September 19, 2025

Federal Deposit Insurance Corporation
550 17th St NW
Washington, DC 20249
Attention: Jennifer Jones, Deputy Executive Secretary

Re: Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies (RIN 3064–ZA48)

Dear Secretary Jones:

The American Financial Services Association[1] and the Alliance for Automotive Innovation[2] (together, "Associations") are deeply invested in shaping the public policy and regulatory recommendations that may emerge from this Request for Information (hereinafter "RFI") published by the Federal Deposit Insurance Corporation (hereinafter "the FDIC").

We begin with the incontrovertible evidence that industrial banks are among the strongest class of insured depository institutions. A comparison of the levels of capital, asset quality, and profitability ratio metrics for the industrial banking sector and the US banking industry as a whole supports this observation.[3]

Overview

Industrial banks operate within established regulatory frameworks, contrary to assertions by certain trade associations that seek to restrict competition in the financial sector. The RFI describes the extensive history of congressional oversight and the FDIC's evolving policies concerning the approval of new industrial bank charters.

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[1] Founded in 1916, the American Financial Services Association (AFSA) is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including traditional installment loans, mortgages, direct and indirect vehicle financing, payment cards, and retail sales finance. In 1971, AFSA merged with the American Industrial Bankers Association, an organization of industrial banks, thrift and loan companies, and sales finance companies, and we are proud to continue to represent our industrial bank members. Reflecting the definitions in their organic state laws, these institutions are called "industrial banks," "thrift and loans," "Morris Plans," or "industrial loan companies (ILCs)" in various states.

[2] Alliance for Automotive Innovation represents the full auto industry, including the manufacturers producing most vehicles sold in the U.S., equipment suppliers, battery producers, semiconductor makers, technology companies, and autonomous vehicle developers. Representing over 5 percent of the country's GDP, responsible for supporting nearly 11 million jobs, and driving $1.5 trillion in annual economic activity, the automotive industry is the nation's largest manufacturing sector.

[3] *See:* "Comparative Safety Soundness, The Industrial Bank Industry", University of Utah Center for Financial Services (Match 2025) at https://stena.utah.edu/wordpress/wp-content/uploads/2025/03/UtahFSDReport_123124_1.pdf

Although not addressed in the RFI, the Nevada Division of Financial Institutions (hereinafter "NV DFI") and the Utah Department of Financial Institutions (hereinafter "UT DFI") are responsible for chartering industrial banks. These agencies derive their authority from state statutes that authorize industrial banks. This authority is evident in the chartering process and in the visitorial supervisory activities and oversight conducted by these agencies, frequently in collaboration with the FDIC through joint examinations.[4]

Before turning to overarching policy issues, we begin by expressing confidence in the FDIC's abilities to approve new charters and to collaboratively oversee existing industrial banks to ensure they operate in a safe and sound manner. The FDIC and the state banking agencies' collective, risk-based supervisory regime works.

We recognize that each application presents institution-specific issues; however, we recommend considering the clarification of both the content requirements for applications and the evaluation process. Currently, the process allows for significant subjective interpretation by both applicants and FDIC personnel. Establishing clear definitions for content expectations, as well as specifying the steps and timeline for the application process, would enable organizations to address statutory factors more effectively and allow for a more efficient and transparent process.

The adoption in 2020 of the Part 354 of the FDIC Rules and Regulations (hereinafter "Part 354"), provided clear rules of the road and the Associations' members report the application of Part 354 is working well. We note that a number of questions posed in the RFI have been asked—and answered—in supplementary information filed by the FDIC in supporting the promulgation of Part 354.[5]

Before addressing the key questions raised in the RFI, we offer a broad perspective on the public policy landscape surrounding industrial banks.

Next, we dispose of the notion peddled by anticompetitive protectionist trade associations that industrial banks operate pursuant to a shadowy "loophole" in the nation's banking law.

The plain language of Section 2(c)(2)(H) of the Bank Holding Company Act clearly permits commercial companies engaged in activities not permissible for a bank holding company to charter or acquire, and operate an industrial bank. Under any analysis of statutory construction, Congress enacted precisely what it intended, and industrial banks have been the subject of subsequent legislation and regulations on the federal and state levels.

[4] This analysis focuses on Nevada and Utah. Although Colorado, Minnesota, Indiana, and Hawaii permit industrial banks under their respective laws, no new charters have been issued in these states since the enactment of the Competitive Equality Banking Act of 1987 (hereinafter "CEBA"). Hawaii and Minnesota each maintain one operating charter. In California, state law allows the continued chartering of institutions known as thrift and loans, but does not permit charters for commercial ownership. Three such charters currently operate in California.

