FDIC Statement of Policy on Applications for Deposit Insurance

FDIC Statement of Policy on Applications for Deposit Insurance - Effective October 1, 1998

Q&As – November 2014

1) Pre-Filing Meetings

Q. The SOP recommends that a representative(s) of the organizing group meet with the chartering authority and the FDIC prior to filing an application to reach an understanding of the information requirements of each agency.

Are pre-filing meetings required, what can an applicant do to help maximize the effectiveness of a pre-filing meeting, and how can an applicant arrange for a pre-filing meeting?

A. The FDIC strongly encourages pre-filing meetings to promote open communication regarding the application, regulatory expectations, and the application review process. The intent of the meeting is to provide a forum for the applicant to present an overview of the proposal, with particular emphasis on management, the business plan, and capital. Pre-filing meetings are generally most productive when attendees include those knowledgeable of the significant aspects of the proposal.

As a general rule, pre-filing meetings are attended by the FDIC, the chartering authority, and, as appropriate, the Federal Reserve. During the meeting, the participating agencies will discuss regulatory expectations and provide an overview of the application process, including general timelines for application processing. Staff may also address special information needs and other matters unique to the application so that the applicant can include appropriate information in the submission. As such, pre-filing meetings assist applicants in developing complete and comprehensive applications that facilitate the review process.

Applicants may contact the appropriate FDIC Regional Office to coordinate a pre-filing meeting. The appropriate Regional Office will generally be the office with responsibility for the State in which the proposed institution will be headquartered. Contact information is provided at the following link: FDIC Office Directory and Contacts.

2) Processing Timelines

Q. What is the FDIC's typical processing time for a deposit insurance application?

A. While processing times will vary depending on the unique characteristics of a proposal, applications are generally acted on within four to six months after being deemed substantially complete. To facilitate the review process, FDIC staff strives to timely discuss questions, information needs, and other matters.

The Interagency Charter and Federal Deposit Insurance Application Form and instructions, which are accessible at http://www.fdic.gov/regulations/laws/FORMS/applications.html, were designed to aid applicants in assembling the information necessary to initiate the application process. In addition to general instructions for preparing the application, the form includes guidance with respect to the business plan and the financial projections.

Use of the form and accompanying instructions, together with insights obtained during the pre-filing meeting, should provide a basis on which to assemble an application that enables the FDIC and other agencies to evaluate the applicable statutory and other requirements.

3) Initial Capitalization

Q. *Does the FDIC require all new institutions to provide "up front" (or initial) capitalization sufficient to maintain a tier one leverage capital ratio of at least 8 percent for the first seven years of operation? What is the minimum amount of capital required to organize an institution?*

A. No, the initial capital raised does not need to be sufficient to provide a Tier 1 capital-to-assets leverage ratio ("Leverage Ratio") of at least 8 percent throughout the first seven years of operation. As stated in the SOP, the initial capital raised by a proposed institution should generally be sufficient to provide a Leverage Ratio of at least 8 percent throughout the first three years of operation. While the 8 percent threshold will generally be applied to proposals displaying a traditional risk profile, the FDIC may seek a higher level of capital for those proposals displaying heightened risk profiles or complexity, such as with respect the proposed institution's anticipated size, complexity, and business strategy.

As with the Leverage Ratio, the amount of cash capital necessary to organize an institution will be largely derived from the proposed institution's anticipated size, complexity, and business strategy. Other considerations will include any statutory or regulatory requirements of the chartering authority.

4) Initial Business Plan

Q. *Does the FDIC require all new institutions to provide a business plan covering the first seven years of operation?*

A. No, the business plan submitted with the application should cover the first three years of operation. The Interagency Charter and Federal Deposit Insurance Application Form and instructions, which are accessible at http://www.fdic.gov/regulations/laws/FORMS/applications.html, include guidance with respect to the business plan and the related financial projections. Business plans for subsequent operating periods will be addressed through established supervisory processes.