

FEDERAL DEPOSIT INSURANCE CORPORATION

RIN 3064-ZA48

Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies

AGENCY: Federal Deposit Insurance Corporation.

ACTION: Request for information and comment.

SUMMARY: The Federal Deposit Insurance Corporation (FDIC) is soliciting comments from interested parties on the FDIC's approach to evaluating the statutory factors applicable to certain filings submitted by industrial banks and industrial loan companies.

DATES: Comments must be received on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Interested parties are invited to submit written comments, identified by RIN 3064-ZA48, by any of the following methods:

- *Agency Website:* <https://www.fdic.gov/resources/regulations/federal-registerpublications/>. Follow the instructions for submitting comments on the agency website.
- *E-mail:* comments@fdic.gov. Include RIN 3064-ZA48 in the subject line of the message.
- *Mail:* Jennifer Jones, Deputy Executive Secretary, Attention: Comments RIN 3064-ZA48, Federal Deposit Insurance Corporation, 550 17th Street NW, Washington, DC 20429.
- *Hand Delivery:* Comments may be hand delivered to the guard station at the rear of the 550 17th Street NW building (located on F Street NW) on business days between 7:00 a.m. and 5:00 p.m.

- *Public Inspection:* Comments received, including any personal information provided, may be posted without change to <https://www.fdic.gov/resources/regulations/federal-register-publications/>. Commenters should submit only information that the commenter wishes to make available publicly. The FDIC may review, redact, or refrain from posting all or any portion of any comment that it may deem to be inappropriate for publication, such as irrelevant or obscene material. The FDIC may post only a single representative example of identical or substantially identical comments, and in such cases will generally identify the number of identical or substantially identical comments represented by the posted example. All comments that have been redacted, as well as those that have not been posted, that contain comments on the merits of this document will be retained in the public comment file and will be considered as required under all applicable laws. All comments may be accessible under the Freedom of Information Act.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

I. Policy Objectives

Renewed interest in the industrial bank charter has highlighted the need for greater clarity and transparency regarding the Federal Deposit Insurance Corporation's (FDIC's) approach to

evaluating the statutory factors applicable to certain filings¹ submitted by industrial banks and industrial loan companies (together, industrial banks).² Through this request for information and comment (RFI), the FDIC is seeking to review the nature and structure of companies that have applied, or may in the future apply, for an industrial bank charter and Federal deposit insurance, or for FDIC approval or non-objection to enter into other corporate transactions involving industrial banks, and the issues those applications and notices may present. This review will inform potential changes to how the agency evaluates the statutory factors in the context of the unique aspects of industrial bank business plans and the issues presented by the range of companies that may form an industrial bank.

II. Background Information

The FDIC monitors, evaluates, and takes necessary action to ensure the safety and soundness of State nonmember banks,³ including industrial banks. Because industrial banks are excluded from the definition of “bank” for purposes of the BHCA, a company can control an industrial bank without being subject to the BHCA’s activities restrictions or Federal Reserve Board (FRB) supervision and regulation. Industrial banks are otherwise generally subject to the same restrictions and requirements, regulatory oversight, and safety and soundness examinations as any other state nonmember bank under federal law. This regulatory framework includes various laws and regulations that may affect an industrial bank’s relationship to, and transactions

¹ Part 354 applies to changes in bank control subject to 12 U.S.C. 1817(j), merger transactions subject to 12 U.S.C. 1828(c), and applications for Federal deposit insurance subject to 12 U.S.C. 1816 where the industrial bank is or would be controlled by a company that is not subject to Federal consolidated supervision.

² Herein, the term “industrial bank” means any insured State-chartered bank that is an industrial bank, industrial loan company, or other similar institution that is excluded from the definition of “bank” in the Bank Holding Company Act (BHCA) pursuant to 12 U.S.C. 1841(c)(2)(H). State laws refer to both industrial loan companies and industrial banks. For purposes of this RFI, the FDIC is treating the two types of institutions as the same. The term industrial bank does not include limited purpose trust companies and credit card banks that also are exempt from the definition of “bank” pursuant to section 1841(c)(2).

