PRESS RELEASE
Federal Deposit Insurance Corporation ● Each Depositor insured to at least $250,000

March 24, 1998

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FDIC CONSOLIDATES, STREAMLINES RULES APPLICABLE TO FOREIGN BANKING OPERATIONS

FOR IMMEDIATE RELEASE

The FDIC Board of Directors today made it easier for state nonmember banks to engage in international operations. The Corporation dramatically reduced filing requirements for most banks when they want to open a foreign branch or make a foreign investment.

In addition, well-run, well-capitalized institutions with no enforcement actions pending against them that meet certain other criteria may utilize the FDIC's "general consent" when initiating new activities abroad. This means an eligible institution can presume to have the FDIC's approval to engage in certain activities. The institution is required to notify the FDIC after new operations begin. Alternatively, well run, well-capitalized institutions ineligible to proceed under the presumption of general consent will be able to take advantage of expedited processing for their applications.

The Board also defined permissible activities that bank branches, foreign joint ventures and subsidiaries may engage in, where applicable, within specific dollar limits.

"Because of our action today, banks will be able to compete more effectively in the international marketplace without the delay and expense of unnecessary application procedures and regulatory requirements," said FDIC Chairman Andrew C. Hove, Jr.

The new regulation also streamlines the FDIC's internal application processing procedures. The regulation greatly reduces the types and numbers of applications that require Board of Director approval, instead delegating that authority to staff. As a result, applicants can expect quicker decisions on their requests.

The new regulation also:

- Eliminates a general limit on foreign investment of 25 percent of capital. New investment limitations are associated with specific types of activities. The regulation also includes procedures for requesting modifications to the limits.

- Permits a bank's foreign branch to underwrite, distribute and deal, invest in and trade obligations of any foreign government, rather than just the obligations of the country in which it is located. Banks may also invest directly in foreign organizations that are not banks.

- Simplifies accounting for fees on international loans. Instead of requiring use of specific accounting procedures, the new rule directs banks to follow generally accepted accounting principles (GAAP).

- Requires banks to establish reserves to account for transfer risk in international assets or use an alternative method consistent with GAAP.

The new regulation also reflects statutory requirements that a foreign banking organization's retail deposit-taking activities in the United States be conducted through an insured bank subsidiary, not an insured branch. Pledged asset requirements applicable to the deposit activities of insured branches have been changed to require quarterly, instead of semiannual, calculation and reporting.

Last Updated 07/14/1999