



Loans to Executive Officers, Directors and Principal Shareholders

FIL-45-97
May 2, 1997

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *Amendments to Regulation O, Loans to Executive Officers, Directors and Principal Shareholders (Section 337.3 of FDIC's Rules and Regulations)*

The Board of Governors of the Federal Reserve System has adopted the attached two final rules implementing changes to [Regulation O \(12 C.F.R., Part 215\)](#), which governs loans to executive officers, Directors, and principal shareholders of member banks ("insiders").

The FDIC has incorporated applicable sections of Regulation O by cross-reference in [Section 337.3](#) of its Rules and Regulations. Therefore, Regulation O provisions apply to insured state nonmember banks, their subsidiaries and insiders, and related interests of insiders in the same manner and to the same extent as if the bank were a member bank.

The first rule became effective on November 4, 1996; the second, April 1, 1997. A summary of the amendments follows.

- Insiders of an institution or its affiliates can now obtain loans under a company-wide employee benefit plan if the plan does not give preference to insiders over other employees.
- The procedure has been simplified for a depository institution's board of Directors to exclude executive officers and Directors of an affiliate from policy-making functions of the bank, and thereby from the restrictions of Regulation O.
- Regulation O no longer applies to extensions of credit by a bank to an executive officer or Director of an affiliate, provided that the executive officer or Director is not engaged in major policy-making of the bank and the affiliate does not account for more than 10 percent of the consolidated assets of the bank's parent holding company.

For more information, please contact William P. McNamara, Examination Specialist in the Division of Supervision (202-898-6778), or Mark Mellon, Counsel in the Legal Division (202-898-3854).

Nicholas J. Ketcha Jr.
Director

Attachments:

[Regulation O \(12 C.F.R., Part 215\)](#)
[Section 337.3 of FDIC's Rules and Regulations](#)

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, N.W., Room 100, Washington, D.C. 20434 ((703) 562-2200 or 800-276-6003).