³ See, e.g., 12 U.S.C. 1811, 1818, 1821, 1831o-1, 1831p-1.

with, its parent and affiliates, such as restrictions under the Federal Reserve Act governing transactions with affiliates,⁴ anti-tying provisions of the BHCA,⁵ and insider lending regulations.⁶

A. The Industrial Bank Charter

Under the Federal Deposit Insurance Act (FDI Act), industrial banks are “State banks,”⁷ and all the existing FDIC-insured industrial banks are “State nonmember banks.”⁸ As a result, the FDIC is the appropriate Federal banking agency for industrial banks.⁹ Each industrial bank is also regulated by its respective State chartering authority.

The Competitive Equality Banking Act of 1987 (CEBA) excluded industrial banks from the definition of “bank” in the BHCA.¹⁰ As a result, a company can control an industrial bank without causing that company to be a bank holding company subject to the BHCA’s activities restrictions or FRB supervision and regulation.

B. 2020-2021 Rulemaking—Part 354

On February 23, 2021, the FDIC published a final rule governing the parent companies of industrial banks, codified at 12 CFR part 354 of the FDIC Rules and Regulations (part 354), which took effect on April 1, 2021.¹¹ Part 354 codified the FDIC’s practice of requiring, in connection with certain filings, certain conditions and written commitments for each deposit

⁴ See 12 U.S.C. 1828(j)(1)(A); 12 CFR part 223.

⁵ For purposes of section 106 of the BHCA, an industrial bank is treated as a “bank” and is subject to the anti-tying restrictions therein. See 12 U.S.C. 1843(h)(1).

⁶ See 12 CFR 337.3.

⁷ 12 U.S.C. 1813(a)(2).

⁸ 12 U.S.C. 1813(e)(2). Historically, industrial banks have elected not to become members of the Federal Reserve System.

⁹ 12 U.S.C. 1813(q)(2).

¹⁰ Pub. L. 100-86, 101 Stat. 552 (Aug. 10, 1987).

¹¹ 86 FR 10703 (Feb. 23, 2021).

insurance application approval, non-objection to a change in control notice, and merger application approval that would result in an industrial bank becoming a subsidiary of a company that is not subject to Federal consolidated supervision. Part 354 also requires that, before any industrial bank may become a subsidiary of a company that is not subject to Federal consolidated supervision, such industrial bank and parent company must enter into one or more written agreements with the FDIC. Additionally, part 354 requires the FDIC's prior written approval for certain actions proposed by the industrial bank, such as making a material change in its business plan. Part 354 applies to any industrial bank that becomes a subsidiary of a company not subject to Federal consolidated supervision as a result of a change in bank control or merger, or that is granted deposit insurance, on or after April 1, 2021.

C. Industry Profile

Industrial banks have existed since Arthur Morris established the Fidelity Savings and Trust Company of Norfolk, Virginia, in 1910. These State-chartered and -supervised entities operated like finance companies, providing loans to wage earners who could not otherwise obtain credit in an era when commercial banks typically did not offer this type of credit. In the mid-1980s, commercial firms became increasingly interested in chartering industrial banks and other types of institutions that were excluded from the BHCA's definition of "bank."¹² When CEBA was enacted in 1987, CEBA generally made all banks that were insured by the FDIC "banks" for the purposes of the BHCA, with certain exceptions, including industrial banks that meet certain statutory requirements.¹³

¹² At that time, the BHCA defined a bank as an entity that both made commercial loans and accepted demand deposits. If an entity performed only one of these tasks, it was not a bank under the BHCA. 12 U.S.C. 1841(c) (1986). Such an entity became known as a "nonbank bank" because it was not a bank for BHCA purposes, yet it was a bank for other purposes, including, for example, deposit insurance. As a result, a company that controlled a nonbank bank was not subject to regulation and supervision as a bank holding company.

¹³ See 12 U.S.C. 1841(c)(2)(H).

The industrial bank industry has evolved since the enactment of CEBA. The industry experienced significant asset growth between 1987 and 2006 when total assets held by industrial banks grew from \$4.2 billion to \$213 billion.¹⁴ The Government Accountability Office reported in 2012 that “[t]he ILC industry experienced significant asset growth in the 2000s, and ILCs evolved from small, limited-purpose institutions to a diverse group of insured financial institutions with a variety of business lines.”¹⁵ The ownership structure and business models of industrial banks evolved as industrial banks were acquired or formed by a variety of firms, including, among others, BMW, Target, Pitney Bowes, and Harley Davidson.

For instance, certain companies established industrial banks, in part, to support the sale of the manufactured products (*e.g.*, automobiles) or other services, whereas certain retailers established industrial banks to issue general purpose credit cards. Lending programs offered by these companies for their products and services are funded, at least in part, by FDIC-insured deposits, which typically come at a lower cost compared to other forms of funding.

