, renegotiate it, or reject it. It keeps only the capacity the public institute needs, at prices renegotiated to the market after the crash, and the provider's claim for the rest is an unsecured claim in the shell. A provider that cannot survive the loss of that contract is itself resolved under this Act.

### 6.5. The Pension Protection Facility

The strongest argument for making lenders whole is that their losses are not really theirs. Private credit funds are financed by pension funds, life insurers, and banks.[189] Some bailouts of creditors since 2008 have been sold in part as a rescue of retirees.[190]

The WGFAA answers that argument directly: protect the pensioners, not the loans. Debt held for a pension fund takes the same haircut in the shell as debt held for a hedge fund. Giving it priority would not work in any case. Pension funds are rarely the lender of record — they invest through funds that also hold the money of sovereign wealth funds, billionaires, and insurers, so paying the fund pays them all — and a rule that pension-backed loans get repaid would turn pension money into the favored channel for the most reckless lending in the economy.[191]

Instead, the Act creates a Pension Protection Facility, financed by the same industry levies as the rest of the framework (Section 9.2) and kept entirely separate from the shell. In a crisis its first money comes

technology company." "Meta Announces Joint Venture with Funds Managed by Blue Owl Capital to Develop Hyperion Data Center," October 21, 2025, https://investor.atmeta.com/investor-news/press-release-details/2025/Meta-Announces-Joint-Venture-with-Funds-Managed-by-Blue-Owl-Capital-to-Develop-Hyperion-Data-Center/default.aspx. "A portion of capital raised by Blue Owl will be funded by debt issued to PIMCO and select other bond investors through a private securities offering."

[188] "12 U.S.C. § 1821: Insurance Funds," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=(title:12%20section:1821%20edition:prelim). "The conservator or receiver for any insured depository institution may disaffirm or repudiate any contract or lease— (A) to which such institution is a party; (B) the performance of which the conservator or receiver, in the conservator's or receiver's discretion, determines to be burdensome; and (C) the disaffirmance or repudiation of which the conservator or receiver determines, in the conservator's or receiver's discretion, will promote the orderly administration of the institution's affairs."

[189] Financial Stability Oversight Council, "FSOC 2024 Annual Report," December 6, 2024, https://home.treasury.gov/system/files/261/FSOC2024AnnualReport.pdf. "They hold private credit loans on their balance sheets, invest in funds as limited partners, and are involved in providing credit facilities to private credit funds." International Monetary Fund, "Global Financial Stability Report, April 2024, Chapter 2: "The Rise and Risks of Private Credit," April 16, 2024," April 2024, https://www.imf.org/-/media/Files/Publications/GFSR/2024/April/English/ch2.ashx. "Pension funds and insurers are the main investors in private credit funds globally"

[190] "November 9, 2008," Financial Stability Oversight Board, November 9, 2008, https://home.treasury.gov/sites/default/files/initiatives/financial-stability/about-tarp/finsob/Minutes/FINSOB-Minutes-November-9-2008.pdf. "Protect American jobs, savings and retirement security"

[191] "NBFIs in Focus: The Basics of Private Credit," The Teller Window, October 17, 2025, https://tellerwindow.newyorkfed.org/2025/10/17/nbfis-in-focus-the-basics-of-private-credit/. "These NBFI lenders are typically alternative asset managers, such as private equity firms, who package the loans in different investment vehicles. Other NBFIs—like pension funds, insurance companies, and sovereign wealth funds—then invest in those vehicles." Fang Cai and Sharjil Haque, "Private Credit: Characteristics and Risks," Federal Reserve, February 23, 2024, https://www.federalreserve.gov/econres/notes/feds-notes/private-credit-characteristics-and-risks-20240223.html. "Survey evidence from academic studies show that the largest investors, or Limited Partners (LP), in private credit funds are pension funds, insurance companies, family office, sovereign wealth funds and high net worth individuals."

from the Treasury credit line, which those levies repay, and it begins taking applications within 90 days (Section 13). A pension plan that can document losses arising from a WGFAA resolution may draw long-term loans at the Treasury's own rate or, where benefits to current retirees would otherwise be cut, grants. The Facility protects benefits, not fund balances, and its help comes with conditions: full disclosure of the plan's remaining exposure to private credit, and a ceiling on that exposure in the future.

The Facility is aimed chiefly at state and local pension plans, which are among the largest investors in private credit[192] and have no federal backstop of any kind;[193] private-sector pensions are already insured by the Pension Benefit Guaranty Corporation.[194] The precedent is recent. In 2021 Congress created a Special Financial Assistance program for failing union pension plans,[195] which by mid-2026 had approved some $78 billion in aid covering about 1.8 million participants.[196] That program rescued retirees from their plans' troubles without rescuing any private creditors.[197] Policyholders of life insurers are protected by the guaranty funds that every state already maintains; the insurers' investors, like the banks' bondholders, take their losses.[198]

### 6.6. Aid Means Conversion

In a crisis, most of the institutions that matter are not placed in receivership. They come asking. That was the pattern in 2008: the Treasury bought preferred shares in the banks with few conditions, took no control, left management and shareholders in place, and let bondholders be paid in full.[199] The alternative had been shown in 1933, when the Reconstruction Finance Corporation recapitalized thousands

[192]Fang Cai and Sharjil Haque, "Private Credit: Characteristics and Risks," Federal Reserve, February 23, 2024, https://www.federalreserve.gov/econres/notes/feds-notes/private-credit-characteristics-and-risks-20240223.html. "The Federal Reserve Board's Financial Stability Report (FSR) published in May 2023 showed that, based on Form PF data as of Q4 2021, public and private pension funds held about 31 percent ($307 billion) of aggregate private credit fund assets." John Bakie and Wassyl Abdessemed, "Investor Report H1 2025," Private Debt Investor, 2025, https://media.privatedebtinvestor.com/uploads/2025/07/h1-2025-investor-report-pdi.pdf. "US public pension funds continue to make the largest individual contributions to private credit funds in H1 2025."

[193]"State and Local Government Pension Plans: Governance Practices and Long-term Investment Strategies Have Evolved Gradually as Plans Take On Increased Investment Risk," U.S. Government Accountability Office, August 2010, https://www.gao.gov/assets/a308870.html. "While state and local plans have no guarantor, the majority of states have constitutional provisions prescribing how pension trusts are to be funded, protected, managed, or governed."

[194]"PBGC pension insurance: We've got you covered," Pension Benefit Guaranty Corporation, January 27, 2026, https://www.pbgc.gov/workers-retirees/learn/pension-insurance-coverage. "While we insure most private-sector pension plans, Congress has also defined exceptions that PBGC does not insure."

[195]"American Rescue Plan Act of 2021," 117th Congress (Public Law 117-2), March 11, 2021, https://www.govinfo.gov/content/pkg/PLAW-117publ2/html/PLAW-117publ2.htm. "SEC. 9704. Special financial assistance program for financially troubled multiemployer plans."

[196]"Multiemployer Defined Benefit (DB) Pension Plans: A Primer," Congress.gov, June 10, 2026, https://www.congress.gov/crs-product/R43305. "As of May 15, 2026, 196 SFA applications from 161 plans covering 1.8 million participants have been approved for SFA. The dollar amount of SFA for these approved plans is approximately $77.9 billion."

[197]"29 U.S.C. § 1432: Special financial assistance by the corporation," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?edition=prelim&num=0&req=granuleid%3AUSC-prelim-title29-section1432. "No reduction in a participant's or beneficiary's accrued benefit as of March 11, 2021" "29 CFR § 4262.13 - Restrictions on special financial assistance," Legal Information Institute, https://www.law.cornell.edu/cfr/text/29/4262.13. "May be used by the plan only to make benefit payments and pay administrative expenses"

[198]"State life and health insurance guaranty association offices," Pension Benefit Guaranty Corporation, September 10, 2021, https://www.pbgc.gov/workers-retirees/learn/state-life-health-insurance-guaranty. "All states, Puerto Rico, and the District of Columbia have guaranty associations that protect policyholders, up to specified limits, in the event an insurance company is financially unable to meet its obligations."

[199]"Treasury Announces TARP Capital Purchase Program Description," U.S. Department of the Treasury, October 14, 2008, https://home.treasury.gov/news/press-releases/hp1207. "The senior preferred shares will be non-voting, other than class voting rights on matters that could adversely affect the shares." *A Presidency in Peril.* "Treasury declined to replace management or seek seats on Citi's board." Robert W. Kolb, *The SAGE Encyclopedia of Business Ethics and Society* (2018). "Broadly speaking of the bailout of depository institutions, the federal government bailed out all creditors by ensuring that their claims were paid in full."

[200]"Final Report on the Reconstruction Finance Corporation: Pursuant to Section 6(c), Reorganization Plan No. 1 of 1957," U.S. Department of the Treasury, 1959, https://fraser.stlouisfed.org/title/final-report-reconstruction-finance-corporation-134/fulltext. "Beginning in March 1933, and continuing until 1945, the RFC authorized 4,480 subscriptions for the nonassessable preferred stock of 4,202 banks and trust companies."

of banks by taking preferred stock with voting rights,[200] and used those rights to replace managers and cap salaries.[201]

The Act sets one rule for all emergency support, in this version and in the plan-ahead version alike: **a firm that needs public money to survive has failed.** Any bank, and any systemically important technology company, that receives emergency federal support — a capital injection, a guarantee of its debts, a loan on terms the market would not offer, or the purchase of its assets above their market value — is placed into receivership and resolved under this Act. Its shareholders are wiped out, its lenders are paid on the terms in Section 6.2, its executives are subject to clawback, and the institution is converted.

The rule binds every federal agency, and it binds the Federal Reserve by name. The Fed's emergency lending power is a quiet route by which losses can be moved onto the public without a vote.[202] Under the Act, the Fed may go on lending against good collateral to solvent institutions through broadly available programs, which is its proper job. It may not create a program whose purpose or effect is to support the debts of failing AI companies, or the funds that lent to them, outside the terms of this Act.

This has a legal advantage as well as a moral one. A lender or an owner who has terms imposed on it can argue that its property was taken. One that accepts terms as the price of help it asked for has made a bargain. The more of the crisis that is handled by conditions on aid rather than by receivership, the stronger the Act's footing in court.

Ordinary liquidity is not aid. A sound bank borrowing from the Fed's discount window against good collateral, at the posted rate, has not failed. The test is whether the support is something a solvent firm could obtain on the same terms. Nor is a program open to every bank on the same terms aid: the deposit guarantee and the fee-paid guarantee of new borrowing in Section 4.1.5 do not put a bank into receivership.