[5] *See:* https://www.federalregister.gov/documents/2021/02/23/2020-28473/parent-companies-of-industrial-banks-and-industrial-loan-companies

The malicious “loophole” characterization has also been refuted by regulators. In a June 2022 letter to Congress, the CEO of the Conference of State Bank Supervisors (hereinafter “CSBS”) emphasized “*The ILC exemption is a lawful option expressly afforded by Congress, not a loophole.*”

The CSBS letter went on to say: “*The ILC is not the result of a “loophole” in the BHCA as some have suggested. Rather, the ILC exemption reflects an intentional decision by Congress to expressly allow for commercial ownership of banks in a small number of states subject to specific restrictions and limitations. This can be seen by tracing how the BHCA covered and did not cover ILCs and other institutions since its enactment*.”[6]

In reality, industrial banks, chartered since 1910, are subject to the same restrictions, requirements, regulatory oversight, and safety and soundness exams as all other FDIC-insured state nonmember banks, including consumer protection, deposit insurance, the Community Reinvestment Act, and other applicable requirements. Importantly, affiliate abuse—the bugbear raised by opponents of industrial banks without ever citing an actual example—is prevented by the application of Sections 23A and 23B of the Federal Reserve Act relating to antitying rules and insider lending rules.

The Intersection of Banking & Commerce

We categorically reject the enduring myth—prominently featured in lobbying materials by anticompetitive protectionist trade associations—that separating banking and commerce is a longstanding US tradition.

The truth is unequivocal: before the Bank Holding Company Act of 1956, there was no ban on bank ownership. Congress then used a proverbial legislative sledgehammer to halt one holding company's dominance of insurance firms and banks across five states. That action followed years of antitrust litigation and administrative steps under the Clayton Antitrust Act.[7]

This passage reversed longstanding public policy permitting ownership of banks by commercial entities—their names often reflecting their commercial ownership. Chemical Bank—an ancestor of today’s J.P. Morgan Chase & Co. was established in 1824 by a manufacturer of dyes, paints, and other chemical compounds. Another ancestral company of Chase, the Bank of Manhattan, was founded in 1799 by the Manhattan Water Company. Numerous banks, once named “manufacturers,” testify to the many connections between banks and commercial enterprises prior to the 1950s.

Federal banking agencies and individual regulators have long recognized that there is little to fear from commercial ownership. In 1987, the FDIC Office of Research and Strategic Planning published a detailed study of the regulation of holding companies and bank affiliates titled “*Mandate for Change.*”

[6] James Cooper, Acting CEO, CSBS, Letter to Hon. Jesus “Chuy” Garcia (June 13, 2022) at https://www.csbs.org/ILC-letter

[7] *See* Transamerica Corp. v. Board of Governors of the Federal Reserve System, 206 F. 2d 163, *cert. denied*, 346 U.S.901 (1953)

The *Mandate* called for a restructuring of the regulatory system along the lines of the regulatory model used today by the FDIC and state regulators to regulate the industrial banks and other non-traditional banks and their affiliates.[8]

The *Mandate* concluded: "*[T]here appears to be no historical precedent to suggest that there is a long-standing tradition of separation of banking and commerce in the United States. Beyond historical precedent, our review of the evidence does not support the wisdom of separation and thus we find no compelling reasons for continuing it. Perhaps most importantly, the analysis does not support the view that product limitations and regulatory or supervisory authority over non banking affiliates of banks are necessary to protect the stability of the system or to limit the exposure of the deposit insurer or the payments system. There is evidence that insulation from risks from any type of affiliate can be maintained with relatively few changes to current rules governing the operations of banks and, most importantly, the professional supervisory staff of the FDIC concurs with this view . . . Neither the Glass-Steagall separation of commercial and investment banking nor the Bank Holding Company Act appear to be necessary to the safety and soundness of the banking system.*"[9]

Former Comptroller of the Currency, the late Jerry Hawk, summed it up this way: "*I have never believed in the sanctity of a wall between banking and commerce -I think that that's been overplayed over the years...There a virtual total lack of evidence in the U.S. that affiliations between banks and nonbank firms present serious threats to the banking system. [Critics] are very frequently motivated less by philosophy than by a desire to segment markets in order to diminish competition.*"[10]

The Associations do not advocate for a comprehensive revision of national policies restricting commercial ownership of banks.[11] Instead, we seek to clarify the historical record.

Capital Access: The Industrial Bank Advantage

Capital is the lifeblood of banking. It is no accident that the initial "C" in the CAMELS refers to capital adequacy.

