September 18, 2025

Jennifer Jones, Deputy Executive Secretary
Attention: Comments—RIN 3064-ZA48
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies; RIN: 3064-ZA48; Document Number: 2025-13589; 90 Fed. Reg. 34271 (July 21, 2025)

Dear Ladies and Gentlemen:

Better Markets[1] appreciates the opportunity to comment on the request for information ("RFI") related to industrial banks and industrial loan companies ("Corporate Banks").[2]

This RFI follows a decision by the Federal Deposit Insurance Corporation ("FDIC" or "the Agency") to ***withdraw***[3] its October 2024 proposed rule ("Proposal")[4] related to Corporate Bank applications ***without action***. In that Proposal, the ***FDIC rightly recognized and detailed how Corporate Banks inherently create serious and elevated supervisory concerns, have convenience and needs deficiencies, and cause resolution risks. Unfortunately, the FDIC decided to abandon that sound analysis and instead spend its own resources and the public's resources revisiting topics related to Corporate Bank risks that have been thoroughly researched, analyzed, and answered***.

1 Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans' jobs, savings, retirements, and more.

2 Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies, 90 Fed. Reg. 34271 (July 21, 2025), https://www.federalregister.gov/documents/2025/07/21/2025-13589/request-for-information-on-industrial-banks-and-industrial-loan-companies-and-their-parent-companies.

3 Parent Companies of Industrial Banks and Industrial Loan Companies; Withdrawal of Proposed Rule, 90 Fed. Reg. 33910 (July 18, 2025), https://www.federalregister.gov/documents/2025/07/18/2025-13504/parent-companies-of-industrial-banks-and-industrial-loan-companies-withdrawal-of-proposed-rule.

4 Parent Companies of Industrial Banks and Industrial Loan Companies, 89 Fed. Reg. 65556 (Aug. 12, 2024), https://www.federalregister.gov/documents/2024/08/12/2024-17637/parent-companies-of-industrial-banks-and-industrial-loan-companies.

The FDIC is now starting with a "clean sheet of paper" and asking the public to advise on a variety of factors related to Corporate Bank applications. While such an approach may, at first glance, seem constructive, it is actually irresponsible and not in the best interest of the financial system or the American people. The Agency has supervised, studied, and even resolved failing Corporate Banks for decades. That wealth of experience appears to have been cast aside to achieve Chairman Hill's and the Trump Administration's goal of a "meaningful pipeline of new entrants into the banking system."[5] Worse, the FDIC stated that it "will continue to work on pending [Corporate Bank] applications that have been filed with the agency."[6] In other words, not only is the Agency ignoring its own analysis and conclusions about the risks of Corporate Banks over several decades, but it is also working to continue adding to the population of Corporate Banks, thereby exacerbating that risk even further.

The FDIC's actions related to Corporate Banks are unquestionably consequential. In the first half of 2025, the FDIC received five applications for new Corporate Banks, outnumbering the four applications it received for traditional banks.[7] This trend starkly contrasts with the 23 applications for new traditional banks that the FDIC received in 2023 and 2024, none of which were Corporate Banks. This data proves that Corporate Banks recognize that the Trump Administration's regulators are willing to ignore clear and present risks, prioritizing Wall Street over Main Street.

The FDIC has detailed experience and examples that show the risks of Corporate Banks:

> The FDIC's experience during the 2008-2009 Financial Crisis showed that business models involving an insured depository institution (IDI) inextricably tied to and reliant on the parent and/or its affiliates ***creates significant challenges and risks to the DIF***, especially in circumstances where the parent organization experiences financial stress and/or declares bankruptcy. ***Where an industrial bank is significantly reliant on and interconnected with its parent organization to generate business on both sides of the balance sheet (e.g., for funding and for lending), as well as operational systems and support, financial difficulties at the parent organization could be transmitted to the dependent industrial bank.*** Such a captive model creates ***material concerns about the viability of the industrial bank's proposed business model on a standalone basis and the industrial bank's***

5 Acting Chairman Travis Hill, *View from the FDIC: Update on Key Policy Issues*, Federal Deposit Insurance Corporation (Apr. 8, 2025), https://www.fdic.gov/news/speeches/2025/view-fdic-update-key-policy-issues.