### 6.7. Cases Already in Bankruptcy, Sales Already Made

By the time an emergency bill passes, some failed companies will already be in bankruptcy court, with their assets scheduled for auction. The Act moves them. Any pending bankruptcy case of a firm that meets the SITI thresholds, and the assets of any registered-size computing cluster held in any pending case, are transferred to the receiver, and the automatic stay of the Bankruptcy Code is replaced by the freeze in Section 5.2.1. Congress has done exactly this before. The railroads of the Northeast had been in bankruptcy for years when the Regional Rail Reorganization Act took their rail properties out of the

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"Information Regarding Subscriptions for Preferred Stock, or Loans Upon Preferred Stock by the Reconstruction Finance Corporation as Authorized in the ACT of Congress, Approved March 9, 1933," March 1933, https://fraser.stlouisfed.org/files/docs/publications/rcf/circulars/rfc_circ6_193303.pdf. "Substantial voting rights in all matters concerning the issuing institutions."

[201] James Butkiewicz, "Reconstruction Finance Corporation," EH.net Encyclopedia, accessed September 27, 2026, https://eh.net/encyclopedia/reconstruction-finance-corporation/. "The RFC officials at times exercised their authority as shareholders to reduce salaries of senior bank officers, and on occasion, insisted upon a change of bank management."

[202] "Federal Reserve: Emergency Lending," Congress.gov, March 27, 2020, https://www.congress.gov/crs-product/R44185. "Nevertheless, some of these transactions exposed the taxpayer to greater ex ante risks than the discount window because the terms of the programs had fewer safeguards" "GAO-12-122T, Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," U.S. Government Accountability Office, October 4, 2011, https://www.gao.gov/assets/a585576.html. "To the extent that Reserve Banks suffer losses on emergency loans, these losses would be deducted from the excess earnings transferred to Treasury."

[203] "Matter of Central Rr Co. of New Jersey, 473 F. Supp. 225 (D.N.J. 1979)," Justia Law, July 3, 1979, https://law.justia.com/cases/federal/district-courts/FSupp/473/225/2148144/. "The Central Railroad Company of New Jersey (Debtor) filed a petition for reorganization under § 77 of the

bankruptcy courts and conveyed them to Conrail,[203] and the Supreme Court upheld it.[204] Conrail, in other words, was the "oops" version: the law that was written after the collapse.

Sales completed before the Act takes effect are covered by the look-back in Section 5.4.7.

## 6.8. The Added Legal Risk of Acting Late

A law passed in advance changes what lenders expect, and a lender who expects the rule cannot claim to have been ambushed by it. A law passed in the middle of a crisis applies to loans that were made under the old expectations, and that is the ground on which it will be attacked.

The constitutional floor does not move: a secured lender must receive the value of its collateral,[205] and every creditor must receive at least what a liquidation would have paid[206] (Section 6.1). In a collapsing market both numbers are low, and the Act pays them. What is more exposed is everything that reduces the value of collateral after the loan was made — the bar on selling to the dominant firms, the freeze, the look-back. Lenders will argue that these rules took part of the value of their property, and some of those cases will be close. The Act prepares for that in three ways. It relies on conditions attached to aid wherever it can (Section 6.6). It sends every claim to a single court and makes money the only remedy, so that no lawsuit can stop a conversion (Section 7.5). And it sizes the Treasury line on the assumption that some judgments will be lost (Section 9.2).

## 6.9. What the Executive Can Do Alone

The crash has arrived, and the bill may still be in committee. It is worth being clear about how much of this plan the President and the agencies can carry out on existing authority while Congress acts. The answer is: the discipline, but not the conversion.

Without any new law, the executive branch can refuse to rescue on easy terms. The Treasury and the Federal Reserve set the conditions of any support they give, as they did in 2008, and a President can announce that no firm will receive emergency help without its shareholders being wiped out, its executives' pay clawed back, and the government taking control. The FDIC can place a failed bank in receivership and run it as a bridge bank for up to five years. The systemic-risk exception used in 2023 can protect the depositors of a bank that has already failed, one bank at a time.[207] The Defense Production Act lets the President order the chip census in Section 5.4.7, as the 2023 executive order did

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Bankruptcy Act on March 22, 1967 and was operated as a railroad by successive trustees until March 31, 1976 when most of its rail assets were conveyed to ConRail pursuant to the Regional Rail Reorganization Act of 1973, as amended, 45 U.S.C. § 701, et seq. (the 'Rail Act')." "Description of Revenue Provisions of H.R. 1930 and Background Relating to Proposed Transfer of Conrail to Norfolk Southern Corporation," Joint Committee on Taxation, April 30, 1985, https://www.govinfo.gov/content/pkg/GOVPUB-Y4_T19_4-PURL-gpo186743/pdf/GOVPUB-Y4_T19_4-PURL-gpo186743.pdf. "As of April 1, 1976, six of the seven bankrupt railroads conveyed rail properties selected by USRA to Conrail."

[204] *Blanchette v. Connecticut General Insurance Corporations*, 419 U.S. 102 (1974), https://www.law.cornell.edu/supremecourt/text/419/102. "The Rail Act coupled with the Tucker Act is valid as a reorganization statute"

[205] *Louisville Joint Stock Land Bank v. Radford*, 295 U.S. 555 (1935), https://supreme.justia.com/cases/federal/us/295/555/. "The bankruptcy power, like the other great substantive powers of Congress, is subject to the Fifth Amendment."

[206] "11 U.S.C. § 1129: Confirmation of plan," Legal Information Institute, https://www.law.cornell.edu/uscode/text/11/1129. "Will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of this title on such date"

[207] U.S. Government Accountability Office, "U.S. GAO," January 23, 2025, https://www.gao.gov/products/gao-25-107023. "The Treasury secretary invoked this exception for two banks that failed in March 2023." "Bank Failures: The FDIC's Systemic Risk Exception," Congress.gov, accessed September 27, 2026, https://www.congress.gov/crs-product/IF12378. "The FDIC can take a number of actions under the exception, but it can be used only in an FDIC receivership."

for large computing clusters.[208] Foreign buyers can be reviewed and exports controlled. And the Justice Department and the Federal Trade Commission can sue to block the largest fire-sale acquisitions under the antitrust laws.

Each of those has a limit. The FDIC must sell or otherwise resolve a bridge bank, and by the cheapest route.[209] A deposit guarantee for every bank needs a vote of Congress.[210] The census can be rescinded by the next President, as the last one was.[211] Antitrust law works one deal at a time, through the courts, over months; it does not reach chips sold in small lots, leases, or a rival's customers picked up after it goes dark; and it is weakest exactly in a crash, because the courts have allowed otherwise illegal acquisitions of a failing company for nearly a century when no other buyer exists.[212] In 2008 the government did not merely allow the crisis mergers; it facilitated several of them.[213]

What the executive cannot do at all is convert. There is no public bank charter for the FDIC to use, no receivership power over a technology company, no appropriation with which to buy a data center, no authority to levy the industry or to borrow for a resolution fund, and no way to move a case out of bankruptcy court. When President Truman seized the steel mills without an Act of Congress, the Supreme Court reversed him.[214] A President who put an AI company into receivership by executive order would

[208] "50 U.S.C. § 4555: Investigations; records; reports; subpoenas; right to counsel," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title50-section4555&edition=prelim. "The authority of the President under this section includes the authority to obtain information in order to perform industry studies assessing the capabilities of the United States industrial base to support the national defense." "Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence," Federal Register, November 1, 2023, https://www.federalregister.gov/documents/2023/11/01/2023-24283/safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence. "Companies, individuals, or other organizations or entities that acquire, develop, or possess a potential large-scale computing cluster to report any such acquisition, development, or possession, including the existence and location of these clusters and the amount of total computing power available in each cluster."

[209] "Insured Depository Institution Resolutions Handbook," Federal Deposit Insurance Corporation, February 27, 2025, https://www.fdic.gov/bank-failures/resolutions-handbook.pdf. "Under U.S. law, the FDIC can operate a BDI for two years, with three potential one-year extensions, after which the BDI must be sold or otherwise resolved." "12 U.S.C. § 1823: Corporation monies," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section1823&num=0&edition=prelim. "The least costly to the Deposit Insurance Fund of all possible methods for meeting the Corporation's obligation under this section"

[210] "Bank Failures: The FDIC's Systemic Risk Exception," Congress.gov, accessed September 27, 2026, https://www.congress.gov/crs-product/IF12378. "In 2010, the Dodd-Frank Act (P.L. 111-203) limited the systemic risk exception to receiverships to rule out its future use for broadly based programs." "FDIC Releases Comprehensive Overview of Deposit Insurance System, Including Options for Deposit Insurance Reform," Federal Deposit Insurance Corporation, May 1, 2023, https://www.fdic.gov/news/press-releases/2023/pr23035.html. "These proposed options would require Congressional action, though some aspects of the report lie within the scope of the FDIC's rulemaking authority."

[211] "Executive Order 14148—Initial Rescissions of Harmful Executive Orders and Actions," U.S. Government Publishing Office, January 20, 2025, https://www.govinfo.gov/content/pkg/DCPD-202500115/html/DCPD-202500115.htm. "The following executive actions are hereby revoked" "Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence," Federal Register, November 1, 2023, https://www.federalregister.gov/documents/2023/11/01/2023-24283/safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence. "Companies, individuals, or other organizations or entities that acquire, develop, or possess a potential large-scale computing cluster to report any such acquisition, development, or possession, including the existence and location of these clusters and the amount of total computing power available in each cluster."

[212] *International Shoe Co. v. FTC*, 280 U.S. 291 (1930), https://supreme.justia.com/cases/federal/us/280/291/. "Shortly stated, the evidence establishes the case of a corporation in failing circumstances, the recovery of which to a normal condition was, to say the least, in gravest doubt, selling its capital to the only available purchaser in order to avoid what its officers fairly concluded was a more disastrous fate." "Power shopping for an alternative buyer," Federal Trade Commission, March 31, 2015, https://www.ftc.gov/enforcement/competition-matters/2015/03/power-shopping-alternative-buyer. "The case law is clear that in the context of arguing that an otherwise anticompetitive transaction should proceed because the acquired firm is failing, the merging parties must show that the acquiring company is the only available purchaser."

[213] Martin Neil Baily, William Bekker and Sarah E. Holmes, "The big four banks: The evolution of the financial sector, Part I," The Brookings Institution, May 2015, https://www.brookings.edu/wp-content/uploads/2016/07/big-four-final.pdf. "To ensure that financial markets continued to operate as the financial crisis unfolded in 2008, the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), and the Department of the Treasury facilitated a number of major transactions among the largest financial institutions."

[214] "The President's Powers and Youngstown Framework," Constitution Annotated, Library of Congress, accessed September 27, 2026, https://constitution.congress.gov/browse/essay/artII-S1-C1-5/ALDE_00013794/. "Consequently, while Congress could have directed the President to seize the steel mills, the President could not seize them absent congressional authorization, even if he believed that such an action was necessary to avert a national catastrophe."

meet the same fate. The executive's tools end where this plan's real work begins, which is the reason to pass it.