In addition, certain companies also formed or acquired industrial banks to provide access to Federal deposit insurance for brokerage customers’ cash management account balances. The cash balances their customers maintain with a securities affiliate are swept into insured, interest-bearing accounts at the industrial bank subsidiary, thereby providing the brokerage customers with FDIC-insured deposits while that cash is held for future investment.

¹⁴ Most of the growth during this period is attributable to financial services firms that controlled industrial banks offering sweep deposit programs to provide Federal deposit insurance for customers’ available cash balances and to a large credit card issuer moving its credit card operations from its Delaware-chartered credit card bank to its Utah-chartered industrial bank.

¹⁵ U.S. Government Accountability Office, GAO–12–160, *Characteristics and Regulation of Exempt Institutions and the Implications of Removing the Exemptions* 13 (Jan. 2012), *available at* <https://www.gao.gov/products/GAO-12-160>.

In 2005, Wal-Mart Bank's application for Federal deposit insurance drew extensive public attention to the industrial bank charter.¹⁶ In 2006, The Home Depot filed a change in control notice in connection with its proposed acquisition of a Utah chartered industrial bank. Numerous public comments were received with respect to both filings, which were ultimately withdrawn. Thereafter, on July 28, 2006, the FDIC imposed a six-month moratorium on FDIC action with respect to deposit insurance applications and change in control notices involving industrial banks.¹⁷ Also, on August 23, 2006, the FDIC published a notice and request for comment on a wide range of issues concerning industrial banks.¹⁸ The moratorium was effective through January 31, 2007, at which time the FDIC extended the moratorium one additional year for deposit insurance applications and change in control notices for industrial banks that would be owned by commercial companies.¹⁹ The moratorium was not applicable to industrial banks to be owned by financial companies. In 2010, through passage of the Dodd-Frank Act, Congress imposed a three-year moratorium on the FDIC's approval of deposit insurance applications or non-objection to any change in control for industrial banks that would be owned or controlled by a commercial firm.²⁰ The moratorium expired in July 2013, without any further action by Congress.

¹⁶ See FDIC, Industrial Loan Companies and Industrial Banks Comments, *available at* <https://fdic.gov/federal-register-publications/industrial-loan-companies-and-industrial-banks-comments>.

¹⁷ See Moratorium on Certain Industrial Loan Company Applications and Notices, 71 FR 43482 (Aug. 1, 2006).

¹⁸ See Industrial Loan Companies and Industrial Banks, 71 FR 49456 (Aug. 23, 2006). The Notice included questions concerning the risk profile of the industrial bank industry, safety and soundness issues uniquely associated with ownership of such institutions, the FDIC's practice with respect to evaluating and making determinations on industrial bank applications and notices, whether a distinction should be made when the industrial bank is owned by an entity that is commercial in nature, and the adequacy of the FDIC's supervisory approach with respect to industrial banks.

¹⁹ See Moratorium on Certain Industrial Bank Applications and Notices, 72 FR 5290 (Feb. 5, 2007).

²⁰ Public Law 111-203, title VI, section 603(a), 124 Stat. 1597 (2010). Section 603(a) also imposed a moratorium on FDIC action on deposit insurance applications by credit card banks and trust banks owned or controlled by a

Since 2008, there have been three newly established industrial banks. Applications from Nelnet Bank, Draper, Utah, and Square Financial Services, Inc., Salt Lake City, Utah, were approved in March 2020 and the industrial banks became FDIC-insured in November 2020 and March 2021, respectively. Most recently, the FDIC approved an industrial bank deposit insurance application from Thrivent Bank, Salt Lake City, Utah, on June 20, 2024, and the bank commenced operations on June 1, 2025. As part of the approvals, the FDIC required each industrial bank and their parent companies to enter into written agreements with the FDIC that contained provisions consistent with the requirements of part 354.

As of March 31, 2025, there were 23 industrial banks²¹ with \$247.4 billion in aggregate total assets. Of those 23 industrial banks, one institution, UBS Bank USA, representing \$116.3 billion in total assets, is controlled by a bank holding company subject to FRB supervision. Six industrial banks reported total assets of \$10 billion or more; eight industrial banks reported total assets of \$1 billion or more but less than \$10 billion; and the remaining nine reported total assets of less than \$1 billion. The industrial bank sector today includes a diverse group of insured financial institutions operating a variety of business models. A significant number of the existing industrial banks support the commercial or specialty finance operations of their parent company and are funded through sources other than core deposits.