Industrial banks differ from conventional banks in that their well-capitalized parent companies have a demonstrated ability to be a source of support, strength, and capital to benefit their subsidiary industrial bank. In contrast, many bank holding companies are little more than a shell whose only asset is the underlying subsidiary bank.[12]

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[8] Mandate For Change: Restructuring the Banking Industry (FDIC: 1987) at https://archive.fdic.gov/view/fdic/10385/fdic_10385_DS1.pdf
[9] Ibid., p. 99.
[10] *Voices: Policymakers & Experts Speak on Industrial Banks*, National Association of Industrial Bankers (2014)
[11] By separating banking and commerce, the US joined only Fiji, Guernsey, and the Isle of Man as the only jurisdictions banning the mixing of banking and commerce. *See*: Barth, James R and Tong Li, Apanard Angkinand and Yuan-Hsin Chiang, Li L,
"Industrial Loan Companies: Supporting America's Financial System," Milken Institute Study, April 2011 at p. 35.
[12] Many bank holding companies are so small that their owners elect to be taxed as individuals under Subchapter S of the Internal Revenue Code.

An industrial bank that is part of a larger diversified organization often never wants for capital because the parent company has other assets to draw from to support the industrial bank. History shows that a parent company's ability to provide capital can make a significant difference for a troubled bank.

For example, during the 2008 Financial Crisis, Lehman Brothers Commercial Bank received $272 million from its parent company after a bankruptcy court's approval. This support enabled the bank, later rebranded Woodland Commercial Bank, to wind down operations over six years without incurring any loss to the Deposit Insurance Fund (hereinafter "DIF").

In contrast, in 2023 the parent company of Silicon Valley Bank ("SVB"), a bank holding company regulated by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), was unable to offer SVB financial support in a time of crisis. After the parent company attempted to raise funds through debt issuance, further borrowing, and a failed stock sale, SVB ultimately failed. This led to the failure of additional banks, each owned by bank holding companies regulated by the Federal Reserve, and briefly disrupted business for technology startups and other clients. The extent of any loss to the DIF, if any, is currently subject to litigation scheduled to be heard next year.[13]

The Lehman Brothers resolution highlights that industrial banks are often able to access capital and liquidity from their parent—even during the dire circumstances of September 2008— while remaining insulated from parent company struggles.

Discussing the 2010 failure of Bear Stearns, former Department of the Treasury General Counsel Peter Wallison observed: *"As demonstrated by the Bear Stearns case, a financial intermediary such as a securities company can collapse in a matter of days if it loses the confidence of its counterparties and customers. This is because the intermediaries are highly dependent on short-term financing. Once the market begins to suspect such a company may be unable to meet its financial obligations, it is a goner. None of these deficiencies is true of an ordinary commercial company such as a retailer. Even in today's economy, these companies have remained stable, because their credit arrangements are generally medium- or long-term and not collateralized by assets that can lose their value quickly. Like anyone in a competitive market, commercial companies can encounter difficulties, but these are random and not correlated with the difficulties common to financial intermediaries in times of market turmoil. In these conditions, commercial companies can add capital and stability to a bank or ILC at a time when a financial parent cannot.*"[14]

Industrial Banks and Motor Vehicle Manufacturers

The United States automotive industry is a vital part of the U.S.'s economic, industrial, and cultural life. Domestic and foreign-owned manufacturers employ thousands of Americans directly or indirectly, through suppliers and franchise dealers. The industry drives research and development,

[13] *See:* SVB Financial Trust v. Federal Deposit Insurance Corporation, as Receiver for Silicon Valley Bank and Silicon Valley Bridge Bank, N.A., No. 5:2024cv01321 (N.D. Cal. 2025)
[14] *Voices, Op. Cit.*

as well as foreign direct investment and U.S. trade through exports, imports, and U.S. based manufacturing.

The strategic importance of the automotive industry was demonstrated during the 2020 COVID-19 pandemic. As the nation faced a shortage of ventilators for the increasing number of patients, Ford and General Motors provided assistance. In March, President Donald Trump invoked the Defense Production Act, enabling the government to contract with these automakers to manufacture 80,000 ventilators.

Ironically, in the midst of this unprecedented national emergency, lacking an industrial bank, neither Ford nor General Motors was able to offer loans to dealers to facilitate their ongoing operations through the Small Business Administration's bank-centric Paycheck Protection Program (hereinafter "PPP"). At the same time, automakers with industrial bank subsidiaries were able to offer vital PPP loans to their dealers.[15]

The significance of PPP loans to automobile dealers is demonstrated by the approval of over 3,500 dealers for loans exceeding $1 million each.[16] In contrast, existing automaker owned industrial banks were able to directly assist their dealers to ensure ongoing operations while Ford and GM dealers had to seek PPP loans from other banks.

Automobiles and trucks sold or leased to consumers are typically financed. Although banks and credit unions of various sizes offer loans and leases, the automotive industry primarily relies on its finance subsidiaries. Auto finance companies have been in existence since 1919. European bank ownership by United States domestic automakers predates the FDI Act.