## 7. The Valuation Mechanism

### 7.1. Protecting the Taxpayer

A critical failure of past bailouts has been the government's willingness to overpay for stakes in distressed financial firms, effectively subsidizing the mistakes of private investors with public funds.[215] The WGFAA introduces a strict statutory formula for the acquisition of failed entities that ensures taxpayers get a fair deal.

### 7.2. The "Asset-Based" Valuation Standard

The government is prohibited from using "market value" or "income-based" valuation approaches, which still carry the bubble's speculative growth projections and hype-driven goodwill. Instead, the WGFAA mandates an Asset-Based Valuation.

### 7.3. The Valuation Formula

The price the public entity pays the shell for a failed firm's assets (Section 6.2) is calculated as:

P = TA + IPproven Where:

- P = Purchase Price
- TA = Tangible Assets at their orderly liquidation value on the day of failure: what the data centers, servers, and GPUs would fetch in a properly marketed sale over a period of 90 days — not the original purchase price, and not the fire-sale price a forced seller would get in a week. If there is a market glut of GPUs, they are valued at the current depressed market rate. Working data centers are valued as working sites, not as the sum of their parts. The value is set by independent appraisers drawn from a panel the Act establishes, on the evidence of actual arm's-length sales: once the chip registry exists (Section 5.4.2), a published index of recorded resale prices by chip model and age; until then, dealer quotations and auction results.
- IPproven = Proven Intellectual Property. This is defined strictly as patents and software with demonstrated, historical revenue generation. It explicitly excludes projected future revenue or "potential" applications.
- Customer contracts are counted within TA on one rule: at what they would have fetched on the day of failure with no rescue, which for a provider whose customers could cancel on its insolvency is little more than the amounts already earned. Revenue the receiver preserves by keeping the firm running is not paid to the lenders (Section 6.2).

[215] "Valuing Treasury's Acquisitions," Congressional Oversight Panel, February 6, 2009, https://www.govinfo.gov/content/pkg/CPRT-111JPRT47178/pdf/CPRT-111JPRT47178.pdf. "Extrapolating these results using appropriate weighting to all capital purchases made in 2008 under TARP, Treasury paid $254 billion, for which it received assets worth approximately $176 billion, a shortfall of $78 billion."

- Liabilities are not deducted. The failed firm's debts stay behind in the shell and are paid out of P, in the order of priority set in Section 6.2. Deducting them would leave nothing for the secured lenders the Constitution protects (Section 6.1).[216]
- Speculative goodwill counts as zero. The formula gives no value to goodwill, brand value, or "hype." In traditional M&A, goodwill often accounts for the premium paid over fair value; the WGFAA prohibits the taxpayer from paying this premium.

### 7.4. Implications for Investors

This formula ensures that equity holders and unsecured creditors take a significant loss — as they should in any properly functioning market.

Hardware Realism: If a company spent billions on H100 GPUs that are now worth a fraction of that due to an inventory glut, the government pays the current depressed value, not the purchase price. The company's poor timing is not the taxpayer's problem.

No Payoff for Hype: Investors who bought in at 24x revenue multiples based on future "AGI" promises will be wiped out. The government pays only for the "bricks and mortar" of the digital age — physical infrastructure and proven intellectual property — ensuring the public gets a fair deal on the assets it is acquiring.

Moral Hazard Prevention: By refusing to honor speculative valuations in this resolution, the WGFAA discourages the bubble dynamics that would lead to the next crisis. Investors will not again assume that the government will validate their most optimistic projections.

### 7.5. The Formula, the Courts, and the Licensed Market

The formula is the government's offer, not the final word. As Section 6.1 explains, a secured creditor is owed the current value of its collateral and every creditor is owed at least what liquidation would have paid, and a creditor who believes the formula falls short of that may ask a court to say so. The receiver decides what happens and when, as the FDIC has done in its roughly 90 years as a receiver:[217] which loans it takes over, which it pays off, and what it offers. No court may hold up a conversion while it is under way. Courts decide afterward whether a creditor was paid enough, and their remedy is money, not the unwinding of the conversion. To keep hundreds of creditors from litigating the same questions in courts all over the country, every valuation claim under the Act, and every challenge to a designation, goes to a single designated federal court, as Congress arranged when it created a special court to value the bankrupt railroads' property for Conrail.[218] The formula is built to survive that test, because it pays

[216] *Wright v. Union Central Life INS. CO. et al*, 311 U.S. 273 (1940), https://www.law.cornell.edu/supremecourt/text/311/273. "Safeguards were provided to protect the rights of secured creditors, throughout the proceedings, to the extent of the value of the property."

[217] Federal Deposit Insurance Corporation, "Annual Report of the Federal Deposit Insurance Corporation," August 15, 1935, https://www.fdic.gov/about/financial-reports/reports/archives/fdic-ar-1934.pdf. "One of the insured banks suspending during 1934 was a national bank, and the Corporation was appointed receiver for this bank, as required by law."

[218] "Regional Rail Reorganization Act Cases," Supreme Court of the United States, December 16, 1974, https://www.govinfo.gov/content/pkg/USREPORTS-419/pdf/USREPORTS-419-102.pdf. "The Rail Act in terms vests the Special Court with the initial responsibility for valuation determinations, subject to review by this Court." "45 U.S.C. § 719: Judicial review," Legal Information Institute, https://www.law.cornell.edu/uscode/text/45/719. "Within 30 days after January 2, 1974, the Association shall make application to the judicial panel on multi-district litigation authorized by section 1407 of title 28 for the consolidation in a single, three-judge district court of the United States of all judicial proceedings with respect to the final system plan."

precisely what the courts protect: the value of tangible assets in the market as it actually exists on the day of failure.

That market is shaped by the rules in Section 5.4. Fair value is what a willing and eligible buyer would pay. When the companies that dominate computing are barred from distressed sales, the eligible buyers are the public utility and the mid-size firms under the cap, and the price reflects what the hardware is worth to them rather than what a giant would pay to keep it out of a rival's hands. This is not a device for underpaying, and it cannot be one. Where there is a working market in used hardware, the public cannot durably pay less than that market: the right of first refusal works by matching the best eligible bid (Section 5.4.6), and a lender paid less than its collateral would really have fetched will collect the difference in court. The savings the Act produces do not come from buying hardware cheaply. They come from paying nothing for goodwill and projected revenue, and from writing off the gap between what was lent and what the collateral is worth.

Two rules of compensation law bear on the price, and they pull in opposite directions. Value created by the government's own demand for a property is excluded from what it must pay, so a lender cannot claim a premium produced by the public's bid.[219] But courts also disregard a fall in value caused by the government's own project, and a lender whose loan predates the Act will argue that the bar on selling to the dominant firms is exactly that.[220] In this version nearly every loan predates the Act, so that argument will be made in nearly every case. The Act does not depend on winning it. The remedy is money, and the Treasury credit line is sized on the assumption that some of these judgments will be lost (Section 6.8). Lenders who finance chips after it passes will lend with its rules in view.

## 8. Governance, Operations, and Democratic Oversight

Converting failed entities into public institutions is only the first step; governing them effectively to serve the public interest is the long-term challenge. The WGFAA establishes governance structures designed to balance expertise, accountability, and democratic legitimacy.

### 8.1. The Public Corporation Structure

The converted technology companies and the largest converted banks are chartered by the Act as federal public corporations, on the model of the Tennessee Valley Authority: they have no shares, so there is nothing for a later administration to sell, and they may be privatized only by an Act of Congress.[221] Conrail, created by Congress in the 1970s, was sold back to private investors in 1987; the charter is written

[219] *United States v. Cors*, 337 U.S. 325 (1949), https://www.law.cornell.edu/supremecourt/text/337/325. "We believe, however, that these exceptions are merely illustrations of a principle which excludes enhancement of value resulting from the government's special or extraordinary demand for the property."

[220] *United States v. Reynolds*, 397 U.S. 14 (1970), https://www.law.cornell.edu/supremecourt/text/397/14. "And it was perceived that to permit compensation to be either reduced or increased because of an alteration in market value attributable to the project itself would not lead to the 'just compensation' that the Constitution requires."

[221] "Form 10-K for the Fiscal Year Ended September 30, 2025," Tennessee Valley Authority, September 30, 2025, https://www.sec.gov/Archives/edgar/data/1376986/000137698625000056/tve-20250930.htm. "As a wholly-owned government corporation, TVA is not authorized to issue equity securities. … Congress can enact legislation expanding or reducing TVA's activities, change TVA's structure, and even eliminate TVA. Congress can also enact legislation requiring the sale of some or all of the assets TVA operates or reduce the U.S.'s ownership in TVA."

so that this cannot happen quietly.[222] The charter requires the board of directors to serve a specific public benefit purpose. Local and regional banks are not federal corporations: they belong to their depositors, or to a state or city, and choose their boards as Section 4.1.4 describes. The rules below apply to them as well, except that the rule on fixed terms matters only where directors are publicly appointed.

Fiduciary Duty Shift: The charter will explicitly state that the board's primary fiduciary duty is to the public interest — defined as safety, equitable access, local economic development, and scientific advancement — rather than maximizing shareholder value. This legal insulation protects the organization from market pressures to release unsafe products, cut corners on service, or abandon the communities it serves.

Stakeholder Boards: The boards of the federal public corporations will be composed of a diverse mix of stakeholders:

- Representatives from the scientific and technical community (for AI institutes)
- Representatives from served communities (for the largest banks)
- Civil society organizations focused on relevant policy areas
- Government appointees ensuring public accountability
- Workforce representatives ensuring employee voice

This structure ensures a plurality of perspectives in decision-making and prevents capture by any single interest group.

Five rules apply to every board:

- An interim board first. A stakeholder board takes months to assemble, and a converted institution has to open on Monday. The receiver appoints a small professional interim board and a chief executive at conversion, as the FDIC does for a bridge bank, and the permanent board is seated within 18 months.[223]
- Fixed terms, not confirmation fights. Publicly appointed directors serve fixed, staggered terms, with no more than a bare majority from one political party, and a director whose term has ended serves until a successor is appointed. Some boards that depend on Senate confirmation sit half empty for years;[224] the Postal Service's board had no confirmed members at all for a stretch in 2016 and 2017.[225]
- Expertise, and no sitting politicians. A majority of every board must have relevant professional experience in banking, computing, or research, and no sitting elected official may serve. Germany's local

[222]"Federal Assistance to Troubled Industries: Selected Examples," Congress.gov, March 19, 2020, https://www.congress.gov/crs-product/R46277. "It provided for the creation of Conrail—officially the Consolidated Rail Corporation—as a quasi-private for-profit corporation that would take over operations of various bankrupt railroads in the Northeast and Midwest. … The government's 85% stake in the company was sold through an initial public offering in 1987"

[223]"Section 11. Insurance Funds," Federal Deposit Insurance Corporation, May 7, 2026, https://www.fdic.gov/federal-deposit-insurance-act/section-11-insurance-funds. "A bridge depository institution, upon the granting of its charter, shall be under the management of a board of directors consisting of not fewer than 5 nor more than 10 members appointed by the Corporation." "FDIC Establishes Signature Bridge Bank, N.A., as Successor to Signature Bank, New York, NY," Federal Deposit Insurance Corporation, March 12, 2023, https://www.fdic.gov/news/press-releases/2023/pr23018.html. "The FDIC named Greg D. Carmichael as CEO of Signature Bridge Bank, N.A."

