



LIMITED LIABILITY COMPANIES

FIL-13-2003
February 13, 2003

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: FDIC Adopts Final Rule on Federal Deposit Insurance Eligibility for State Banks Chartered as Limited Liability Companies (Part 303 of FDIC's Rules and Regulations)

Summary: *A new amendment to Part 303 of the FDIC's Rules and Regulations clarifies that a state bank that is chartered as a limited liability company could be considered "incorporated" for the purposes of being eligible for federal deposit insurance.*

The Federal Deposit Insurance Corporation (FDIC) has adopted the attached final rule regarding the criteria it will use to determine the eligibility of a state bank chartered as a limited liability company (LLC) for federal deposit insurance.

One of the statutory requirements for a state bank to be eligible for federal deposit insurance is that it must be "incorporated" under the laws of any state. The final § 303.15 provides that a bank that is chartered as an LLC under state law would be considered to be "incorporated" under state law if all four of the following requirements are met. Generally, the LLC must:

- Have no automatic termination features,
- Have no restrictions on the free transferability of an owner's interest,
- Provide limited liability for its owners, and
- Provide for a board of managers.

We encourage institutions considering possible conversion to an LLC structure to first contact the appropriate FDIC office to discuss federal deposit insurance eligibility.

For more information about the final rule, please contact Mindy West in the FDIC's Division of Supervision and Consumer Protection on 202-898-7221 or Robert C. Fick in the FDIC's Legal Division on 202-898-8962.

This Financial Institution Letter supersedes FIL-106-2002, dated September 6, 2002. For your reference, FDIC Financial Institution Letters may be accessed from the FDIC's Web site at <http://www.fdic.gov/news/news/financial/2003/index.html>.

Michael J. Zamorski
Director

Attachment: February 13, 2003, Federal Register, pages 7301-7309

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, option 5, or (703) 562-2200).

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