

Statement by FDIC Chairman Jelena McWilliams on the Final Rule for Parent Companies of Industrial Banks and Industrial Loan Companies at the FDIC Board Meeting

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In 1982, Congress authorized deposit insurance for state-chartered industrial banks and industrial loan companies (collectively, “industrial banks” or “ILCs”).¹ In 1987, Congress expressly excluded parent companies that control industrial banks from Federal Reserve Board supervision solely as a result of such control.²

The FDIC is the primary Federal regulator for state nonmember banks, including industrial banks. We generally exercise the same supervisory and regulatory authority over these banks as we do over other State nonmember banks. We also evaluate applications for deposit insurance from industrial banks based on the same statutory factors applicable to other banks.³

Since the beginning of 2017, the FDIC has received twelve deposit insurance applications from proposed industrial banks. Of those, two have been approved,⁴ eight have been withdrawn, and two are pending.

Given the continuing interest in the industrial bank charter, the FDIC issued a proposed rule earlier this year to codify and clarify legally enforceable commitments we generally require industrial banks and their parent companies to enter into as a condition of approval.⁵ These commitments include capital and liquidity maintenance agreements (CALMAs), which contractually obligate a parent company to serve as a source of strength for an industrial bank.

Today, we consider a final rule that is largely consistent with the proposal. The rule would provide transparency to market participants regarding the FDIC’s minimum expectations for parent companies of industrial banks. In addition, the rule would ensure that all parent companies of industrial banks approved for deposit insurance going forward would be subject to these commitments.

I support this rule and would like to thank the staff for their hard work.

¹See Garn-St. Germain Depository Institutions Act of 1982, Pub. L. 97-320, 96 Stat. 1469 (Oct. 15, 1982).

²See Competitive Equality Banking Act of 1987, Pub. L. 100-86, 101 Stat. 552 (Aug. 10, 1987).

³See 12 U.S.C. 1816.

⁴See FDIC Approves the Deposit Insurance Application for Nelnet Bank, Salt Lake City, Utah Area (Mar. 18, 2020), available at <https://www.fdic.gov/news/news/press/2020/pr20034.html>; *see also* FDIC Approves the Deposit Insurance Application for Square Financial Services, Inc., Salt Lake City, Utah (Mar. 18, 2020), available at <https://www.fdic.gov/news/news/press/2020/pr20033.html>.

⁵See Parent Companies of Industrial Banks and Industrial Loan Companies, 85 Fed. Reg. 17771 (Mar. 31, 2020), available at <https://www.govinfo.gov/content/pkg/FR-2020-03-31/pdf/2020-06153.pdf>.