[224]Export-Import Bank of The United States, "EXIM's Implementation of Key Provisions of the 2015 Reform and Reauthorization Act," exim.gov, May 23, 2019, https://img.exim.gov/s3fs-public/oig/reports/Final%20Memo%20Report%20-%20EXIM%27s%20Implementation%20of%20Key%20Provisions%20of%20the%202015%20Reauthorization%20Act.pdf. "From July 2015 to April 2019, the Bank did not have more than two serving board members, thus no quorum existed."

[225]United States Postal Service Office of Inspector General, "Semiannual Report to Congress - Spring 2017," March 2017, https://www.uspsoig.gov/sites/default/files/reports/2023-01/SARC_Spring_2017_0.pdf. "The last remaining governor left the board on December 8, 2016, when his holdover term expired, leaving the Postal Service in the unprecedented situation of having no presidentially-appointed governors."

savings banks came through 2008 well;[226] its large regional public banks, whose boards were full of politicians,[227] lost tens of billions in the crisis, partly on American mortgage securities.[228] The narrow mandate in Section 4.1.3 is the first defense against that; the composition of the board is the second.

- Ordinary supervision. A Public Benefit Bank is examined and supervised like any other bank, by the same regulators and to the same standards. Who owns it makes no difference.
- No return for the responsible. A director or executive found substantially responsible for a failure may not serve at any institution converted under this Act, in addition to the industry-wide bans regulators can already impose.[229]

What the Act Does Not Promise: The Act does not promise that the directors of the federal public corporations are beyond a President's reach, because that is no longer a promise Congress can be sure of keeping. In June 2026, in Trump v. Slaughter, the Supreme Court held that officials who exercise executive power must be removable by the President at will,[230] and it struck down the protection Congress had given the members of the Federal Trade Commission.[231] It kept an exception for the Federal Reserve.[232] Whether the directors of a public bank or a public computing utility exercise executive power in that sense has not been decided, and the Act is written to work either way. What protects these institutions is not the tenure of their directors. It is what the statute fixes and no board can change: the mission and the list of barred activities, the rule that nothing can be privatized without an Act of Congress, ordinary bank supervision, and the public record of what each institution does. Local and regional banks are outside the question altogether, because their depositors choose their boards. None of this makes the plan safe from a hostile administration. A President who wanted these institutions to fail could appoint directors who would run them badly, and no statute prevents that. The plan will work under an administration that wants it to work, and it is written for one.

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[226]Deutsche Bundesbank, "The performance of German credit institutions in 2008 - September 2009," Deutsche Bundesbank Monthly Report, September 2009, https://www.bundesbank.de/resource/blob/622344/85de857f6d391e773c0bf54bfadf7133/mL/2009-09-performance-credit-institutions-data.pdf. "It was notably the institutions active in retail business (savings banks, credit cooperatives and regional banks) that were able to post a positive result even in a year of crisis."

[227]Hau et al., "Subprime crisis and board (in-)competence: private vs. public banks in Germany," CESifo Working Paper, May 2009, https://www.econstor.eu/bitstream/10419/30423/1/603311164.pdf. "The practice of having politicians and politically appointed bureaucrats as owner representatives in the supervisory boards."

[228]Ifo Institute for Economic Research, "Driving Factors of the Subprime Crisis and Some Reform Proposals," CESifo DICE Report, 2008, https://www.ifo.de/DocDL/dicereport308-forum3.pdf. "By May 2008, the Landesbanken had reported writedowns of USD 21 billion" Martin Hellwig, "Germany and the Financial Crises 2007 – 2017," Sveriges Riksbank, June 2018, https://www.riksbank.se/globalassets/media/konferenser/2018/germany-and-financial-crises-2007-2017.pdf. "Additional risk taking by the Landesbanken also took the form of investments in mortgage-related securities (MBS and ABS CDOs) in the United States"

[229]"12 U.S.C. § 1818: Termination of status as insured depository institution," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title12-section1818&num=0&edition=prelim. "The appropriate Federal banking agency for the depository institution may serve upon such party a written notice of the agency's intention to remove such party from office or to prohibit any further participation by such party, in any manner, in the conduct of the affairs of any insured depository institution."

[230]"25-332 Trump v. Slaughter (06/29/2026)," Supreme Court of the United States, June 29, 2026, https://www.supremecourt.gov/opinions/25pdf/25-332_qn12.pdf. "All we do today is recognize what has been clear for a century—that those who fall within the President's 'general administrative control' must be removable by the President at will."

[231]"Trump v. Slaughter and the Future of For-Cause Removal," Congress.gov, accessed October 4, 2026, https://www.congress.gov/crs-product/LSB11448. "The Court's decision in Slaughter renders the provisions limiting the removal of FTC commissioners, including Rebecca Slaughter, no longer applicable."

[232]"Trump v. Slaughter and the Future of For-Cause Removal," Congress.gov, accessed October 5, 2026, https://www.congress.gov/crs-product/LSB11448. "In particular, the Court identified the Federal Reserve as outside the ambit of its decision, although on the same day Slaughter was issued, the Court issued its decision in Trump v. Cook, upholding the constitutionality of removal protections for Federal Reserve Board of Governors members because of the Federal Reserve's 'distinct historical tradition."

Compensation Structure: To retain talent, particularly for AI research institutes competing with private sector salaries, the WGFAA authorizes competitive compensation bands tied to private sector rates. However, compensation is capped at reasonable multiples of median worker pay, and equity-equivalent structures (such as deferred compensation tied to public benefit metrics) replace stock options tied to share price.

### 8.2. Civic Data Trusts

To manage the massive datasets held by converted AI firms, the WGFAA establishes Civic Data Trusts.

Fiduciary Stewardship: User data and training data are transferred into a trust structure. The trust owes a fiduciary duty to the data subjects (the public), not to the corporation using the data. Trustees are legally obligated to act in the interest of data subjects, not institutional convenience.

Democratic Governance: The trust establishes mechanisms for public input and democratic oversight regarding how data is used. It can negotiate the terms under which data is accessed for training, ensuring privacy protections and fair treatment of data creators. Unlike the current regime — where users surrender data rights in unreadable terms of service — the trust gives the public a meaningful voice in data governance.

Transparency Requirements: The trust publishes regular reports on data holdings, uses, and access grants. Researchers and the public can understand what data exists and how it is being used, replacing the current opacity with democratic accountability.

### 8.3. Operational Resilience and Continuity of Service

Keeping a failed bank open over a weekend is a solved problem. Keeping a failed AI company running is harder, for two reasons: a failed bank roughly pays its own way from Monday morning, while an AI company may be losing money every day; and an AI company's most important assets can walk out of the door. The plan-ahead version prepares for both before any failure occurs. In a crisis there has been no preparation, and this section sets out what takes its place.

Continuity Protocols: Every SITI that remains private is required to maintain detailed technical documentation, code escrow arrangements, and service continuity protocols for critical APIs, as part of the conversion planning described in Section 5.3, within 18 months of enactment (Section 13). If such a firm fails later, these preparations allow a far smoother transition. The firms that fail first will have none of them.

Escrowed Access: Whoever holds a system's master credentials can lock everyone else out of it. On the same schedule, every SITI that remains private must keep emergency administrative access to its critical systems in escrow with the FDIC-Tech, tested at least once a year, so that a receiver would control the systems from the first hour and the security of model weights would not depend on the goodwill of departing staff. For a firm already in receivership, the 24-hour handover rule under "Without Preparation" below does that job.

Keeping the People: At AI companies much of an engineer's pay is stock, and conversion has just made

that stock worthless.[233] The dominant firms will be recruiting the failed firm's staff by Monday morning. The charter's ban on mass layoffs protects workers from the institution; it cannot stop them from leaving it. From the first day of a conversion, the receiver therefore pays retention bonuses, from the Treasury credit line, to the operations, security, and research staff needed to keep services running, and the compensation bands described in Section 8.1 take effect immediately.

Stop the Burn, Keep the Service: Continuity of service does not mean that the public funds a failed company's growth strategy. Most of an AI company's losses come from training the next model and building ahead of demand; serving existing paying customers is far closer to covering its own costs. The receiver halts speculative spending at once, keeps critical users and paying customers running without interruption, and brings free consumer tiers into line with what the public mission can support, by pricing them or limiting them.

Paying as It Goes: The automatic freeze (Section 5.2.1) stops power companies, landlords, and suppliers from cutting off a firm in receivership over its old debts, but they will keep serving it only if they are paid from that day forward. The receiver pays current bills in full from the Treasury credit line (Section 9.2). Old bills wait in the shell with the other creditors.

Hosted Services: Many AI labs own little hardware and run on computing power rented from a cloud provider — which, when the lab fails, becomes one of its unpaid creditors. The freeze bars the host from cutting off service; the receiver pays the host for service going forward. If the host is itself failing, the receiver resolves the two together.

An Operator of Last Resort: The FDIC does not run the banks it resolves with its own staff. It keeps the failed bank's employees and installs an experienced outside chief executive drawn from a roster vetted in advance. No such roster exists yet for technology companies. In a crisis the receiver keeps the failed firm's own people, as described under "Without Preparation" below, and for deep operational support it turns to the Department of Energy's national laboratories, which already operate the highest-ranked supercomputers in the country and serve as operator of last resort and as a source of seasoned managers for converted computing facilities.[234]

Safety Standards: Public AI research institutes adopt the highest standards of AI safety testing, interpretability research, and transparency. They serve as the gold standard for responsible AI development, demonstrating that safety and capability are not in tension. Their practices pressure the surviving private sector to raise its own standards through competitive pressure.

Workforce Retention: Converted institutions are prohibited from mass layoffs as a condition of their charters. Workforce retention is part of the public mission. Employees of failed private firms become employees of public institutions, preserving human capital and preventing the brain drain that an industry collapse otherwise brings.

[233]Preston Fore, "OpenAI is paying workers $1.5 million in stock-based compensation on average, the highest of any tech startup in history," Fortune, February 18, 2026, https://finance.yahoo.com/news/openai-paying-workers-1-5-154647420.html.

[234]"June 2026," TOP500, June 2026, https://top500.org/lists/top500/2026/06/. "The El Capitan system at the Lawrence Livermore National Laboratory, California, USA, moves to No. 2 on the TOP500."