Automakers, as well as manufacturers of motorcycles, farm equipment, and heavy machinery, own finance companies. Although automobile manufacturers are commercial enterprises, their finance subsidiaries operate as large non-depository financial corporations.

Auto finance companies lend prudently and profitably, manage credit risk effectively, fund loans cost-efficiently, and comply with extensive financial regulations from federal and state banking and consumer credit authorities. Credit rating agencies provide transparency to market participants regarding credit quality and risk. These companies are similar to banks but rely on capital markets for funding rather than deposits.

The reliance on capital markets proved problematic during the Great Recession, as the markets were in turmoil, with major investment banks being liquidated or sold in fire sales. A July 2017 study by an economist from the Federal Reserve concluded that the seizure of the capital markets led to a 30% reduction in motor vehicle sales.[17]

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[15] *See*, for example, https://www.autonews.com/finance-insurance/toyota-financial-secured-500-million-ppp-execs-say/

[16] *See:* Wu Y, Ngo V. (July 23, 2020. *Where Did the Biggest PPP Loans Go?* The Wall Street Journal. https://www.wsj.com/graphics/where-did-the-biggest-ppp-loans-go/

[17] Meisenzahl, Ralf R. (2017). Auto Financing during and after the Great Recession, FEDS Notes. Washington: Board of Governors of the Federal Reserve System, June 22, 2017, at https://doi.org/10.17016/2380-7172.2015.

Although less severe than the 2010 financial crisis, disruptions in the automotive finance sector occurred at the onset of the pandemic and following the collapse of SVB, as previously discussed.

Ownership of industrial banks enables automakers to secure funding throughout all phases of the economic cycle, including periods of capital market disruption. This stability supports the motor vehicle market and contributes to broader economic resilience.

The Associations' Responses to RFI Questions

In the RFI, the FDIC poses the following questions. We note that a number of the questions posed in the RFI have been asked—and answered—in supplementary information filed by the FDIC in supporting the promulgation of Part 354 (hereinafter "FDIC's 2021 filing").[18]

A. Information Relevant to Evaluation of Applicable Statutory Factors

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 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?

Answer 1-4: The FDIC should continue to apply the seven statutory factors under the FDI Act (12 U.S.C. § 1816) to industrial bank applications in a manner consistent with other depository institutions regardless of the primary business of the parent company but with tailored considerations for the unique aspects of an applicant's sector.

In cases where industrial banks are owned by manufacturing companies, evaluations should identify operational synergies between the bank and the parent company. For instance, Pitney-Bowes, the leading manufacturer of postage meters, has operated an industrial bank for over 25 years, utilizing its specialized industry knowledge. Similarly, Harley-Davidson operates an industrial bank that finances sales to its customers.

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[18] *See:* https://www.federalregister.gov/documents/2021/02/23/2020-28473/parent-companies-of-industrial-banks-and-industrial-loan-companies

Automaker-owned industrial auto finance banks integrate financing directly with vehicle production and sales, enabling lower-cost credit (*e.g*., 0% APR incentives) that supports U.S. manufacturing jobs and provides consumers with access to essential transportation.

This approach should differ slightly from other applicants by emphasizing the parent's industry expertise in credit risk management for manufactured products (*e.g*., autos), rather than broad financial services. For a manufacturing parent like an auto company, the FDIC should tailor its analysis to the parent's global supply chain resilience, as demonstrated by the performance of existing automobile manufacturer-owned industrial banks, where diversified auto sales revenue has buffered economic downturns without DIF impacts. If the parent is financial in nature *(e.g*., focused on auto lending), risks are lower due to aligned incentives; for non-financial manufacturing parents, the evaluation should highlight operational firewalls under Sections 23A and 23B.

In cases where an affiliate already provides similar lending (*e.g*., an existing non-bank auto financing), the FDIC should view the charter applicant favorably as it allows deposit funding to serve as more diversified funding source providing reliable access during times of capital markets disturbance. This does not compete with community banks but fills gaps in specialized auto credit.

In the case of industrial banks whose parent companies are outside the automobile and manufacturing sector, such as retail merchants, regulators—including the FDIC—have demonstrated expertise in retail credit. Insured banks, including industrial banks, have long offered retail financing to consumers through store-branded credit cards and customized home improvement loan programs. At times, retailers, including Sears and Target, operated industrial banks, while Nordstrom owned a federal savings bank. The Limited, a clothier, owned a credit card bank. Retail merchants directly engage in the payment system. For example, Publix, a Florida-based grocery store, owns and operates the regional Presto! ATM network.

