



## NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC WITHDRAWS PROPOSED POLICY STATEMENT ON FINANCE SUBSIDIARIES;  
DELAYS EFFECTIVE DATES OF SECURITIES RULE, DISCLOSURE POLICY

The Board of Directors of the Federal Deposit Insurance Corporation today withdrew its proposed Statement of Policy on Special Purpose Finance Subsidiaries.

In a separate action, the Board delayed the effective date from December 31, 1986, to June 30, 1987, for compliance with its rule prohibiting an insured nonmember bank from sharing a common name or logo with its securities subsidiary or affiliate.

In addition, the Board postponed from January 1, 1987, to July 1, 1987, the effective date of a policy statement providing for routine public disclosure by the FDIC of final orders it issues in conjunction with formal enforcement actions.

Finance subsidiaries are used as a mechanism for raising funds from outside investors through the issuance of collateralized debt or preferred stock. The intent of the proposed policy statement was to facilitate the prudent use of finance subsidiaries and to minimize the potential for abusive or otherwise inappropriate transactions. In reviewing public comments on the proposal, the FDIC determined that supervisory authority already exists to address finance subsidiary transactions that are conducted in an unsafe and unsound manner.

Finance subsidiary transactions, as well as other forms of collateralized transactions in which a bank pledges assets or provides a senior or preferred claim to others, including securitized asset transactions, sales of assets with puts, and collateralized standby letters of credit, will continue to be

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evaluated as to their safety and soundness on a case-by-case basis. Bank management should carefully consider the impact of finance subsidiary transactions on a bank's overall financial position. In those cases where abusive transactions are apparent, the FDIC will seek appropriate supervisory remedies.

Concerning the common name and separate office provisions of its securities subsidiaries rule, the Board earlier this year extended the date for compliance from June 30, 1986, to December 31, 1986, for institutions with preexisting affiliate and subsidiary relationships. At the same time, it requested public comment on whether to amend these provisions.

Based on comments it has received, the Board will propose changes to these provisions next year and request public comment on the modifications. It is anticipated that the six-month extension of the compliance deadline will allow ample time for preparation of these proposed amendments.

Regarding public disclosure of final enforcement orders, the Board delayed the date when its policy statement would become effective to allow more time for developing a uniform disclosure approach with the other federal banking agencies.

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