Without Preparation: Conversion plans and escrowed access take time to put in place. A firm placed in receivership in the first weeks of a crisis has filed no conversion plan, escrowed no credentials, and documented nothing for a successor. The emergency version fills the gap with blunter tools. It is a federal crime for an officer or employee of a firm in receivership to destroy data, delete model weights, withhold credentials, or sabotage systems, and officers are personally required to hand over administrative access within 24 hours of the receiver's appointment. Retention pay matters more than in the planned case and is offered more widely, because there is no roster of replacements and the people who hold the knowledge are the only continuity plan there is. And triage is harsher: with no time to study which services are critical, the receiver keeps everything running for 30 days, then applies the rule in "Stop the Burn, Keep the Service" with the benefit of what it has learned.

Dark Sites: Some capacity will already be lost. A data center whose staff have left and whose machines are cold is far harder to restart than a live one is to keep running, which is part of the price of waiting. The receiver gives priority to sites that are still operating; for dark sites, it secures the hardware and the building, decides within 90 days whether restarting is worth it, and otherwise sells under the rules for distressed sales.

# 9. Economic Viability

## 9.1. Funding the Digital Commons

A sustainable public banking and AI sector requires a funding model that does not rely on perpetual taxpayer injections. The WGFAA proposes a self-funding ecosystem where the industries creating systemic risk pay for the mechanisms that address it. In a crisis the Treasury advances the money first, and the levies described below repay it.

## 9.2. The Compute Tax and Digital Stability Fund

To pay for the resolutions and, later, to fund the FDIC-Tech and the ongoing operations of public compute utilities, the WGFAA introduces specific levies on the AI sector. In a crisis they repay a loan before they build a reserve.

Borrow First: Every fund described in this section will be empty on the day an emergency bill passes. The compute tax, the premiums, the surcharge on the largest banks, and the Public Access Fee all begin on enactment, but none of them will have collected anything. The whole up-front cost of resolutions is therefore borrowed from the Treasury. The Digital Stability Fund may borrow up to $250 billion, enough to cover the wide scenario in Section 9.3 and the added legal exposure described in Section 6.8. If hardware holds more of its value than expected, so that the public has to pay more for what it acquires, the Secretary of the Treasury may raise the line to $400 billion on certifying the need to Congress. Repayment, with interest, comes from the levies below, over 10 years or more. The Public Bank Capitalization Fund may borrow up to $75 billion from the Treasury on the same terms for bank conversions, in addition to the $250 billion, and repays it from the surcharge on the largest banks (Section 4.1.4). That is enough for

a wave of bank failures the size of 2008 through 2013, with room to spare (Section 9.3).[235] This is how the FDIC's own insurance fund is backstopped,[236] and how Dodd-Frank funds the resolution of failed financial companies: the Treasury lends, and the industry repays.[237] The public's money is at risk for a time. It is not spent. The principle that the industry pays is the same as in the plan-ahead version. What changes is that the public advances all of the money first, and carries the risk that a later Congress cuts the levies before the debt is repaid. To guard against that, the Act makes the levies self-adjusting: if repayment falls behind schedule, the rates rise automatically until it is back on track.

Compute Tax: A progressive tax is levied on high-end AI chips (e.g., GPUs, TPUs) and large-scale model training runs. This tax targets the excessive use of compute resources, encouraging efficiency while generating revenue from the activities creating systemic risk. Small-scale research and educational use is exempted; the tax falls on industrial-scale speculation.

Digital Stability Fund: Similar to the Deposit Insurance Fund (DIF) that backs FDIC guarantees, SITIs pay risk-based premiums into a Digital Stability Fund. The riskiest actors — those with the most leverage, the most dangerous models, or the poorest safety records — pay the highest premiums. In a crisis the premiums first repay what the fund borrowed to resolve this crash. After that they build a reserve against future failures, so that the program sustains itself without general tax revenue.

G-SIB Surcharges: For the banking side, a surcharge on the deposit insurance premiums of Global Systemically Important Banks ensures the financial sector pays for its own stabilization. The largest banks, whose activities create the most systemic risk, bear the greatest cost.

Legal Defense: Lenders and shareholders will sue. As on the banking side (Section 4.1.4), the Fund pays the cost of defending conversions and of any court judgment that a creditor was owed more than the formula paid, so that neither falls on the converted institutions or on taxpayers.

Pension Protection Facility: A fixed share of the compute tax and of the G-SIB surcharge is set aside for the Pension Protection Facility (Section 6.5), which draws on the Treasury credit line until those levies have come in.

Registry and Licensing: The chip registry and owner licenses (Section 5.4) are funded from the compute tax. No fees are charged to applicants.

Public Access Fee: A fee of 1% of U.S. revenue from AI and cloud services, charged to the largest providers, is dedicated to the Community Innovation Hubs (Section 5.5), on the model of the franchise fees that funded public access television.[238] It is collected from the day the Act takes effect.

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[235] "Crisis and Response: An FDIC History, 2008–2013," Federal Deposit Insurance Corporation, 2017, https://www.fdic.gov/media/18626. "From 2008 through 2013 almost 500 banks failed, at a cost of approximately $73 billion to the Deposit Insurance Fund (DIF)."

[236] Diane Ellis, "Deposit Insurance Funding: Assuring Confidence," Federal Deposit Insurance Corporation, November 2013, https://www.fdic.gov/deposit/insurance/assuringconfidence.pdf. "The FDIC also has authority to borrow up to $100 billion for insurance losses from the U.S. Treasury. The law requires the banking industry to repay any FDIC funds borrowed from the Treasury over a period of several years."

[237] "Orderly Liquidation Authority," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?path=/prelim@title12/chapter53/subchapter2&edition=prelim. "All funds expended in the liquidation of a financial company under this subchapter shall be recovered from the disposition of assets of such financial company, or shall be the responsibility of the financial sector, through assessments."

[238] "Public, Educational, and Governmental (PEG) Access Cable Television Channels: Issues for Congress," everycrsreport.com, October 7, 2011, https://www.everycrsreport.com/reports/R42044.html. "Historically, many jurisdictions imposed a franchise fee of 5% of gross cable revenues on franchisees and then used a portion of those revenues to support PEG operations."

### 9.3. How Big Is the Bill?

No one can know the full cost of a crash while it is still unfolding, but the orders of magnitude can be bounded. The figures here were assembled before any crash, from data as of mid-2026; they show the scale, and the real numbers will be known only as firms fail. Morgan Stanley estimates, in its July 2025 projection, that global data center capex will total about $2.9 trillion through 2028, of which roughly $1.5 trillion, the gap left after hyperscaler cash flows, must come from outside financing — including some $800 billion from private credit.[239] The largest technology companies fund their share from profits and unsecured bonds, and they are not going to fail. The debt that could land in a WGFAA resolution sits elsewhere: with the GPU-rental companies, the largest of which alone carried more than $35 billion in debt in mid-2026;[240] with the project financings behind the AI labs' and hyperscalers' data centers, which run from roughly $10 billion to nearly $30 billion for a single campus;[241] and with the cloud providers that have borrowed heavily against a single customer's promise to pay.[242]

On that basis New Consensus estimates three scenarios:

- Narrow, in which two GPU-rental companies and one AI lab fail: an illustrative $30 billion to $60 billion in debt at face value, though if CoreWeave is one of the two, its roughly $35 billion of debt at June 30, 2026 would on its own put the total above the low end.[243]
- Middle, the GPU-rental sector fails and the labs' project financings default: on our rough estimate, $150 billion to $285 billion, where the high end is the whole stock (about $250 billion of AI project and data-center financing outstanding today plus some $35 billion borrowed against chips) and the low end assumes only about half of it goes into resolution.[244]

[239]Vishwas Patkar et al., "Bridging a $1.5tr Data Center Financing Gap," Morgan Stanley Research, July 16, 2025, https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/Research_Bridging-Data-Center-Gap.pdf. "We forecast $2.9tr of capex for global data centers (DC) through 2028 across build and hardware costs. … In effect, we see a $1.5tr financing gap that needs to be met by external capital … We project a ~$800bn growth opportunity for private credit through 2028."

[240]"Form 10-Q for the Quarterly Period Ended June 30, 2026," CoreWeave, June 30, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000366/crwv-20260630.htm. "As of June 30, 2026, our total indebtedness was $35.6 billion" Edward Chancellor, "Breakingviews - Commentary: Data centre upstarts evoke earlier broadband craze," Reuters, September 10, 2026, https://www.reuters.com/commentary/breakingviews/data-centre-upstarts-evoke-earlier-broadband-craze-2026-09-10/. "CoreWeave, the largest of the group"

[241]Reuters, "Oracle to buy $40 billion of Nvidia chips for OpenAI's US data center, FT reports," May 23, 2025, https://web.archive.org/web/20250619220042/https://www.reuters.com/business/oracle-buy-40-billion-nvidia-chips-openais-us-data-center-ft-reports-2025-05-23/. "Two loans totaling $9.6 billion" "Meta Announces Joint Venture with Funds Managed by Blue Owl Capital to Develop Hyperion Data Center," October 21, 2025, https://investor.atmeta.com/investor-news/press-release-details/2025/Meta-Announces-Joint-Venture-with-Funds-Managed-by-Blue-Owl-Capital-to-Develop-Hyperion-Data-Center/default.aspx. "The parties have committed to fund their respective pro rata share of the approximately $27 billion in total development costs for the buildings and long-lived power, cooling, and connectivity infrastructure at the campus."

[242]"CoreWeave Closes Landmark $8.5 Billion Financing Facility, Achieving First Investment-Grade Rated GPU-backed Financing," coreweave.com, March 31, 2026, https://investors.coreweave.com/news/news-details/2026/CoreWeave-Closes-Landmark-8-5-Billion-Financing-Facility-Achieving-First-Investment-Grade-Rated-GPU-backed-Financing/default.aspx. "Secured by HPC infrastructure and an associated customer contract" "CoreWeave Raises $8.5 Billion GPU Loan Backed by Meta Deal," Bloomberg.com, March 31, 2026, https://web.archive.org/web/20260501061341/https://www.bloomberg.com/news/articles/2026-03-31/coreweave-crwv-raises-8-5-billion-gpu-loan-backed-by-meta-deal. "The debt is backed by contracts with Meta Platforms Inc. worth at least $19 billion"

[243]"Form 10-Q for the Fiscal Quarter Ended June 30, 2026," CoreWeave, June 30, 2026, https://www.sec.gov/Archives/edgar/data/1769628/000176962826000366/crwv-20260630.htm. "As of June 30, 2026, our total indebtedness was $35.6 billion"

[244]Stefan Hepp, "How Worried Should We Be About AI Debt?" The University of Chicago Booth School of Business, August 7, 2026, https://www.chicagobooth.edu/review/how-worried-should-we-be-about-ai-debt. "Project and data-center finance adds another $250 billion or so, typically tied to specific facilities and contracted tenant cash flows, with materially shorter maturities. … Specialist compute providers have borrowed about $35 billion secured directly against GPUs and other assets, a structure that carries greater risk."