D. Supervision Framework

Because industrial banks are insured State nonmember banks, they are subject to the FDIC Rules and Regulations applicable to State nonmember banks, as well as other provisions of

commercial firm. The Dodd-Frank Act defined a “commercial firm” for this purpose as a company that derives less than 15 percent of its annual gross revenues from activities that are financial in nature, as defined in section 4(k) of the BHCA (12 U.S.C. 1843(k)), or from ownership or control of depository institutions.

²¹ Of the 23 industrial banks existing as of March 31, 2025, 15 were chartered in Utah, three in Nevada, three in California, one in Hawaii, and one in Minnesota. As noted below, one additional industrial bank opened on June 1, 2025.

law, including restrictions under the Federal Reserve Act governing transactions with affiliates,²² anti-tying provisions of the BHCA,²³ and insider lending regulations.²⁴ Industrial banks are also subject to regular examination, including examinations focused on safety and soundness; anti-money laundering and countering the financing of terrorism compliance; compliance with consumer protection laws and regulations, including those related to fair lending; Community Reinvestment Act; information technology; and trust services. Pursuant to section 10(b)(4) of the FDI Act, the FDIC has the authority to examine the affairs of any industrial bank affiliate, including the parent company, as may be necessary to determine the relationship between the institution and the affiliate, and the effect of such relationship on the depository institution.²⁵

In addition, under section 38A(b) of the FDI Act,²⁶ the FDIC is required to impose a requirement on companies that directly or indirectly own or control an industrial bank to serve as a source of financial strength for that institution.²⁷ Subsection (d) of section 38A provides explicit statutory authority for the appropriate Federal banking agency to require reports from a controlling company to assess the ability of the company to comply with the source of strength requirement, and to enforce compliance by such company.²⁸

In granting deposit insurance, the FDIC must consider the factors in section 6 of the FDI Act; these factors generally focus on the safety and soundness of the proposed institution and any

²² See 12 U.S.C. 1828(j)(1)(A); 12 CFR part 223.

²³ For purposes of section 106 of the BHCA, an industrial bank is treated as a “bank” and is subject to the anti-tying restrictions therein. See 12 U.S.C. 1843(h)(1).

²⁴ See 12 CFR 337.3.

²⁵ 12 U.S.C. 1820(b)(4).

²⁶ Pub. L. 111-203, 124 Stat. 1616 (July 21, 2010), codified at 12 U.S.C. 1831o-1(b).

²⁷ 12 U.S.C. 1831o-1(b).

²⁸ 12 U.S.C. 1831o-1(d).

risk it may pose to the Deposit Insurance Fund (DIF).²⁹ The Change in Bank Control Act and the Bank Merger Act each have their own factors that the FDIC must consider.³⁰

Part 354 requires capital and liquidity maintenance agreements (CALMAs) and other written agreements between the FDIC, industrial banks, and controlling parties of industrial banks, as well as the imposition of prudential conditions when approving or non-objecting to certain filings involving an industrial bank. Many of part 354's provisions reflected the FDIC's prior experience in reviewing industrial bank filings.

As noted above, the universe of industrial banks is relatively small. For the most part, the existing industrial banks (all but three were established between 1984 and 2006) fared similarly to other types of financial institutions during previous banking crises.³¹ Of the 24 industrial banks, six are subject to written agreements (two are subject to capital maintenance agreements, one is subject to only a CALMA, and three are subject to both CALMAs and parent company

²⁹ Such factors are the financial history and condition of the depository institution, the adequacy of the depository institution's capital structure, the future earnings prospects of the depository institution, the general character and fitness of the management of the depository institution, the risk presented by such depository institution to the DIF, the convenience and needs of the community to be served by such depository institution, and whether the depository institution's corporate powers are consistent with the purposes of the FDI Act. *See* 12 U.S.C. 1816.

