



PRESS RELEASE

Federal Deposit Insurance Corporation • Each Depositor insured to at least \$250,000

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FDIC Approves Rule to Ensure Safety and Soundness of Industrial Banks

WASHINGTON— The Federal Deposit Insurance Corporation (FDIC) approved a final rule that will require certain conditions and commitments for each deposit insurance application approval, non-objection to a change in control notice, and merger application approval that would result in an insured industrial bank or industrial loan company becoming a subsidiary of a company that is not subject to consolidated supervision by the Federal Reserve Board.

The final rule is substantially similar to the proposed rule, and it will require a covered parent company to enter into written agreements with the FDIC and the industrial bank to: address the company's relationship with the industrial bank; require capital and liquidity support from the parent to the industrial bank; and establish appropriate recordkeeping and reporting requirements. The rule will codify the FDIC's current supervisory processes and policies with respect to industrial banks and ensure the safe and sound operation of these institutions as well as provide the necessary transparency regarding the FDIC's supervisory practices.

"This rule addresses two important supervisory goals: it provides transparency by codifying FDIC's long-standing practice," said FDIC Chairman Jelena McWilliams, "while ensuring that all industrial bank applicants for deposit insurance and their parent companies understand regulatory expectations before they commence the application process."

Industrial banks have operated in the United States for more than a century. Congress made all industrial banks eligible for deposit insurance in 1982. In 1987, Congress expressly adopted an exception to the Bank Holding Company Act permitting a parent company to own and control an industrial bank without becoming subject to regulation and supervision by the Federal Reserve Board as a bank holding company based solely on such control. Each industrial bank is state-chartered and supervised by the FDIC under the same regulatory and supervisory framework as other state non-member banks.

Attachments:

Final Rule: Parent Companies of Industrial Banks and Industrial Loan Companies
Fact Sheet: Parent Companies of Industrial Banks and Industrial Loan Companies



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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