



ACTIVITIES OF INSURED DEPOSITORY INSTITUTIONS

FIL-20-2000
March 24, 2000

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Interim Final Rule Governing Activities of Insured State Banks
(Part 362 of FDIC's Rules and Regulations)*

The Federal Deposit Insurance Corporation (FDIC) Board of Directors has revised the agency's regulation governing the activities of insured state banks-Part 362 of the FDIC's rules and regulations. The revisions reflect statutory changes made pursuant to the new financial modernization law, the Gramm-Leach-Bliley Act. The interim final rule, which is attached, took effect March 11, 2000. Comments on the rule are due by May 22, 2000.

The revised rule provides the framework for subsidiaries of state nonmember banks to engage in financial activities-including securities underwriting-that the new law permits national banks to conduct through a financial subsidiary. As in the past, all contemplated activities must be permitted by the institution's chartering authority.

Under the interim rule, a state nonmember bank must submit a notice to the FDIC to engage in financial activities through a subsidiary. To engage in such activities, the bank must:

- be and remain well-capitalized after deducting its investment in the subsidiary,
- ensure that each of its insured depository affiliates is and remains well-capitalized,
- maintain compliance with the amendments to sections 23A and 23B of the Federal Reserve Act that treat financial subsidiaries as affiliates of the bank, and
- comply with required operational and financial safeguards.

When the state nonmember bank submits its notice, the bank and all of its depository institution affiliates must have a Community Reinvestment Act (CRA) rating of no less than satisfactory. The notice required under the interim rule must be filed 30 days before acquiring an interest in a subsidiary that engages in financial activities or commencing a new financial activity.

An insured state nonmember bank intending to engage in covered financial activities should contact its regional office about appropriate operational and financial safeguards that should be in place when conducting the activity.

For further information, please contact Curtis Vaughn (202-898-6759), Examination Specialist in the Division of Supervision; or Linda Stamp (202-898-7310) or Janet Norcom (202-898-8886), Counsels in the Legal Division.

James L. Sexton
Director

Attachment: March 23, 2000 Federal Register, pages 15526-15531
[HTML](#) or [PDF](#) (138 KB File - [PDF Help](#) or [Hard Copy](#))

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