³⁰ The Change in Bank Control Act provides that the FDIC may disapprove a proposed acquisition if it would be monopolistic or anti-competitive in such a manner that the public interest or convenience and needs of the community do not outweigh the anti-competitive effect; either the financial condition of any acquiring person or the future prospects of the institution is such as might jeopardize the financial stability of the bank or prejudice the interests of the depositors of the bank; the competence, experience, or integrity of any acquiring person or of any of the proposed management personnel indicates that it would not be in the interest of the depositors of the bank, or in the interest of the public to permit such person to control the bank; any acquiring person neglects, fails, or refuses to furnish the FDIC all the information required by the FDIC; or the FDIC determines that the proposed transaction would result in an adverse effect on the Deposit Insurance Fund. *See* 12 U.S.C. 1817(j)(7). The Bank Merger Act generally prohibits the approval of monopolistic or otherwise anticompetitive transactions, and requires the responsible agency to consider, the financial and managerial resources and future prospects of the existing and proposed institutions, the convenience and needs of the community to be served, the risk to the stability of the United States banking or financial system, and the money laundering record of insured depository institutions involved in the merger transaction. *See* 12 U.S.C. 1828(c).

³¹ During the 2008-09 Financial Crisis, several parent companies pursued conversions of an industrial bank to a commercial bank, which required approval of the parent company to become a BHC subject to regulation and supervision by the FRB. The conversions allowed the respective companies to access programs such as the FDIC's Temporary Liquidity Guarantee Program and the Troubled Asset Relief Program administered by the Department of the Treasury.

agreements).³² More recently, a wide variety of firms have expressed interest in establishing industrial banks.

E. Other Considerations

Previously withdrawn applications by proposed industrial banks have, in some instances, presented challenges to the evaluation of the statutory factors. For example, Wal-Mart Bank's application to form an industrial bank led to extensive concerns regarding the potential anti-competitive effects of the proposal and whether it was consistent with the purpose of the industrial bank charter. Increased interest in forming an industrial bank controlled by foreign parents has raised concerns, including those related to cross-jurisdictional challenges, organizational complexities, and data governance and privacy. Commenters have also raised concerns with industrial banks whose business plans are wholly dependent on the operations, products, services and customers of the parent.

The FDIC is actively reviewing many of these issues and proposes to comprehensively review the nature and structure of companies that have applied or may apply for an industrial bank charter and Federal deposit insurance and the issues those applications could present in the context of the FDIC's evaluation of the applicable statutory factors. Public comments will inform the FDIC's policy approach to industrial bank filings.

III. Request for Comment

Specifically, the FDIC is soliciting comments as follows:

³² Previously 10 other industrial banks (that have since merged, converted, or voluntarily liquidated) were also subject to CALMAs and/or parent company agreements. The FDIC began imposing additional prudential requirements in Orders granting Federal deposit insurance in March 2004. The FDIC described its imposition of additional prudential requirements in *FDIC: The FDIC's Supervision of Industrial Loan Companies: A Historical Perspective – Summer 2004 Vol. 1, Issue 1*. GAO further described the FDIC's approach in pages 41-44 of its 2005 audit, *Industrial Loan Corporations: Recent Asset Growth and Commercial Interest Highlight Differences in Regulatory Authority*, available at <https://www.gao.gov/products/gao-05-621>.

A. Information Relevant to Evaluation of Applicable Statutory Factors

Section 6 of the FDI Act requires the FDIC to consider the following statutory factors when reviewing an application for deposit insurance, including from a proposed industrial bank:

- The financial history and condition of the depository institution;
- The adequacy of the depository institution's capital structure;
- The future earnings prospects of the depository institution;
- The general character and fitness of the management of the depository institution;
- The risk presented by such depository institution to the DIF;
- The convenience and needs of the community to be served by such depository institution; and
- Whether the depository institution's corporate powers are consistent with the purposes of this chapter.

The FDIC also considers filings from companies seeking to acquire an industrial bank through a change in control or merger transaction. The FDIC considers the statutory factors applicable to each filing it receives.³³ For filings subject to FDIC non-objection or approval under the Change in Bank Control Act or the Bank Merger Act, the FDIC is required to consider statutory factors set forth in each of those statutes.³⁴

1. General

1. How should the FDIC apply the statutory factors of the FDI Act to industrial bank applications? In what ways, if any, should the statutory factors be applied differently to

³³ See notes 29, 30 above.

³⁴ See 12 U.S.C. 1817(j) and 1828(c).

industrial bank applicants than to other types of applicants? Which factors in particular and why?

2. How should the FDIC's evaluation of the statutory factors be tailored based on the size, complexity, and nature of the parent and affiliates of a proposed industrial bank?