In cases where an industrial bank's parent is financial in nature, particularly if it is focused on traditional financial services and products, the FDIC should view the charter applicant favorably. Financial service companies possess extensive experience and expertise in effectively managing businesses in a regulated and highly competitive environment. Like banks, financial service companies must comply with both federal and state laws and are supervised by a range of regulatory authorities, including state regulatory agencies, the Federal Trade Commission, and the Consumer Financial Protection Bureau. As such, financial companies will have developed institutional competence in corporate governance and risk-management that will allow them to operate industrial banks in a safe and sound manner.

For applicants operating at the intersection of financial services and technology, the Federal Deposit Insurance Corporation FDIC has demonstrated its capacity to review and process charter applications. The approvals of Square Financial and Nelnet banks, which were the first *de novo* approvals since 2008, provide evidence of this capability.

The RFI frequently references technology firms, a broad category that includes multiple types of enterprises. When referring specifically to financial technology (Fintech) companies, available evidence suggests that the FDIC, the NV DFI, and the UT DFI possess the necessary expertise to evaluate these applications, based on their comprehensive understanding of payment systems.

For technology companies whose business models are not directly related to payments or banking, the charter application process enables regulatory agencies to assess the viability of the proposed business model.

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?

Answer: Capital adequacy for industrial bank applicants should be evaluated in accordance with existing standards comparable to those applied to other insured depository institutions, including the Basel III requirements as implemented in the United States. Particular attention should be given to the financial capacity of the parent company to provide ongoing support as part of its statutory source of strength obligation.

The FDIC has long evaluated an applicant's financial capacity and strength and its financial prospects; and the proposed capital of the bank and ongoing access to capital; in the context of the proposed business plan and product mix. As noted above, the strength of a well-capitalized parent company is the heart of the resilience of the industrial bank model.

For automaker owned industrial banks, this includes evaluating the parent's manufacturing revenue as a reliable source of strength—*e.g.*, auto sales. The strong capital position of an existing industrial bank owned by an automaker exemplifies how this model maintains adequacy, even amid industry cycles, outperforming some community banks in resilience.

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, impose growth restrictions, or impose activities or other restrictions as a condition of approval? To what extent are these conditions, or others, satisfactory mitigants?

Answer 6-9: No evidence indicates that industrial banks pose novel risks to the DIF. Both existing industrial banks and new charter applicants conduct banking and financial activities typical of the broader banking sector, even when serving niche customer segments. The FDIC and relevant state agencies closely scrutinize the business plans of new applicants. Regardless of the charter type, applications do not advance if they present unacceptable or unmanageable risks. The FDIC currently possesses the necessary expertise to assess these risks effectively.

Along with Part 354's Parent Company Agreement ("PCA") and Capital and Liquidity Maintenance Agreement (CALMA) requirements, Section 38A of the FDI Act directs the FDIC to require parent companies of industrial bank to serve as a source of financial strength. In the same vein, Subsection (d) of section 38A of the FDI Act requires reports from a parent to assess the ability of the company to comply with the source of strength requirement, and to enforce such company's compliance. These and other requirements are memorialized in the PCA and CALMA.

We note that—in the case of automaker-owned industrial banks—the subsidiary bank model with manufacturing parents presents lower risks than standalone financial entities due to diversified revenue streams (*e.g.*, vehicle sales) that reduce volatility. While reliance on the parent for asset generation (*e.g.,* auto loans via dealers) exists, it aligns incentives and minimizes moral hazard—unlike non-financial parents in unrelated industries.

For manufacturing parents, risks are mitigated by industry-specific expertise. For example, Toyota Savings Bank has steadily and safely grown to $11.8 billion in assets.

Parent size and market share (*e.g.*, top-10 auto producers) should be viewed positively for DIF risk, as larger entities offer greater scalability and buffers (*e.g.*, a leading automaker's ABS trusts, which are rated highly by Fitch with FICO scores averaging 783). Resolvability concerns vary; manufacturing parents, such as those in the automotive sector, pose fewer issues than technology firms due to their tangible assets. For foreign elements with U.S.-based ownership (100% by the Finance Company) and pre-positioned U.S. liquidity (*e.g.*, 100% of stress needs in Treasuries), these attributes address cross-jurisdictional risks. Mitigants could include requiring resolution plans, growth restrictions appropriate to specific situation, and activity limits to auto-related lending.

4. Convenience and Needs of the Community

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?

Answer 10-12: The convenience and needs factor should be assessed similarly to other branchless institutions that generally elect to have their Community Reinvestment Act (CRA) performance evaluated under the strategic plan option. The NV DFI and UT DFI have intimate knowledge of local needs, and industrial banks operate meaningful programs that tailor CRA goals and objectives to address the needs of their communities, consistent with their business strategies, operational focuses, and capacities and constraints, consistent with safe and sound banking practices.

Focusing on CRA compliance and local impact, while crediting the unique benefits of specialized financing, their effectiveness and public service are well recognized.[19]

For automaker-owned industrial banks, this includes lower-cost credit for essential products like vehicles, enabling mobility for work and daily life—services traditional community banks may lack scale to provide, and large national banks may not customize.

