FDIC
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429

Foreign Banks

FIL-48-95
July 19, 1995

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *Proposed Amendments Concerning Domestic Retail Deposit Activities of Foreign Banks (Part 346)*

The FDIC's Board of Directors has issued for public comment proposed amendments to Part 346 of the agency's regulations governing the operation of state-licensed U.S. branches of foreign banks. The proposed amendments, which are required by Section 107 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, are intended to ensure that foreign banks do not receive an unfair competitive advantage over U.S. banks in domestic retail deposit-taking. A copy of the proposed regulation is attached.

Part 346 now requires any state-licensed branch engaged in "domestic retail deposit activity" (defined as the acceptance of any initial deposit of less than $100,000) to be an insured branch unless any initial deposit of less than $100,000 is derived solely from one of five specified categories of depositors or falls within a five percent de minimis exemption. The existing de minimis exemption permits an uninsured state-licensed branch to accept a certain amount of initial deposits of less than $100,000 that do not come from one of the five exempted categories of depositors.

The FDIC's proposed changes would specify new exemptions that are similar to, but somewhat narrower than, those currently in Part 346. The principal difference relates to the business entity exemption. Currently, an uninsured state-licensed branch can accept initial deposits of less than $100,000 from any business engaged in a for-profit commercial activity. Under the proposal, the uninsured branch could only accept initial deposits of less than $100,000 from foreign businesses or large U.S. businesses, as defined in the proposal.

As required by the new law, the proposal also would reduce the de minimis exemption to one percent of the average of the branch's deposits, from the current five percent. The proposal includes a transition period allowing uninsured state-licensed branches five years to conform existing deposits to the new requirements. Initial deposits received after the effective date of the final amendments would be governed by the new rules immediately.

Written comments on the FDIC proposal will be accepted through September 11, 1995. For more information, contact Charles V. Collier, Assistant Director in the Division of Supervision (202-898-6850), or Jeffrey M. Kopchik, Counsel in the Legal Division (202-898-3872).

Nicholas J. Ketcha Jr.
Acting Director

Attachment: PDF Format (40 kb, PDF help or hard copy), HTML Format
Distribution: U.S. branches of foreign banks

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