PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC BOARD PROPOSES CAPITAL RULE FOR NONFINANCIAL EQUITY INVESTMENTS

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today requested public comment on a proposed rule governing the regulatory capital treatment for equity investments in nonfinancial companies held by FDIC-supervised banks.

This proposal was developed in consultation with the Office of the Comptroller of the Currency (OCC) and the Board of Governors of the Federal Reserve System (FRB), which have approved similar versions of the proposal for the banking organizations that they supervise. The FDIC, OCC and FRB intend to jointly publish the proposal in the Federal Register in the near future and provide a 60-day comment period.

The proposed capital treatment for nonfinancial equity investments would apply symmetrically to banks and their holding companies. Investments covered by the proposed rule would include investments made under the new merchant banking authority granted by the Gramm-Leach-Bliley Act and to equity investments in nonfinancial companies made under other preexisting authorities, including investments under Section 24 of the Federal Deposit Insurance Act.

The proposal generally would impose a capital charge that would increase in steps as the banking organization's level of concentration in equity investments increases. An 8 percent capital charge would apply on overall investment portfolios that represent up to 15 percent of the organization's Tier 1 capital. A top marginal charge of 25 percent would be set for overall investment portfolios under all authorities that exceed 25 percent of the organization's Tier 1 capital. These capital charges would be deducted in determining the amount of a banking organization's Tier 1 capital.

The higher capital charges would not apply to equity investments through small business investment companies, unless the amount of those investments exceeds 15 percent of Tier 1 capital. Grandfathered investments under section 24(f) of the Federal Deposit Insurance Act also would be exempt under the new proposal. With respect to other Section 24 investments covered by the proposed rule, the FDIC retains the authority to impose capital requirements that are higher or lower than the proposed capital charges under certain circumstances.