- Wide: a major cloud provider fails as well, on our rough estimate $300 billion to $400 billion or more (for scale, large US banks had about $450 billion in AI-related loan commitments at end-2025, which the Chicago Fed treats as a ceiling on direct losses, not an expected loss).[245]

Those are the lenders' numbers, not the public's. Under the WGFAA the public pays only what the assets are worth on the day of failure (Section 7). How much that is depends on a number nobody can know in advance: what used hardware is worth in a crash. If demand for computing collapses and used chips fetch 20 to 40 cents on the dollar, a rough reckoning from the three cases above puts the public's outlay on the order of $10 billion to $25 billion in the narrow case, $50 billion to $100 billion in the middle case, and $100 billion to $200 billion in the wide case. But the resale market for data center chips is active,[246] and before any crash used chips of recent generations have traded well above that.[247] On our own rough arithmetic, if hardware holds 50 to 70 cents on the dollar, each of those figures roughly doubles, the middle case reaches something like $100 billion to $200 billion, and the Treasury line has to be raised as Section 9.2 provides. Buildings with secured power connections hold their value better than chips in either case. The public cannot choose the lower number: it pays what the market shows the assets to be worth (Section 7.5). Whichever number turns out to be right, the public receives working assets of that value in return, and the difference between that value and what was lent is absorbed by the lenders who made the loans.

For comparison, Congress authorized up to $700 billion for the Troubled Asset Relief Program in 2008, later reduced to $475 billion by the 2010 Dodd-Frank Act,[248] and the FDIC's insurance fund held $161.1 billion as of June 30, 2026.[249] The middle case is large, but it is not frightening — provided the Treasury credit line exists to cover it up front. A compute tax of a few percent on annual AI chip sales might raise something like $5 billion to $10 billion a year, which on rough arithmetic would be enough to repay the middle case within one to two decades, depending on how far hardware values fall. That is at pre-crash sales. The yield will be lower at first, which is one reason the levies adjust themselves (Section 9.2).

The Banks: The scenarios above cover the technology companies. The bank side can be bounded from the record, because the FDIC publishes every failure of an insured bank.[250] Two different sums are involved.

The first is the hole in a failed bank: the gap between what its assets are worth and what it owes its depositors. The banking industry has always paid for that through the FDIC, and under the Act it still

[245] "Tail Risk for Banks Posed by Investments in Generative Artificial Intelligence," Chicago Fed Insights, 2026, https://www.chicagofed.org/publications/chicago-fed-insights/2026/ai-tail-risk-for-banks. "Generally, large bank debt makes up a fraction of overall AI-adjacent debt; for instance, it made up around $450 billion in commitments ($150 billion of which was outstanding) in C&I exposure in late 2025. … The aforementioned committed amounts would be the maximum loss for large banks for the known direct AI exposure, but that is highly unlikely given that some recovery of losses would occur (albeit this is uncertain) and not all borrowers would default."

[246] Krystal Hu, "Artificial Intelligencer: The case for selling Nvidia," Reuters, November 13, 2025, https://www.reuters.com/technology/artificial-intelligence/artificial-intelligencer-case-selling-nvidia-2025-11-13/. "Yet the market for secondhand GPUs remains surprisingly resilient."

[247] Silicon Data Inc., "The Illusion of Stability: Unpacking H100 GPU Market Value Trends," Silicon Data, January 30, 2026, https://www.silicondata.com/use-cases/h100-gpu-market-value-trends. "USED H100s traded at a median of ~61% of the contemporaneous NEW price"

[248] "Troubled Asset Relief Program," U.S. Department of the Treasury, accessed September 27, 2026, https://home.treasury.gov/data/troubled-asset-relief-program. "Although Congress initially authorized $700 billion for TARP in October 2008, that authority was reduced to $475 billion by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)."

[249] "Quarterly Banking Profile: Banking net income $90.1B in Q2 2026," ABA Banking Journal, August 25, 2026, https://bankingjournal.aba.com/2026/08/quarterly-banking-profile-banking-net-income-90-1b-in-q2-2026/. "The Deposit Insurance Fund balance increased $3.7 billion to $161.1 billion."

[250] "BankFind Suite," Federal Deposit Insurance Corporation, accessed October 5, 2026, https://banks.data.fdic.gov/bankfind-suite/failures/help. "Data on depository institutions not insured by the FDIC are not included in this publication."

does.[251] In the six years from 2008 through 2013, 489 banks failed with $686 billion in assets,[252] and the cost to the insurance fund was about $69 billion, a tenth of those assets.[253] The five failures of 2023 had $532 billion in assets[254] and, on the FDIC's latest estimates, cost about $35 billion: $18 billion charged to the insurance fund,[255] and about $17 billion billed to large banks through a special assessment.[256] Insuring every deposit raises that bill somewhat, because large depositors no longer share in the loss, which is why the banks are billed for it, first by assessment and later by premiums (Sections 4.1.3 and 4.1.5).

The second sum is new: the capital a converted bank needs in order to keep operating. At 8% to 10% of assets, a wave the size of 2023 would call for $43 billion to $53 billion, and one the size of 2008 through 2013 for $55 billion to $69 billion spread over six years. In ordinary years the figure is close to nothing: from 2014 through 2022 about five banks failed a year on average, with under $2 billion in assets among them.[257] This is capital, not a loss. It stays inside a working bank, and much of it never has to be paid in cash, because a converted bank may open with a gap on its books and close it from earnings (Section 4.1.4). In a crisis all of it is borrowed first from the Treasury, within the capitalization fund's $75 billion limit (Section 9.2), and repaid by the surcharge on the largest banks.

One case is of a different order. In 2008 and 2009 the government kept the banks of Citigroup and Bank of America open with federal assistance;[258] together they held $3.2 trillion in assets.[259] Under this Act, where aid means conversion (Section 6.6), a bank in that position is converted, and 8% of $3.2 trillion is about $256 billion. That is as much as the whole Treasury line, which is not meant to cover it. The eight largest banks are required to carry their own cushion: capital and long-term debt equal to at least 18%

[251]Diane Ellis, "Deposit Insurance Funding: Assuring Confidence," Federal Deposit Insurance Corporation, November 2013, https://www.fdic.gov/deposit/insurance/assuringconfidence.pdf. "The banking industry, backstopped by the federal government, ultimately covers the risk associated with the deposit insurance system."

[252]"Crisis and Response: An FDIC History, 2008–2013," Crisis and Response: An FDIC History, 2008–2013, accessed October 4, 2026, https://www.fdic.gov/sites/default/files/2024-03/chap6.pdf. "The 489 failed banks held $686 billion in assets and, according to the most recent estimates, cost the FDIC $72.5 billion to resolve."

[253]"Three Financial Crises and Lessons for the Future," Federal Deposit Insurance Corporation, January 14, 2025, https://www.fdic.gov/news/speeches/2025/three-financial-crises-and-lessons-future. "These failures would eventually cost the Deposit Insurance Fund approximately $69 billion."

[254]"FDIC 2023 Annual Report," Federal Deposit Insurance Corporation, 2023, https://www.fdic.gov/about/financial-reports/reports/2023annualreport/2023-arfinal.pdf. "Total assets and total deposits data are based on the last quarterly Call Report filed by the institution prior to failure."

[255]"Assessments Thresholds, Rate Schedules, and Adjustments," Federal Deposit Insurance Corporation, June 30, 2026, https://www.govinfo.gov/content/pkg/FR-2026-06-30/pdf/2026-13192.pdf. "In 2023, five banks failed with estimated losses to the DIF of $18.0 billion, excluding losses that are being recovered through the special assessment." "FDIC 2025 Annual Report," Federal Deposit Insurance Corporation, 2025, https://www.fdic.gov/financial-reports/2025-annual-report.pdf. "Estimated amounts for the 2023 and 2024 failures were updated as of December 31, 2025."

[256]"Special Assessment Pursuant to Systemic Risk Determination," Federal Deposit Insurance Corporation, April 17, 2026, https://www.fdic.gov/deposit-insurance-assessments/special-assessment-pursuant-systemic-risk-determination. "Currently, the FDIC estimates the total cost of the failures of Silicon Valley Bank and Signature Bank that must be recovered through the special assessment is approximately $16.7 billion."

[257]"FDIC Quarterly Banking Profile - Fourth Quarter 2020," Federal Deposit Insurance Corporation, January 2021, https://www.fdic.gov/analysis/quarterly-banking-profile/qbp/2020dec/qbp.pdf. "Number of institutions 4 4 0 8 5 8 18" "FDIC Quarterly Banking Profile - 4th Quarter 2022," Federal Deposit Insurance Corporation, December 31, 2022, https://www.fdic.gov/analysis/quarterly-banking-profile/qbp/2022dec/qbp.pdf. "Number of institutions 0 0 4 4 0 8 5"

[258]Congressional Budget Office, "Report on the Troubled Asset Relief Program—March 2010," March 2010, https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/112xx/doc11227/03-17-tarp.pdf. "Citigroup and Bank of America each received $45 billion in capital—$25 billion through the CPP, plus a subsequent $20 billion through the Treasury's Targeted Investment Program (TIP)." "Crisis and Response: An FDIC History, 2008–2013," Federal Deposit Insurance Corporation, 2017, https://www.fdic.gov/media/18626. "The announcement that the SRE would be invoked and government assistance would follow had the intended effect of stabilizing Citigroup and preventing its failure. Citigroup was able to continue operating"

[259]Federal Deposit Insurance Corporation, "Bank Failures & Assistance Data," BankFind Suite, https://banks.data.fdic.gov/bankfind-suite/failures. The FDIC records thirteen open-bank assistance transactions for the banks of the two companies: five on November 23, 2008 (Citibank, N.A. and its affiliated banks, $1.31 trillion in assets) and eight on January 16, 2009 (Bank of America, N.A. and its affiliated banks, $1.92 trillion), $3.22 trillion in all. The figure counts the insured banks, not the holding companies, whose total assets were larger.

of their risk-weighted assets, with long-term debt alone at least 6% plus a surcharge set for each bank, issued for the stated purpose of absorbing losses when the bank fails.[260] When such a bank is converted, that debt is left behind in the receivership (Section 4.1.3), and writing it off is what recapitalizes the bank. The capitalization fund stands behind that debt. It does not replace it.

Why the Bill Is Larger When We Wait: The scenarios above assume the Act was in place before the crash. Acting late costs more, in five ways. Assets are worth less by the time the public gets them: sites have gone dark, staff have left, and the best hardware may already have been sold. There are no accumulated premiums, so the public advances everything and pays interest on it. Lenders who never priced in a haircut will have lent far more, against far worse collateral, than they would have under the Act, so the hole is simply bigger. The legal challenges are stronger, and some will be lost. And the damage to the rest of the economy — the failed banks, the pension losses, the layoffs — grows with every week of improvisation. None of this can be put into a single number in advance. It is the reason the plan-ahead version exists.