3. How should the FDIC tailor its analysis if the parent of a proposed industrial bank is (1) a retail company, (2) a company that is financial in nature, (3) a manufacturing or other industrial company, or (4) a technology company?

4. How should the FDIC analyze an application in which an affiliate of a proposed industrial bank already provides the same lending (or other) services the proposed industrial bank would provide to customers of the parent organization?

2. Adequacy of capital structure

5. How should the FDIC assess an industrial bank applicant's capital adequacy? How should this assessment compare to other types of depository institutions?

3. Risk to the DIF

6. How should the FDIC assess an industrial bank applicant's risk to the DIF? Do certain industrial bank applicants' proposed business models, including those that involve significant or material reliance on their parent company—*e.g.*, for the generation of deposit funding or the acquisition of lending assets—present unique risks to the DIF? How does material reliance on a parent company that is generally understood to be financial in nature compare to material reliance on a parent company that is generally understood to be non-financial in nature (including in the non-industrial bank context)? What different considerations, if any, come into play in evaluating these different types of parent companies?

7. How should the size and market share of the parent company and its affiliates and the diversity of products and services they offer relate to the risk presented by the proposed industrial bank? How should the FDIC analyze this in the context of an industrial bank application?

8. Do industrial banks present different types of resolvability concerns depending on the nature of the parent company and its affiliates or the business plan of the industrial bank? To what extent do such concerns vary depending on whether the parent and its affiliates are (1) retail companies (including internet-based); (2) companies that are generally understood to be financial in nature (*e.g.*, insurance companies and credit providers) (3) manufacturing companies (auto, agricultural); (4) companies based/domiciled in a foreign jurisdiction; or (5) financial or other technology companies? If so, please explain how. How should such concerns factor into the FDIC's analysis of industrial bank applications, particularly with respect to risk to the DIF?

9. To the extent an industrial bank presents a heightened level of risk to the DIF, are there mitigants the FDIC should consider? For example, should the FDIC require the industrial bank and/or corporate parent of such an industrial bank to submit resolution plans,³⁵ impose growth restrictions, or impose activities or other restrictions as a condition of approval? To what extent are these conditions, or others, satisfactory mitigants?

4. Convenience and needs of the community

³⁵ Part 354 includes a provision whereby FDIC may require a Covered Company and industrial bank to commit to provide to the FDIC, and implement and adhere to, a contingency plan that sets forth recovery actions to address significant financial or operational stress that could threaten the safe and sound operation of the industrial bank and strategies for the orderly disposition of such industrial bank without the need for the appointment of a receiver or conservator. 12 CFR 354.4(b).

10. How should the FDIC assess the convenience and needs of a community to be served by an industrial bank applicant? How should this assessment compare to other types of depository institutions?

11. If forming an industrial bank would enable the parent company or its affiliates to offer products and services (including the provision of credit) at a reduced cost, should the related consumer benefits be viewed favorably for purposes of the convenience and needs factor?

12. If a proposed industrial bank provides lower-cost credit for purposes of purchasing products that are essential to American households or commercial firms, how should this be considered for purposes of the convenience and needs factor?

5. Whether the depository institution's corporate powers are consistent with the purposes of this chapter.

13. How should the FDIC assess whether an industrial bank applicant's corporate powers are consistent with the purposes of the FDI Act? Are there certain types of applications that implicate this statutory factor?

6. Other statutory factors

14. How should the FDIC assess the other statutory factors under the FDI Act, Change in Bank Control Act, and Bank Merger Act with respect to a filing involving a proposed industrial bank?

B. Characteristics of Industrial Bank Parent Companies

The FDIC is seeking comment on certain characteristics of potential industrial bank parent companies.

1. Foreign-Owned Industrial Banks

15. Do applications relating to industrial banks controlled by foreign parent companies present unique considerations? If so, what are those considerations? Are there different types of foreign parents that present different issues?

16. Are there mitigants the FDIC could consider with respect to foreign-based parent companies? For example, should a foreign parent be required to pre-position resources (*e.g.*, capital, liquidity) in the United States for the benefit of the industrial bank? If so, how could such a pre-positioning requirement be structured? What other measures, if any, should the FDIC consider to address concerns raised by foreign ownership?

2. Size and market share

17. How should the FDIC evaluate industrial bank applicants with parents that are dominant in one or more nonfinancial industries? To what extent should this analysis depend on (a) the size and market share of the parent, (b) the businesses the parent company is engaged in, and (c) the proposed size and proposed business model of the industrial bank?