6 Acting Chairman Travis Hill, *Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies*, Federal Deposit Insurance Corporation (July 15, 2025), https://www.fdic.gov/news/speeches/2025/request-information-industrial-banks-and-industrial-loan-companies-and-their.

7 *See, e.g.*, Shayna Olesiuk, *ILC Corporate Banks Are Unfair Competition and Endanger All Americans* 2, Better Markets (July 28, 2025), https://bettermarkets.org/analysis/ilc-corporate-banks-are-unfair-competition/.

> ***franchise value*** in the event the parent organization experiences financial difficulty or failure.[8]

The FDIC has also explained how the Corporate Bank business model causes problems and increases costs in the resolution process:

> In some industrial bank proposals that the FDIC has received, the viability and operations of the bank are dependent on ongoing support from the parent organization. In such cases, ***financial or operational stress at the parent company or any of its affiliates reduces the franchise value of the industrial bank in the event of failure and complicates its resolution***. The underlying value of such an industrial bank lies in its connection with the parent organization, which may provide benefits including, but not limited to, name recognition, clients or referrals, personnel and back-office support, and/or specific product offerings that complement the parent company's or affiliates' lines of business. ***If such connections were to be severed, the FDIC likely would find it more difficult to facilitate a resolution with a healthy bank, and it likely would be forced to employ less efficient resolution methods that are more lengthy, cumbersome, and costly,*** such as depositor payouts and piecemeal loan (or other asset) sales.
>
> Similarly, the loss of critical support services previously provided to the industrial bank by its parent organization or affiliates would pose a potentially significant challenge in a resolution scenario, as the parent or affiliated entities may no longer be able to fulfill their obligations under existing service agreements. . . . If such arrangements are terminated, the industrial bank's franchise value would be significantly diminished. ***This situation could leave the FDIC in a position where it has no choice but to conduct resolution methods that are more disruptive and expensive.***[9]

We supported the FDIC's recognition of Corporate Bank risks in its October 2024 Proposal, and also recommended that the FDIC further strengthen its approach to protect the financial system and Main Street Americans from the risks, instability, and costs of Corporate Banks.[10] Stronger and more comprehensive action is still needed to address the risks posed by the statutory loophole that allows commercial firms to own banks. Moreover, public hearings should be held in all cases before the approval of Corporate Bank applications, to ensure that the public has the opportunity to provide input, particularly related to the convenience and needs of the community.

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[8] Parent Companies of Industrial Banks and Industrial Loan Companies, *supra* note 4, at 65561 (emphasis added).

[9] *Id*. at 65563-64 (emphasis added).

[10] *See, e.g.*, Better Markets, Comment Letter, *Parent Companies of Industrial Banks and Industrial Loan Companies* (Oct. 11, 2024), https://bettermarkets.org/wp-content/uploads/2024/10/Better-Markets-Comment-Letter-FDIC-Parent-Companies-ILCs.pdf.

The bottom line is that the American people deserve a fact-based, comprehensive set of actions by the FDIC to protect the US financial system and the American public. The 2024 Proposal took important steps in the right direction toward the identification of Corporate Bank risks and stronger oversight of them. We urge the FDIC to reconsider its "blank slate" approach and instead simply act, as it had been planning, to fully protect the public and the financial system.

BACKGROUND

Corporate banks began in the early 1900s as small, state-chartered loan companies. Early Corporate Banks made small loans to factory workers and others with low or moderate incomes.[11] However, Corporate Banks have changed materially since their humble beginnings.

As of March 31, 2025, there were 23 Corporate Banks,[12] accounting for less than 1% of the total count of FDIC-supervised banks[13] but together holding nearly $250 billion in total assets.[14] The largest Corporate Bank—UBS Bank USA—had more than $116 billion in total assets as of March 31, 2025,[15] making it about the same size as the failed Signature Bank, which required a systemic risk exception to protect the financial system in March 2023.[16] UBS Bank USA describes itself as "dedicated to serving the deposit and borrowing needs of affluent and high net worth investors".[17] Other Corporate Banks support a variety of corporate giants, including auto companies BMW and Toyota, fintech company Square, and office supply and shipping company Pitney Bowes.[18]

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11 *See, e.g.*, Parent Companies of Industrial Banks and Industrial Loan Companies, 86 Fed. Reg. 10703, 10704 (Feb. 23, 2021), https://www.federalregister.gov/documents/2021/02/23/2020-28473/parent-companies-of-industrial-banks-and-industrial-loan-companies.

