



PROHIBITION AGAINST USING INTERSTATE BRANCHES PRIMARILY FOR DEPOSIT
PRODUCTION

FIL-34-2001
April 20, 2001

TO: CHIEF EXECUTIVE OFFICER AND COMPLIANCE OFFICER

SUBJECT: *Proposed Rule to Amend the Prohibition Against Using Interstate Branches Primarily for Deposit Production*

The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, and the Office of the Comptroller of the Currency are seeking comment on the attached joint proposed rule entitled "Prohibition Against Use of Interstate Branches Primarily for Deposit Production." Comments are due by June 8, 2001.

The proposed rule would amend the agencies' uniform regulations that implement section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Interstate Act) to implement an amendment contained in section 106 of the Gramm-Leach-Bliley Act of 1999 (GLBA). Prior to the GLBA amendment, section 109 of the Interstate Act generally prohibited a bank from using any interstate branch (i.e., a branch established or acquired under the Interstate Act outside of the bank's home State) primarily for deposit production.

The amendment contained in section 106 of GLBA expanded the definition of an interstate branch to include any branch of a bank controlled by an out-of-State bank holding company. The proposed rule would revise the agencies' uniform regulations by amending the definition of "covered interstate branch" to include any branch of a bank controlled by an out-of-State bank holding company. The proposed rule would, therefore, extend the scope of section 109's prohibition to any bank, and all branches of any bank, controlled by an out-of-State bank holding company, including the bank's main office and any branches of the bank located in the same state as the bank's main office.

The agencies are seeking comment on all aspects of the proposed rule, including coverage of main offices and interstate and intrastate branches; treatment of multi-tier bank holding companies; the definition of "home State" for an out-of-State bank holding company; and treatment of foreign banks and branches.

It should be noted that the GLBA amendment did not include any change in the definition of home State, as it applies to banks, or in the definition of out-of-State bank. As such, the amendment could be read to extend the coverage of the prohibition only to previously exempt branches located in a state other than the bank's home State where the bank is controlled by an out-of-State bank holding company. The FDIC, therefore, invites comment on the scope of the rule.

For more information, please contact Louise Kotoshirodo Kramer, Review Examiner in the FDIC's Division of Compliance and Consumer Affairs, at (202) 942-3599 or Marc J. Goldstrom, Counsel in the FDIC's Legal Division, at (202) 898-8807.

Stephen M. Cross
Director

Attachment: April 9, 2001, *Federal Register*, pages 18411-18416
[HTML](#) or [PDF](#) (56 KB File - [PDF Help](#) or [Hard Copy](#))

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