PRESS RELEASE

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FDIC PROPOSES CHANGES TO CONSOLIDATE AND UPDATE RULES FOR FOREIGN BANKING ACTIVITIES

FOR IMMEDIATE RELEASE

The FDIC Board of Directors today proposed rules that would permit well-managed state nonmember banks with international operations to undertake a number of new activities without filing a formal application. The rules consolidate, update and streamline existing regulations.

"These rules take an important step in helping our banks become more competitive abroad," said FDIC Chairman Andrew C. Hove, Jr. "They also recognize that regulators should not saddle well-run and well-capitalized institutions with the burden of filing formal applications for permissible activities."

The FDIC's international rules, which have been on the books since 1979 without significant revision, are divided into three separate parts. The proposal consolidates those rules into one regulation and modernizes outmoded requirements to reflect interagency standards. It is designed to allow state nonmember banks to compete effectively abroad and is part of the agency's ongoing review of policies and regulations to make them less burdensome and more efficient.

A key aspect of the proposed rule reduces the number of instances in which banks must file an application before opening a foreign branch or making a foreign investment. Instead, state nonmember banks that meet seven eligibility criteria can take advantage of general consent or prior notice procedures to conduct these activities. To be eligible, an institution must have a rating of one or two for safety and soundness, management and compliance; have a satisfactory Community Reinvestment Act rating; be well capitalized; not be subject to any formal or informal supervisory actions; and have been in operation for at least three years. The proposed rules would also:

- Modernize and clarify provisions outlining the activities in which insured state nonmember banks and their branches may engage in abroad. The proposed rule lists the types of permissible financial activities, as well as corresponding dollar amounts and volume limits.

- Eliminate the cap that limits total foreign investment to 25 percent of a nonmember bank's capital.

- Revise part 346 to reflect the statutory requirement that domestic retail deposit activities of insured state-licensed branches of foreign banking organizations must be conducted through an insured bank subsidiary, not through an insured branch.

- Rescind the provisions concerning optional insurance for U.S. branches of foreign banks.

- Amend part 351 to simplify the accounting for fees on international loans and make it consistent with generally accepted accounting principles.

Written comments on the proposed changes are due within 60 days of their publication in the Federal Register.

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