12 Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies, *supra* note 2, at 34273.

13 Federal Deposit Insurance Corporation, *Statistics at a Glance* (Mar. 31, 2025), https://www.fdic.gov/quarterly-banking-profile/statistics-glance-industry-trends-first-quarter-2025-pdf.pdf.

14 Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies, *supra* note 2, at 34273.

15 *Id*.

16 *See, e.g.*, Press Release, Federal Deposit Insurance Corporation, *FDIC Establishes Signature Bridge Bank, N.A., as Successor to Signature Bank, New York, NY* (Mar. 12, 2023), https://www.fdic.gov/news/press-releases/2023/pr23018.html.

17 UBS BANK USA, ABOUT US, https://www.ubs.com/us/en/wealth-management/who-we-serve/individuals-and-families/banking/ubs-bank-usa.html (last visited Sept. 12, 2025).

18 NATIONAL ASSOCIATION OF INDUSTRIAL BANKERS, INDUSTRIAL BANK MEMBERS, https://www.industrialbankers.org/about (last visited Sept. 12, 2025).

Corporate Banks exercise many of the same commercial and consumer lending powers as commercial banks.[19] But they have experienced tremendous growth in complexity, variety, and size, which increases their risk to the banking system, economy, and the American people.[20]

In part, this growth stems from Congress creating a carve-out for Corporate Banks in 1987 with amendments to the Bank Holding Company Act, known as the Competitive Equality Banking Act ("CEBA"), which expanded the definition of a "bank" so that the law would apply more broadly and to a wider variety of financial institutions.[21] Corporate Banks were exempted from the "bank" definition and from the general prohibition against the acquisition of banks by enterprises that fall outside the bank holding company framework. It thus made it easier for commercial companies to own and control federally insured banks.

The 1987 statutory exemption was misguided and unwise, to say the least. Allowing Corporate Banks to be acquired by commercial enterprises raises the same long list of underlying concerns that animated the general prohibition against the mix of commerce and banking:

- They pose unique and unmanageable challenges for bank supervisors, who are ill- equipped in terms of resources and expertise to oversee business models that incorporate a wide range of industries far afield from banking and finance;

- They increase the risk of instability in the banks as well as their parent companies, and in the case of Corporate Banks that are part of large conglomerates, they can undermine the stability of the broader financial system;

- They present undue risk to the FDIC's Deposit Insurance Fund ("DIF") and the other components of the taxpayer-funded federal safety net;

- They can foster unfair and imprudent lending practices fueled by conflicts of interest; and,

- They are likely to embody concentrations of economic power that can lead to unfair competition.[22]

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[19] *See, e.g.*, Parent Companies of Industrial Banks and Industrial Loan Companies, *supra* note 11, at 10704.

[20] *See* Michelle Clark Neely, *Industrial Loan Companies Come Out of the Shadows,* Federal Reserve Bank of St. Louis, 1-2 (July 1, 2007), https://www.stlouisfed.org/publications/regional-economist/july-2007/industrial-loan-companies-come-out-of-the-shadows.

[21] Public Law 100-86, 101 Stat. 552 (Aug. 10, 1987).

[22] *See, e.g.*, Arthur E. Wilmarth, Jr., Comment Letter, *FDIC Docket RIN 3064-AF31 – Notice of proposed rulemaking: "Parent Companies of Industrial Banks and Industrial Loan Companies,"* (Apr. 10, 2020), https://www.fdic.gov/system/files/2024-07/2020-parent-companies-of-industrial-banks-3064-af31-c-002.pdf; Neely, *supra* note 20; Arthur E. Wilmarth, Jr., *Wal-Mart and the Separation of Banking and Commerce*, 39 CONN. L. REV. 1539 (May 2007), https://www.law.gwu.edu/sites/g/files/zaxdzs5421/files/downloads/AEW_Wal-Mart%20and%20Separation%20of%20Banking%20and%20Commerce%20SSRN.pdf.

