



NEWS RELEASE

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FDIC CHAIRMAN UNVEILS NEW APPROACH TO HANDLING BANK FAILURES

The Federal Deposit Insurance Corporation today announced that potential acquirors of failed or failing banks will have more options and more time to submit their bids. The new approach was outlined by FDIC Chairman L. William Seidman in an address to the Executive Council of the Banking Law Committee of the Federal Bar Association meeting in Washington.

Under the new approach, potential bidders, whenever possible, will be invited to submit competitive bids for a "whole bank," either on an "open" bank basis or a "closed" bank basis, at the bidder's option. In either case, using the closed bank approach or the open bank assistance under Section 13(c) of the FDI Act, the acquiror would assume all of the assets and liabilities of the bank in return for a payment from the FDIC.

The FDIC will try to give potential acquirors up to three or four weeks to analyze a failing institution before submitting their bids, removing much of the uncertainty under the present system which requires bids on short notice. Should it not be possible to arrange the preferred "whole bank" transaction on either an "open" or "closed" bank basis, the FDIC would then attempt a traditional purchase and assumption transaction, with the FDIC taking possession of certain problem assets.

"This new approach is designed to make failed banks more attractive to bankers and other potential bidders," Chairman Seidman said. "Either the open bank or whole closed bank acquisition can reduce cost to the FDIC and prove less disruptive to the community and the bank customers." A transaction of this type requires the cooperation and approval of the chartering authority and the support of the directors and shareholders of the failing institution.

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Mr. Seidman noted that the new approach was developed with close cooperation of the various state banking departments and the Comptroller of the Currency. He added that the FDIC has asked the Internal Revenue Service for favorable rulings on the tax implications for institutions participating in such transactions.

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