



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC PROPOSES REDUCED REGULATORY BURDENS FOR CERTAIN BANKS INVESTING IN REAL ESTATE, LIFE INSURANCE AND ANNUITY CONTRACTS

FOR IMMEDIATE RELEASE

The FDIC Board today agreed to seek public comment on a plan to reduce the time and costs involved when a well-capitalized, well-managed bank seeks the agency's approval to own real estate or engage in certain other investments.

At issue is a 1991 law that, in general, prohibits insured state-chartered banks from engaging in activities not permitted to national banks unless the FDIC decides that a particular bank's activity will not pose a significant risk to the insurance funds. The law gave a state bank five years -- until December 19, 1996 -- to either divest its prohibited activities or seek FDIC approval to continue or start them.

Currently, the FDIC requires an institution to file an application including extensive documentation to justify why the bank should be permitted to engage in one of these impermissible activities. Today, the FDIC proposed instead to allow a well-capitalized, well-managed institution to own three such investments -- real estate, life insurance policies and annuity contracts -- up to set dollar limits, provided the bank gives its FDIC regional office at least 60 days' notice and the agency does not object.

By proposing to reduce regulatory burdens in these areas for banks meeting certain "safe harbor" criteria, the FDIC also would be providing additional incentives for banks to operate safely and efficiently.

Comments on the FDIC proposal will be accepted for 60 days after it appears in the Federal Register.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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