



Transactions With Affiliates

FIL-29-2004
March 17, 2004

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: Proposed Rule Relating to Affiliate Transactions

Summary: The FDIC has proposed a new Part 324 that would interpret the restrictions on affiliate transactions contained in sections 23A and 23B of the Federal Reserve Act for insured state nonmember banks. Comments are due by May 3, 2004.

The Federal Deposit Insurance Corporation's (FDIC) Board of Directors has proposed a new Part 324 (attached) that would interpret the restrictions on affiliate transactions contained in sections 23A and 23B of the Federal Reserve Act for state nonmember banks. The Federal Reserve Board (FRB) for the first time has adopted a regulation (Regulation W) governing sections 23A and 23B. The proposed Part 324 would cross-reference Regulation W. Comments on the proposal are due by May 3, 2004.

Insured state nonmember banks are, "in the same manner and to the same extent" as though they were member banks, subject to the restrictions and limitations found in sections 23A and 23B of the Federal Reserve Act relating to member banks' transactions with affiliates. The FDIC's proposed Part 324 cross-references Regulation W making it clear that state nonmember banks are subject to the same restrictions and limitations. The new Part 324 would also make clear that the FDIC: administers the restrictions and limitations contained in Regulation W as to insured state nonmember banks, may grant exemptions from those restrictions and limitations, and is the appropriate agency to make other determinations under Regulation W. (The text of Regulation W can be found at <http://www.fdic.gov/regulations/laws/rules/7500-100.html>.)

The FDIC is also proposing to amend Part 303 to add a new section governing requests for exemptions from the new Part 324 and hearings that are held for the purpose of determining whether a shareholder or company exercises a controlling influence over another company.

For further information about the proposed rule, please call Pamela E.F. LeCren, Counsel in the Legal Division, at 202-898-3730 or Kenyon T. Kilber, Senior Examination Specialist in the Division of Supervision and Consumer Protection, at 202-898-8935.

For your reference, FDIC Financial Institution Letters may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2004/index.html. To learn how to automatically receive FDIC Financial Institution Letters through e-mail, please visit www.fdic.gov/news/news/announcements/index.html.

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Attachment: [March 17, 2004 Federal Register, pages 12571-12580](#)

Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (1-877-275-3342 or (703) 562-2200).