18. With respect to the proposed business model of an industrial bank applicant with a large parent that dominant in certain markets, how should the FDIC view proposals to establish a full-service bank serving customers nationwide, a “captive” bank serving only customers of the parent company, or other models?

19. Does an industrial bank with a parent of a certain size and/or market share have a greater ability to scale? To what extent should this be viewed positively or negatively? What potential impact would this have on the banking industry and the provision of banking services in the United States? Please explain the characteristics of such companies, and whether and how such considerations should influence the FDIC’s analysis of such applications.

20. What tools can the FDIC use to address such concerns, if any? Can/should the FDIC consider imposing size, product, and activity limits on an industrial bank as a condition of the approval or non-objection order? If so, what type of limitations would be appropriate? How should such limitations be structured, implemented, and enforced over the long term?

21. Would a larger, more complex parent with diverse product lines (*e.g.*, retail e-commerce, cloud hosting, AI, etc.) be better able to weather economic downturns and thus be better able to serve as a source of strength to the industrial bank? On the other hand, could a bank in a larger corporate organization be subject to inattention or low prioritization by a parent?

22. How should the FDIC view the potential benefits that may stem from the extension of affordable banking/credit products and services from an industrial bank with a large parent company dominant in certain markets?

23. How should the FDIC view the costs and risks that may stem from an industrial bank with a large parent company dominant in certain markets? What impact would such institutions have on the competitive landscape for banking?

3. Non-financial companies

24. What are the potential societal costs and benefits of permitting companies that are generally non-financial in nature to establish an industrial bank? How should such costs and benefits be factored into the FDIC's analysis of the statutory factors? Are there approaches the FDIC can pursue to mitigate any potential societal costs?

25. What are the advantages and disadvantages of retail companies forming industrial banks?

26. What are the advantages and disadvantages of manufacturing and other industrial companies forming industrial banks?

27. What are the advantages and disadvantages of technology companies forming industrial banks?

28. To the extent nonfinancial companies are already offering financial products and services, how should this impact the FDIC's framework for analyzing industrial bank applicants?

29. If nonfinancial companies begin offering payment stablecoins, how, if at all, should that impact the FDIC's analytical framework?

30. Do nonfinancial companies present particular privacy or data protection issues? When, if at all, would it be appropriate for the FDIC to consider imposing heightened requirements specific to industrial banks and nonfinancial parent companies and affiliates regarding the use of consumer financial data for commercial purposes?

4. Other Considerations

31. Should the FDIC consider factors such as funding sources and degree of leverage for purposes of determining the ability of the parent to serve as a source of strength? For example, are publicly traded and/or less-levered firms better able and more likely to serve as a source of strength to a subsidiary industrial bank in comparison to private and/or more-levered firms? What other aspects of the parent's funding profile should be considered for this purpose, *e.g.*, contingent lines of credit, on-balance sheet liquidity?

32. What conditions should the FDIC consider including in an order of approval or non-objection to ensure the parent company for an industrial bank serves as a source of strength? Should these conditions be tailored to the size and complexity of the parent and the types of products and services it provides and, if so, how? Should certain enhanced conditions apply to parent companies that meet or exceed a certain size or complexity threshold? If so, what should they be and why?

C. Existing Regulatory and Supervisory Framework

As noted above, while industrial bank parents are not necessarily subject to the BHCA and Federal consolidated supervision, industrial banks are otherwise subject to the same restrictions and requirements, regulatory oversight, and safety and soundness exams as any other kind of insured depository institution.

33. In general, how effective is the regulatory and supervisory framework for industrial banks? To what extent, if at all, should the existing regulatory and supervisory framework inform the FDIC's evaluation of applications?

34. How effective are existing restrictions that apply to industrial banks, such as Sections 23A and 23B of the Federal Reserve Act and Regulation W, and limits on lending to a single counterparty? Are there modifications that can be made to those restrictions—through policymaking or in the form of nonstandard conditions—to better address potential concerns?

D. General Request for Information and Comment

35. The FDIC requests all comments regarding the industrial bank charter and supervision of industrial banks. To the extent possible, provide specific examples, including data, to support or illustrate your comments.

Federal Deposit Insurance Corporation.
By order of the Board of Directors.
Dated at Washington, DC, on July 15, 2025.

Jennifer M. Jones,
Deputy Executive Secretary

BILLING CODE 6714-01-P