For essential purchases, such as vehicles for low-income households, this factor should be viewed positively under CRA, promoting financial inclusion. In the chartering community (*e.g.*, Nevada and Utah), CRA programs, such as auto loans for underserved areas, boost economic activity (*e.g.*, $1 billion in financed vehicles supporting local dealers).

When analyzing the convenience and needs factor, the FDIC should also consider the history of an industrial bank parent company. Specifically, if an industrial bank parent company has a history of successfully providing capital and credit to low-and-moderate-income individuals and rural communities that cannot access traditional bank loans, that history should be viewed favorably when the FDIC considers the convenience and needs factor.

5. *Whether the Depository Institution's Corporate Powers Are Consistent With the Purposes of This Chapter*

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[19] *See:* Letter Children's Center Utah, YMC, Family Support Center, The Road Home, Ability Found, Maliheh Free Clinic, Comment Letter to FDIC on Joint Rule amending implementing the Community Reinvestment Act of 1977 (August 5, 2022).

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?

Answer. While this question references the seventh factor under the FDI Act (12 U.S.C. § 1816), it is, in many ways, tautological. The corporate powers of a depository institution are based on the legal permissions granted, in the first instance, by the state banking agency that approves a charter. This grant of authority is then tested by the FDIC to ensure alignment with the FDI Act's safety and soundness goals. We can see no chance that a state banking agency would approve powers exceeding the competence or capital of an applicant.

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?

Answer: Under the Change in Bank Control Act and Bank Merger Act, factors like anti-competitive effects and managerial fitness should continue to be evaluated with recognition of an applicant's scope in the market segment it plans to serve.

No existing industrial bank poses a monopoly risk. Instead, industrial banks inject necessary competition into a financial services marketplace where the 15 largest banks make up 75.97 percent of deposits and the top 10 issuers by average credit card outstandings represented 83 percent of credit card loans in 2022.[20] Industrial bank card issuers often serve customers underserved by the largest banks and even smaller, traditional community banks.

B. Characteristics of 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?

Answer 15-16: Foreign ownership of banks of all sizes and types of charters is a normal part of the nation's financial system. Consumers and businesses alike avail themselves of their products and services.

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[20] *See:* Wallet Hub, *Bank Market Share by Deposits & Assets* (March 10, 2025) at https://wallethub.com/edu/bank-market-share-by-deposits/25587 . *See also*: Consumer Financial Protection Bureau. (October 2023) *The Consumer Credit Market*, P. 18 at https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2023.pdf?mod=article_inline

Customers at Barclays, Santander, or TD may be unaware that their banks are owned by their eponymous UK, Spanish, or Canadian parent banks. In the same manner, smaller regional banks may have also foreign parents, such as Chile's Banco de Crédito e Inversiones, which owns Miami's City National Bank.

Today, foreign-owned banks hold federal and state charters, are classified as member or nonmember banks, and are effectively regulated by their respective regulatory agencies. They participate in the DIF and show no history of undue risk, posing no special regulatory challenges to their regulators. State and federal regulators have the necessary experience to coordinate with foreign regulators and manage currency fluctuations.

Regulators have existing authority to deal with global risk. UBS Bank USA, a Utah-based industrial bank, is part of UBS Group AG, which was designated as a global systemically important bank (G-SIB) by the Financial Stability Board in consultation with the Basel Committee on Banking Supervision (BCBS) and Swiss national authorities. Due to the significant size of its US-based assets and its importance to the global economy, UBS established an Intermediate Holding Company in the United States. This structure subjects UBS to oversight by the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), and the Utah Department of Financial Institutions (UDFI).

Likewise, the FDIC, NV DFI, and UT DFI, respectively, regulate industrial banks whose parent companies are Japanese and German automakers. Industrial banks owned by foreign automakers are subsidiaries of global enterprises with significant U.S.-based manufacturing, marketing, and financial operations.

We are confident the FDIC and state regulators will continue to successfully and prudently regulate new foreign-owned industrial banks. Foreign-controlled industrial banks present considerations such as currency and regulatory coordination risks, but these vary by parent type. Foreign manufacturing parent companies (*e.g.*, automakers) are generally lower-risk due to their stable operations and U.S. subsidiaries.

Existing and effective regulatory risk mitigants include requiring U.S. pre-positioning of resources (*e.g.*, capital/liquidity equal to 6 months' operations) and MOUs with foreign regulators.

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?

Answer: Pitney Bowes is the only existing industrial bank that currently demonstrates market dominance—albeit in a benign manner—as it is one of four postage meter companies authorized by the United States Postal Service. The Utah industrial bank operated by Pitney Bowes has consistently achieved measurable success.