### 9.4. Revenue Generation

Public utilities are not profit-maximizers, but they can and should be revenue-positive. The WGFAA structures converted entities to generate operating revenue that sustains their public mission.

Tiered Access Pricing: Public Compute Utilities charge commercial rates to enterprise users while offering subsidized or free tiers to academic researchers, non-profits, small businesses, government at every level, and members of the public. The revenue from enterprise clients cross-subsidizes the public access mission. Large corporations pay market rates; researchers and startups get affordable access.

Federal Workloads: As federal agencies move their computing onto the National Research Cloud (Section 5.3.3), the billions they now spend on IT including commercial cloud become the utility's most dependable source of revenue.[261]

Licensing and IP: Public Research Institutes can license non-critical intellectual property and applications to the private sector, generating revenue to fund further research. Safety-critical technologies remain open; commercial applications can be licensed. This model mirrors successful technology transfer from universities and national laboratories.

Service Fees: Public Benefit Banks generate revenue through traditional banking operations — the spread between deposit rates and loan rates. Unlike shareholder-owned banks, this revenue is reinvested in the

[260]"Section 252.63—External Total Loss-Absorbing Capacity Requirement and Buffer," Board of Governors of the Federal Reserve System, accessed October 5, 2026, https://www.federalreserve.gov/frrs/regulations/section-25263-external-total-loss-absorbing-capacity-requirement-and-buffer.htm. "A global systemically important BHC must maintain an outstanding external total loss-absorbing capacity amount that is no less than the amount equal to the greater of: (1) 18 percent of the global systemically important BHC's total risk-weighted assets; and (2) 7.5 percent of the global systemically important BHC's total leverage exposure." "Section 252.62—External Long-Term Debt Requirement," Board of Governors of the Federal Reserve System, accessed October 5, 2026, https://www.federalreserve.gov/frrs/regulations/section-25262-external-long-term-debt-requirement.htm. "The global systemically important BHC's total risk-weighted assets multiplied by the sum of 6 percent plus the global systemically important BHC's GSIB surcharge (expressed as a percentage)" "Federal Reserve Board adopts final rule to strengthen the ability of government authorities to resolve in orderly way largest domestic and foreign banks operating in the United States," Board of Governors of the Federal Reserve System, December 15, 2016, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20161215a.htm. "Requiring a GSIB to maintain sufficient amounts of long-term debt, which can be converted to equity during resolution, would help achieve this objective by providing a source of private capital to support the firm's critical operations during resolution."

[261]U.S. Government Accountability Office, "U.S. GAO," Cloud Computing: Federal Agencies Face Four Challenges, September 28, 2022, https://www.gao.gov/products/gao-22-106195. "Federal agencies plan to spend billions of dollars each year to support their IT and cybersecurity efforts, including transitioning IT resources to secure, cost-effective commercial cloud services."

bank's mission rather than distributed to shareholders. The Bank of North Dakota has operated for over a century, profitably in recent decades while serving its public purpose.[262]

### 9.5. Economic Stabilization Effects

Beyond funding their own operations, public utilities provide stabilizing counter-cyclical forces that benefit the broader economy.

An Orderly Hardware Market: Receivership stops the disorderly race in which lenders grab and dump hardware, and the rules for distressed sales (Section 5.4.6) replace it with a sequence: the public takes the working sites it needs, and the rest is sold promptly to buyers under the cap. The aim is an orderly sale, not a propped-up price. If computing power becomes cheap after a crash, that is a gain for every researcher, startup, and business that uses it — not a harm to be prevented for the benefit of chip makers and their lenders. It would be wrong to pretend that the public is a neutral presence in that market. A buyer with no limit on its size, a Treasury credit line, and the first option on every distressed sale puts a floor under prices whether it means to or not, and the Act wants things that pull against each other: low prices for the public and for smaller competitors, low recoveries for the lenders, and large public holdings. The rule that keeps these in balance is the one against hoarding (Section 5.3.3). The public buys what it can use, and what sits idle for 30 days goes back on the market. The experience of the Resolution Trust Corporation, which sold off the assets of the failed savings and loans,[263] cuts both ways — it has been criticized both for dumping assets into a falling market[264] and for letting an overhang of unsold property depress prices[265] — and the lesson is to sell steadily, neither all at once nor never.

Workforce Retention: Converting failed labs into public institutes prevents the "brain drain" of talent to foreign competitors or alternative industries. High-skilled AI researchers remain employed in the service of the national interest rather than departing for positions abroad. The human capital that represents decades of training and heavy educational investment is preserved.

Credit Continuity: Public Benefit Banks maintain lending to local businesses and consumers during downturns, when private banks typically tighten credit. This counter-cyclical lending supports economic recovery rather than deepening recession. The Sparkassen model demonstrated this during 2008; the

[262]"BND Operations," Bank of North Dakota, January 29, 2026, https://bnd.nd.gov/about-bnd/bnd-operations/. "BND opened July 28, 1919, with $2 million of capital. … The Bank's profits are utilized in three ways: appropriation through the North Dakota Legislature to fund the General Fund, mission-driven loan programs and BND's capital." Yolanda K. Kodrzycki and Tal Elmatad, "The Bank of North Dakota: A Model for Massachusetts and Other States?" Federal Reserve Bank of Boston, May 2011, https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2011/the-bank-of-north-dakota-a-model-for-massachusetts-and-other-states.aspx. "BND has shown a profit each year, according to data available since 1971."

[263]Resolution Trust Corporation, "Annual Report of the Resolution Trust Corporation," St. Louis Fed, August 29, 1996, https://fraser.stlouisfed.org/files/docs/publications/rtc/ar_rtc_1995.pdf. "The RTC disposed of $458.5 billion (book value) in assets from its inception through December 31, 1995, recovering $397 billion for taxpayers."

[264]Gary Shorter, "The Resolution Trust Corporation: Historical Analysis," Congressional Research Service, September 26, 2008, https://www.congress.gov/crs_external_products/RS/PDF/RS22959/RS22959.4.pdf. "During its years of operation, 1989 to 1995, the RTC was alternately criticized for dumping thrift assets and for taking too much time to dispose of them." "Managing the Crisis: The FDIC and RTC Experience, Volume 1: History," Federal Deposit Insurance Corporation, accessed September 27, 2026, https://www.fdic.gov/resources/publications/managing-the-crisis/documents/managing-the-crisis.pdf. "Lawmakers, as well as banking and thrift industry officials, who worried about assets being dumped on weakened real estate markets began demanding that the RTC market all conservatorship institutions as widely as possible"

[265]Robert D. Reischauer, "Statement of Robert D. Reischauer, Director, Congressional Budget Office, before the Committee on Banking, Housing, and Urban Affairs, United States Senate," June 17, 1992, https://www.cbo.gov/sites/default/files/102nd-congress-1991-1992/reports/doc23_2.pdf. "Many analysts are concerned that the RTC's vast inventory of real estate assets is continuing to depress real estate markets"

WGFAA brings it to America.[266]

Compute Access Continuity: Public Compute Utilities ensure that researchers and startups retain access to AI infrastructure even during market turmoil. Innovation does not halt because private compute providers have failed; the public infrastructure keeps the engines running.

# 10. Conclusion

## 10.1. Better Late Than a Bailout

It would have been better to pass this Act before the crash. The industry would have paid for its own insurance, the lenders would have been warned, the registry would show who owns what, and the conversions would have run on rails. Every page of this version is a record of what that delay costs.

But the choice in a crisis is never between this plan and a better-prepared one. It is between this plan and the one the rescued will bring with them. That one is already written. It will be short, it will be urgent, and it will ask for public money on the easiest terms available: shareholders kept whole, lenders paid in full, managers left in place, the failures folded into the largest survivors, and the bill sent to the public. The country has passed that plan twice.

The Won't Get Fooled Again Act is the other bill on the table. It says that a firm which needs public money to survive has failed, and that failure has consequences: owners lose their stakes, lenders take their losses, executives give back their pay. It says that workers, small suppliers, customers, depositors, and pensioners come first. It says that the wreckage goes to the public and to smaller competitors, not to the giants. And it says that the industry that caused the crash repays every dollar the public advances.

By converting failed banks, we keep credit flowing to communities and stop the cycle in which most crises leave fewer and larger banks.[267] By converting failed AI companies, we keep the country's computing capacity running, its researchers employed, and its most powerful technology out of a fire sale. By making aid conditional on conversion, we make sure that this time public money buys a conversion, not a rescue of the owners.

We are proposing to build the Tennessee Valley Authority of the 21st century — not for dams and electricity, but for data and intelligence. The TVA transformed a region mired in poverty into an engine

[266]Deutsche Bundesbank, "Developments in lending to the German private sector during the global financial crisis - September 2009," Deutsche Bundesbank Monthly Report, September 2009, https://www.bundesbank.de/resource/blob/706976/3dc3662de4ac127dbe58fc8cb68442a7/mL/2009-09-developments-lending-data.pdf. "The savings banks, too, considerably expanded their credit to non-financial corporations by an annual rate of 5.8%, although the growth rate was 2.3 percentage points down on the year." IMF, "Germany: Technical Note on Banking Sector Structure; IMF Country Report 11/370; July 2011," International Monetary Fund, July 2011, https://www.imf.org/-/media/websites/imf/imported-full-text-pdf/external/pubs/ft/scr/2011/_cr11370.pdf. "Provided stable supply of loans, and they managed to expand their retail lending throughout the crisis"

[267]"Banking System Conditions," Board of Governors of the Federal Reserve System, November 2018, https://www.federalreserve.gov/publications/2018-11-supervision-and-regulation-report-banking-system-conditions.htm. "Upon closing, their assets were sold to other, often larger, institutions, and the industry saw a wave of consolidation and growth of the largest institutions."

[268]Kline et al., "Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority," The Quarterly Journal of Economics, February 1, 2014, https://academic.oup.com/qje/article-abstract/129/1/275/1899702?redirectedFrom=fulltext&login=false. "Gains in manufacturing employment, by contrast, continued to intensify well after federal transfers had lapsed—a pattern consistent with the presence of agglomeration economies in manufacturing. Because manufacturing paid higher wages than

of American industry.[268] It was built in the depths of a collapse, by a Congress that had not planned ahead either.

The tools are available. The legal precedents exist.[269] The text is written. The people who built the house of cards have arrived to ask for the public's money. This is the answer.

It is time to convert their wreckage into our foundation.

