FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

FOR IMMEDIATE RELEASE PR-63-89 (3-21-89)

FDIC CONSIDERS REQUIRING PRIOR NOTICE FROM BANKS EMBARKING ON RAPID GROWTH

The Board of Directors of the Federal Deposit Insurance Corporation today requested public and industry comment on a proposal to require advance notice by any insured bank planning to use special funding programs such as brokered deposits, out-of-area solicitations or borrowings to finance a rapid expansion of its assets.

Under the proposal, advance notice describing its business plans would be required of any institution anticipating asset growth of nine percent or more during any consecutive three months. The proposed regulation also would require an insured bank to report to the agency within seven days if its assets grew by more than nine percent over three consecutive months without advance notice to the FDIC. Most new banks and recently merged institutions would be excluded from the reporting requirements, as would institutions that normally experience seasonal changes in deposit growth.

The notices would be required 21 days prior to the raising of funds for an asset growth program. Banks would discuss sources and uses of funds, including rates and maturities on deposits, loans and investments. The banks also would have to discuss the types of loans or investments contemplated or made, and any personal interest of an executive officer, director or principal shareholder of the bank. A bank would not be required to receive approval or wait for a response from the FDIC beyond the 21-day notice period before starting its asset growth program.

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If adopted, the proposal would replace a narrower reporting requirement now applicable to banks accepting significant increases in brokered deposits and fully insured deposits from other depository institutions. Under the existing regulation, a bank must submit a written report to the FDIC if insured deposits placed by brokers or other depository institutions during a calendar quarter exceed the bank's capital and reserves or five percent of total deposits.

The notices required by the proposed regulation would be submitted to the appropriate FDIC regional director for bank supervision. The notices would be treated as confidential supervisory information exempt from disclosure under the Freedom of Information Act. However, the FDIC would share the information with appropriate bank supervisory agencies.

In its request for comments from the public and the industry, the FDIC Board invited interested parties to discuss specifically whether adequate notice of rapid growth plans could be achieved by incorporating a notification provision in the quarterly Reports of Condition and Income filed by all insured banks.

Comments will be accepted on the proposal for 60 days after it is published in the Federal Register. Comments should be sent to Hoyle L. Robinson, Executive Secretary, FDIC, 550 17th Street, N.W., Washington, D.C. 20429.

Copies of the proposal are available from the FDIC's Office of Corporate Communications.

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