NEWS RELEASE

FDIC SEEKS PUBLIC COMMENT ON PROPOSED POLICY ON FINANCE SUBSIDIARIES

The Board of Directors of the Federal Deposit Insurance Corporation has proposed for public comment a statement of policy on Special Purpose Finance Subsidiaries that are established by state nonmember banks and insured savings banks. The intent of the policy statement is to facilitate the prudent use of finance subsidiaries and to minimize the potential for abusive or unsafe and unsound transactions.

A finance subsidiary may be used to issue debt or equity securities to outside investors and to transfer the proceeds of such an issuance to the parent bank for use in its normal banking activities. The parent bank transfers certain assets to the subsidiary to collateralize or otherwise support the securities issued. Properly used, a finance subsidiary may enhance a bank's efforts to restructure its assets, obtain cheaper and more widely available funding, and improve overall profit performance.

The FDIC's proposed policy statement provides minimum guidelines pertaining to the establishment and structure of finance subsidiaries, investment and collateralization limitations, FDIC notification requirements, and Call Report and capital adequacy treatment for finance subsidiary transactions.

In issuing the statement of policy for public comment, the FDIC is especially seeking comment on policy issues relating to possible limits on a parent bank's aggregate investments in finance subsidiaries, allowable levels of overcollateralization, FDIC notification provisions, structure of a finance subsidiary's operations, and accounting and capital adequacy treatment for financing transactions conducted within a finance subsidiary.

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Interested individuals may send their comments to Hoyle L. Robinson, Executive Secretary, Room 6108, FDIC, 550 17th Street, N.W., Washington, D.C. 20429. Comments must be received at the above address no later than 45 days after the proposed statement of policy is published in the Federal Register.

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