Parent companies of existing industrial banks operate in highly competitive sectors, including the motor vehicle industry. The rapid evolution of the economy ensures that markets remain accessible to new entrants. For example, Tesla Motors began limited production in 2008 and has since developed into a major automobile manufacturer, illustrating the dynamic nature of these markets.

For new industrial bank applications, the parent company's size and financial resources supply essential capital, administrative infrastructure, and marketing support to 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?

Answer: Industrial banks are not "full service" banks as the term is commonly used. They do business on a national level, albeit in a targeted manner. It is unlikely the NV DFI or UT DFI would approve an application for a *de novo* bank offering a full suite of banking services. Industrial banks do not typically provide comprehensive banking services, as defined in the financial sector. These institutions operate nationally, focusing on specific market segments. The NV DFI, or the UT DFI, is unlikely to approve applications for newly established banks seeking to offer a comprehensive range of banking services.

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?

Answer 19-23: Worries that an industrial bank could become dominant nationally or regionally are unfounded. It is highly unlikely that the NV, UT DFI, or the FDIC would approve a business plan aiming for such a disproportionate market share.

As noted in our answer to Question 17, even automobile manufacturing is open to new competitors but in the case of existing and applicant industrial bank parent companies, size is beneficial. For parents dominant in manufacturing *(e.g.*, auto market share >5%), evaluation should depend on size (positive for buffers), business (auto expertise reduces risk), and bank model (automaker owned industrial banks—like other commercially owned industrial banks offer a source of strength and reduce risk to the DIF).

Proposals by automakers for *de novo* industrial banks to solely serve parent customers should be viewed favorably, enabling scale without industry disruption. Larger parents weather downturns better (*e.g.,* BMW Group's resilient 2024 performance), but risks like prioritization can be mitigated by imposing approval conditions. Benefits include affordable credit extension; costs (*e.g*., competitive impacts) are minimal, as existing motor vehicle finance companies have complemented rather than displaced banks for decades.

More broadly, a parent company with a large, nationwide customer base is beneficial, because it can diversify income sources and mitigate geography-related credit risks in lending through an industrial bank. The FDIC and relevant state regulators have the authority to monitor and mitigate evolving market dominance.

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?

Answer 24-26: These questions go to the heart of the need for and success of industrial banks. For decades, the ownership of insured depositories by commercial firms or entities that own commercial firms has been a part of the nation's financial system through structures such as unitary thrift holding companies, the pre-1956 banking system, CEBA, credit card banks, and most importantly, industrial banks.

Insured depository institutions owned by or affiliated with commercial enterprises have rarely posed significant supervisory problems; their record of safety and soundness has been favorable compared to other insured depository institutions; and the number of enforcement actions is comparable to, if not better than, that of other insured depository institutions.

The societal benefits of industrial banks include increased competition, which provides greater access to credit for both businesses and consumers. We discuss retail and technology companies in our answer to Questions 1 though 4.

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

Answer: The current regulatory framework for stablecoins is still in its early stages of development. The Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 (GENIUS Act) was enacted on July 18, 2025. The Act will take effect on January 18, 2027, or 120 days after the federal regulators issue their final regulations. The Act establishes a Stablecoin Certification Review Committee composed of representatives from the FDIC, the Department of the Treasury, and the Federal Reserve.

Significant uncertainty persists concerning the implementation of the new regulatory regime. The development of a stablecoin issuance framework will impact federal and state-chartered banks, as well as non-bank digital asset companies.

Industrial banks, like other insured depository institutions, can serve as service providers to stablecoin issuers. However, additional regulatory guidance is needed to assess the potential risks associated with industrial banks or any other insured depository institution that heavily relies on stablecoin activities.

While the Act provides that an insolvent payment stablecoin issuer that is not a subsidiary of a depository institution will be resolved using US bankruptcy law and thus excluded from federal deposit insurance, the failure of SVB (discussed above) triggered intervention to cover $3.3 billion in uninsured deposits from stablecoin issuer Circle, a major stablecoin issuer.[21]

We recommend that the FDIC study this issue further for all insured depository institutions.

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?

Answer: State privacy laws governing the use of consumer financial data for commercial purposes extend beyond financial institutions. Although the privacy regulatory framework is

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[21] For a contextual discussion of the SVB failure, *See*: American Enterprise Institute - AEI. (July 2025). *Will Payment Stablecoins Benefit from Federal Deposit Insurance?* | American Enterprise Institute - AEI. https://www.aei.org/op-eds/will-payment-stablecoins-benefit-from-federal-deposit-insurance/

fragmented, these laws apply across multiple industry sectors. State privacy laws establish individual rights regarding the collection, use, and disclosure of personal data by businesses. Typically, these laws apply when a business exceeds a specified customer threshold within a particular state.

