



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-143-84 (11-28-84)

FDIC SEEKS PUBLIC COMMENT ON PROPOSAL TO GOVERN NON-BANKING FINANCIAL SERVICES BY BANKS

The Federal Deposit Insurance Corporation is seeking public comment on a proposal to govern insured banks' involvement in a wide range of financial services traditionally considered nonbanking. The restrictions would apply to all FDIC-insured banks.

"The FDIC is firmly committed to a dual banking system and is mindful of the issues raised by any effort by a federal agency to review the propriety of banks engaging in activities authorized by their state chartering authority or their primary federal regulatory agencies. At the same time, the FDIC cannot lose sight of its obligation to monitor marketplace developments and changes in state law in order to assess the potential impact of such changes on bank safety and soundness," the agency said.

Specifically, the new rules would:

- . Prohibit any insured bank from directly engaging in underwriting insurance (excluding credit life insurance); underwriting or developing real estate; engaging in reinsurance; insuring, guaranteeing or certifying title to real estate; guaranteeing or becoming surety upon the obligations of others; or engaging in a surety business.

- . Require that any subsidiary of an insured bank that conducts any of the above activities be a "bona fide" subsidiary.

- . Require notice to the FDIC of intent to invest in any such subsidiary.

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. Place certain restrictions on the affiliation of an insured bank with a company that engages in any of the above activities.

. Place certain restrictions on extensions of credit and other transactions between insured banks and their subsidiaries or affiliates that engage in any of the above activities.

. Require any insured bank that established or acquired a subsidiary or became affiliated with the company that engages in these activities prior to the effective date of the regulation to conform to the regulation within one year.

. Require any insured bank that, as of the effective date of the regulation, is directly engaging in any of these activities to conform to the regulation within two years.

. Require compliance with lending and certain other restrictions within 90 to 180 days of the effective date of the regulation.

. Require subsidiaries to make whatever changes to their operations are necessary in order for the subsidiary to qualify as a "bona fide" subsidiary within 180 days of the effective date of the regulation.

. Place certain restrictions on insured banks that provide electronic data processing services to persons or companies other than banks, or act as agent or broker for insurance, real estate, securities or travel services.

Comments on the proposed regulation may be sent to: Hoyle L. Robinson, Executive Secretary, Federal Deposit Insurance Corporation, 550-17th St. N.W., Washington, D.C., 20429, or hand delivered to Room 6108 at that address between 8:30 a.m. and 5 p.m. The comment period ends 60 days after publication of the proposed rulemaking in the Federal Register.

A copy of the proposed changes is attached.

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