## 11. Appendix: Comparison of Resolution Regimes

| Feature | Current Regime (Bankruptcy/Bailout) | Proposed WGFAA Regime (Public Conversion) |
|---|---|---|
| Primary Goal | Maximize creditor recovery / Prevent immediate contagion | Maintain critical infrastructure & public benefit |
| Asset Fate | Sold to highest bidder (often a larger competitor, increasing consolidation) | Converted: a Public Benefit Bank (owned by its depositors, or by the public above $250 billion), a Public Compute Utility, or a Public Research Institute |
| IP/Data Treatment | Monetized or sold (national security and privacy risks) | Placed in Data Trust (security preserved, public access enabled) |
| Management | Often retained; severance sometimes paid[270] | Removed; compensation clawbacks enforced |
| Shareholders | May receive residual value; often partially protected[271] | Wiped out completely; market discipline enforced |
| Lenders | Often made whole to stop "contagion"; free to seize and sell repo collateral[272] | Paid current collateral value only; remainder written off; collateral frozen at receivership |
| Workers, Small Suppliers, Customers | Wait in line behind secured lenders | Paid first, by statute |

agriculture, this shift raised aggregate income in the TVA region for an extended period of time." "Tennessee Valley Authority," Tennessee Encyclopedia, March 7, 2018, https://tennesseeencyclopedia.net/entries/tennessee-valley-authority/. "Per capita income in 1933 was only 44 percent of the national average."

[269] "The Role of TARP Assistance in the Restructuring," Congress.gov, March 18, 2014, https://www.congress.gov/crs-product/R41978. "The U.S. government was the majority owner of the company that emerged from the bankruptcy process, as the majority of the TARP loans made to GM were converted into an initial 60.8% government ownership stake in New GM."

[270] "Chapter 11 - Bankruptcy Basics," United States Courts, accessed September 27, 2026, https://www.uscourts.gov/court-programs/bankruptcy/bankruptcy-basics/chapter-11-bankruptcy-basics. "The appointment or election of a trustee occurs only in a small number of cases. Generally, the debtor, as 'debtor in possession,' operates the business" B. Espen Eckbo, Karin S. Thorburn and Wei Wang, "How costly is corporate bankruptcy for the CEO?" upenn.edu, accessed September 27, 2026, https://repository.upenn.edu/server/api/core/bitstreams/b1f2baad-5ece-4f90-95c3-a0f3673746d5/content. "28% of the departed CEOs receive severance"

[271] "Dividends from Failed Banks," Federal Deposit Insurance Corporation, accessed September 27, 2026, https://closedbanks.fdic.gov/dividends/bankfind/Dividendindex?fin=10261. "5. Any obligations to the shareholders or members (including holding companies and their creditors) (Priority Paid – Shareholders)." Giovanni Dell'Ariccia and Lev Ratnovski, "Bailouts and Systemic Insurance," IMF Working Paper, November 2013, https://www.imf.org/external/pubs/ft/wp/2013/wp13233.pdf. "Most often, government support leaves 'bailout rents' to the incumbent shareholders (and other stakeholders) of distressed banks."

[272] "Three Financial Crises and Lessons for the Future," Federal Deposit Insurance Corporation, 2025, https://www.fdic.gov/news/speeches/2025/three-financial-crises-and-lessons-future. "Faced with growing contagion in the financial system, a systemic risk exception (SRE) was invoked for both SVB and Signature Bank." "11 U.S.C. § 559: Contractual right to liquidate, terminate, or accelerate a repurchase agreement," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title11-section559&num=0&edition=prelim. "The exercise of a contractual right of a repo participant or financial participant to cause the liquidation, termination, or acceleration of a repurchase agreement … shall not be stayed, avoided, or otherwise limited by operation of any provision of this title"

| | | |
|---|---|---|
| Pensioners | Used as a political argument for bailing out lenders | Protected directly through the Pension Protection Facility |
| Chips and Data Centers | Sold to the highest bidder; no universal record of where chips go[273] | Public first option; dominant firms barred; every chip from a large cluster tracked through resale |
| Community Investment | None | Community Innovation Hubs — free places to work and start a business — in every congressional district, funded by an industry fee |
| Funding Source | Ad-hoc bailouts (taxpayer risk) | A Treasury credit line up front, repaid in full by levies on the industry |
| Market Structure Effect | Increases concentration (consolidation) | Increases competition (public option) |
| Fiscal Impact | Depletes borrowing capacity for future needs | Preserves fiscal space for productive investment |
| Service Continuity | Often uncertain; dependent on acquirer or wind-down trustee | Guaranteed; continuity is primary mandate |
| Workforce | Layoffs typical in restructuring | Retention mandated; brain drain prevented |
| Long-term Public Benefit | None; status quo restored | Permanent public infrastructure created |

## 12. Appendix: How This Version Differs from the Plan-Ahead Version

This document is the Act for a crash that has already begun. A companion document, the plan-ahead version, describes the same Act as it should be passed: in advance, before anything fails. Most of the two documents is identical, because the goals and the design do not change: convert what fails, make the people who financed the bubble bear its cost, protect workers and depositors, keep the largest firms from buying the wreckage, and make the industry pay. What changes is everything that depended on preparation.

- **What triggers conversion** — The same in both versions: a firm files for bankruptcy, leaves a large payment unpaid, takes emergency federal support, or is found to be about to fail. In a crisis the aid rule does most of the work, because the firms that matter come asking for help before they fail.
- **Where the money comes from** — Plan-ahead version: premiums and levies collected for years, with a Treasury credit line behind them. Emergency version: borrowed from the Treasury up front and repaid by levies afterward.

[273] "Top 10 Questions About Bankruptcy Sales – A Primer on Sales Under Section 363 of the Bankruptcy Code," Goodwin Procter, May 29, 2024, https://www.goodwinlaw.com/en/insights/publications/2024/05/insights-finance-frg-top-10-questions-about-bankruptcy-sales?ref=blog.promise.legal. "A debtor has discretion, consistent with its business judgment, to select the highest or otherwise best bid as the winning bid" "America's AI push in Southeast Asia faces a China problem," POLITICO, September 24, 2026, https://www.politico.com/news/2026/09/24/america-southeast-asia-china-ai-chips-01088982. "The Chip Security Act, which would crack down on smuggling by requiring advanced chips to contain location-verification and tracking mechanisms, is likely to be included in the Senate's defense authorization legislation that lawmakers aim to pass by the end of the year."

- **Who is barred from buying distressed chips** — Plan-ahead version: any firm with more than 5% of registered capacity. Emergency version: the dominant firms identified in the bill, until the registry exists.
- **When the rules start** — Plan-ahead version: on enactment, with time to prepare. Emergency version: on the day the bill is introduced, with a look-back on sales already made.
- **Who acts as receiver for technology firms** — Plan-ahead version: the FDIC-Tech. Emergency version: the FDIC, from the first day.
- **How firms are designated** — Plan-ahead version: by a council, on a written record, in advance. Emergency version: by the statute's numeric thresholds, within days.
- **Preparation inside the firms** — Plan-ahead version: conversion plans, escrowed access, continuity drills. Emergency version: none, so emergency powers and retention pay do the work.
- **The deposit guarantee** — Plan-ahead version: priced in advance through premiums. Emergency version: immediate, free at first, and billed to the banks afterward.
- **The lenders** — Plan-ahead version: they knew the rules when they lent. Emergency version: they did not, so the legal challenges are stronger.
- **Cost to the public** — Plan-ahead version: lowest. Emergency version: higher, for the reasons in Section 9.3.
- **Companies already in bankruptcy** — Plan-ahead version: not an issue, because a firm's bankruptcy filing itself puts it into receivership. Emergency version: pending bankruptcy cases are moved to the receiver, much as Congress required pending reorganizations of the railroads that became Conrail to proceed under a single federal plan.[274]
- **The chip registry, licensing, and Community Innovation Hubs** — Plan-ahead version: in place before any failure. Emergency version: the same rules, phased in over the 18 months after enactment, with an emergency census standing in for the registry.

The sections that are new or rewritten for this version are: the Executive Summary; Section 1; Section 4.1.5 (banking measures in a crisis); the opening of Section 5.2 and Section 5.2.2 (who acts, and how firms are designated); Section 5.4.7 (what stands in for the chip registry); Section 6.6 (aid means conversion, set out here at greater length); Sections 6.7 to 6.9 (cases already in bankruptcy, the added legal risk, and what the executive can do alone); the end of Section 8.3 (continuity without preparation); Sections 9.2 and 9.3 (the money); the Conclusion; and Section 13 (what takes effect when). The plan-ahead version's opening argument that a bubble exists is replaced here by a short description of the crash. Throughout the rest, wording that assumed years of preparation has been changed to fit a law passed in the middle of a crash.

[274] "Regional Rail Reorganization Act Cases," United States Reports, December 16, 1974, https://www.govinfo.gov/content/pkg/USREPORTS-419/pdf/USREPORTS-419-102.pdf. "Each railroad under a § 77 reorganization must proceed under the Rail Act unless its reorganization court"

## 13. Appendix: What Takes Effect When

The emergency bill is a single, complete bill. Its parts are staged by when they can realistically work.

**Title I — effective on the date of introduction, or on signing where noted**

- The freeze on seizures of collateral and cancellations of contracts at any firm that meets the SITI thresholds (date of introduction)
- The bar on sales of distressed computing assets to the dominant firms, and the look-back on sales already made (date of introduction)
- Repeal of the failing-bank exception to the nationwide deposit cap (date of introduction)[275]
- The guarantee of all bank deposits (on signing)
- The FDIC as receiver for technology companies; designation of SITIs by statutory threshold (on signing)
- Aid means conversion, binding on every federal agency and on the Federal Reserve (on signing)
- Transfer of pending bankruptcy cases to the receiver (on signing)
- The Treasury credit line (on signing)
- The Public Benefit Bank charter and the override of least-cost resolution (on signing)
- The payment priorities, the treatment of lenders, the clawbacks, and the valuation formula (on signing)
- The emergency census of large computing clusters (reports due in 14 days)
- Criminal penalties for destroying data or sabotaging a firm in receivership (on signing)

**Title II — within 90 days**

- The Pension Protection Facility begins taking applications
- The single designated court for claims under the Act is operating
- The first assessment on banks to recover the cost of the deposit guarantee
- The compute tax, the premiums on the largest technology companies, the surcharge on the largest banks, and the Public Access Fee begin to be collected

**Title III — within one year to 18 months**

- The chip registry, the owner license, the 5% rule in place of the five-largest formula, and serial-number tracking
- Risk-based premiums for deposit insurance in place of the flat assessment
- The Technology Stability Oversight Council; conversion plans and escrowed access for the firms that remain private
- The FDIC-Tech established as a separate corporation
- Federal workloads begin moving to the National Research Cloud
- The first grants to Community Innovation Hubs

[275] "12 U.S.C. § 1828: Regulations governing insured depository institutions," Office of the Law Revision Counsel, https://uscode.house.gov/view.xhtml?req=(title:12%20section:1828%20edition:prelim)%20OR%20(granuleid:USC-prelim-title12-section1828)&f=treesort&edition=prelim&num=0&jumpTo=true. "Subparagraph (A) shall not apply to an interstate merger transaction that involves 1 or more insured depository institutions in default or in danger of default, or with respect to which the Corporation provides assistance under section 1823 of this title."