Indeed, the knowledge base relating to privacy and data protection is likely deeper at industrial banks whose parent companies conduct business abroad or have foreign parent companies. Unlike the United States which lacks a comprehensive Federal law regulating privacy and the use of personal information, these parent companies are used to compliance with the European Union General Data Protection Regulation (GDPR) and Japan's Act on the Protection of Personal Information (APPI).

The FDIC's 2021 filing accompanying Part 354 summarizes privacy and data protection this way:

"The FDIC will evaluate privacy and data protection issues presented by a deposit insurance application, a change in control notice, or a merger application involving an industrial bank on a case-by-case basis. When appropriate, the FDIC may consider imposing heightened requirements specific to industrial banks and Covered Companies regarding the use of consumer financial data for commercial purposes. Decisions will be based on the size and complexity of the industrial bank, the nature and scope of its activities, the sensitivity of any customer information at issue, and the unique facts and circumstances of the filing before the FDIC."

The process has demonstrated effectiveness, and no distinct concerns specific to industrial banks have been identified.

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?

Answer 31-32: As we stated above, capital access is an industrial bank advantage. A parent company's access to the public capital markets should weigh favorably on its ability to serve as a source of strength for the industrial bank given their ability to tap these markets for needed capital. Public disclosure requirements also provide unique, strong incentives for public companies to maintain effective and transparent corporate governance. The financial strength of a prospective parent company should be viewed holistically to ensure it is able to support the insured depository institution in a time of financial need.

C. Existing Regulatory and Supervisory Framework

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?

Answer: The FDIC's 2021 filing accompanying Part 354 answers this in a thoughtful and complete manner:

"*As discussed in the proposed rule, the FDIC has both the authority and the capacity to effectively regulate industrial banks and their parent companies, and this rule strengthens the FDIC's supervision. The FDIC uses its supervisory authorities to mitigate the risks posed to insured depository institutions whose parent companies are not subject to consolidated supervision. In considering applications for deposit insurance and mergers, as well as change in control notices, the FDIC uses prudential conditions, as needed, to ensure sufficient autonomy and insulation of the insured depository institution from its parent and affiliates. The FDIC also requires CALMAs, which generally exceed the minimum capital requirements for traditional community banks, and other written agreements between the FDIC and controlling parties of industrial banks. These agreements are enforceable under sections 8 and 50 of the FDI Act. In addition, under section 38A of the FDI Act, 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. Subsection (d) of section 38A of the FDI Act also 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. These prudential conditions and requirements will be embodied in written agreements consistent with the framework established by this final rule.*"

Part 354 is only five years old and the FDIC has processed *de novo* applications without issue. For industrial banks with publicly-traded parent companies, the parent should be able to use reports filed with the SEC to satisfy related FDIC reporting requirements where the required information overlaps (ABA letter to the FDIC, dated July 1, 2020, re: proposed rule for ILC supervisory requirements).

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?

Answer: The application of Sections 23A & 23B of the Federal Reserve Act, relating to loans to insiders and the anti-tying rules remains effective as shown by industrial banks' low failure rate. We are unaware that any change is needed.

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We close with a quote from a Southern Methodist University Law Review article discussing Utah's stewardship of the industrial bank charter.[22] We believe the conclusion applies equally to Nevada (the article uses the term "ILC" instead of industrial banks):[23]

"The strength of Utah ILCs has to do with its sophisticated regulatory scheme and the diverse holding companies that own Utah ILCs. The regulatory organizations have responded to potential failures on a number of occasions and helped ailing firms. It is the nature of ILCs that causes their success - they can receive capital very quickly, literally overnight, from their well-funded parents when they encounter problems. This easy access to capital cannot be understated, as it is the most important factor for bank safety. An ILC also benefits from its business relationship with the parent. There are no marketing costs associated with ILCs because their business is often handed to them from their parent company. Most parents organize industrial banks to add value to an existing business, and as a result, the banks begin as profitable enterprises with few start-up costs and pitfalls. Most traditional banks only achieve this level of security and development after many years in operation. . .

The ILC has filled a much-needed role in the intersection between banking and commerce for many years and has met the market's demand for flexibility in banking. In addition, the current economic crisis [NB: the article is from 2010] has illustrated the danger of a non-diversified banking system. The ILC structure is currently the only place where the stabilizing relationship between commerce and banking takes place and, as demonstrated, the small industry has remained sound through a systemic financial collapse largely due to its commercial relationships."

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The Associations appreciate the opportunity to respond to the RFI and thank you for your attention to the important questions posed.

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[22] Mehrsa Baradaran, The ILC and the Reconstruction of U.S. Banking , 63 SMU L. Rev. 1143 (2010)
[23] See footnote 1.