Indeed, the recent history of Corporate Banks is replete with concerns about the large and material risks that these institutions pose to Main Street Americans and the financial system. As Better Markets detailed,[23] the FDIC and Congress recognized the serious risks of Corporate Banks and imposed a series of moratoria on the Corporate Bank business model. Deep-seated opposition to these conglomerations was starkly revealed in 2005 when Wal-Mart Bank applied to the FDIC for deposit insurance. That application triggered the submission of over 13,800 comment letters. Most of those commenters opposed the application, citing the heightened risks to the DIF by Corporate Banks owned by parent companies that are not subject to federal consolidated supervision.[24]

In 2010, the Dodd-Frank Act imposed new requirements, including a provision requiring any company that directly or indirectly controls an insured depository institution and falls outside the bank holding company framework to serve as a source of "financial strength" for that institution.[25] It also gave the appropriate federal banking agency the explicit statutory authority to require reports from the controlling company to ensure compliance with the "financial strength" mandate. However, having this authority does not equate with having the capacity to make meaningful assessments of non-financial companies and take action if there is a problem. Moreover, the Dodd-Frank Act imposed a fresh three-year moratorium on FDIC approval of any deposit insurance applications for Corporate Banks that are owned or controlled by commercial firms.[26]

The Dodd-Frank Act also required the General Accounting Office ("GAO") to study the implications of removing all exemptions from the definition of "bank" in the BHCA, including the exemption in favor of Corporate Banks.[27] The GAO's resulting report validated several concerns surrounding the ownership of Corporate Banks outside the consolidated supervision framework. Most notably, the report set forth the Federal Reserve Board's emphatic view that the exemptions from the "bank" definition should be removed and that the holding companies of ***all*** federally insured depository institutions should be subject to consolidated supervision under the BHCA.[28] The GAO report also noted that Federal Reserve Board and Treasury officials are concerned that if the exemptions were to remain intact, companies owning exempted banks might grow large enough in the future to pose significant risks to the U.S. financial system.[29]

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[23] Better Markets, Comment Letter, *Notice of Proposed Rulemaking with Request for Public Comment, Parent Companies of Industrial Banks and Industrial Loan Companies* 4-8 (July 1, 2020), https://bettermarkets.org/wp-content/uploads/2021/07/Better_Markets_Comment_Letter_on_Parent_Companies_of_Industrial_Banks_and_Industrial_Loan_Companies-RIN_3064%E2%80%93AF31.pdf.

[24] Parent Companies of Industrial Banks and Industrial Loan Companies, *supra* note 11, at 10704.

[25] Public Law No. 111-203, 124 Stat. 1376, §§ 38.A. (July 21, 2010) ["Dodd-Frank Act"].

[26] Dodd-Frank Act, §§ 601 *et seq*.

[27] Parent Companies of Industrial Banks and Industrial Loan Companies, *supra* note 11, at 10706.

[28] GOVERNMENT ACCOUNTABILITY OFFICE, BANK HOLDING COMPANY ACT: CHARACTERISTICS AND REGULATION OF EXEMPT INSTITUTIONS AND THE IMPLICATIONS OF REMOVING THE EXEMPTIONS 31 (Jan. 2012), https://www.gao.gov/assets/gao-12-160.pdf.

[29] *Id*.

Finally, the loss rates for Corporate Banks that fail are much higher—nearly double the rate for other banks. One study showed that between 1986 and 2017, the loss rate—cost to the DIF relative to the total assets of the failed bank—for the 23 Corporate Banks that failed was nearly 25%, compared to the loss rate of only 13% for other banks.[30] ***This demonstrates that Corporate Banks present more risk to the DIF and taxpayers than traditional banks***, and should therefore be supervised more strictly and prudently, not be given additional leniency.

Any casual observer can see that the FDIC has an enormous amount of experience in the supervision and oversight of Corporate Banks. Moreover, the banking industry and the public have had numerous opportunities to comment to the FDIC on this issue. Of course, the banking industry is constantly changing, but the Agency's foundational understanding and work related to Corporate Banks should not be disregarded to please Wall Street or the White House.

SUMMARY OF THE RFI

With this RFI, the FDIC is seeking comments from the public to inform the Agency's approach to evaluating new applications for deposit insurance from Corporate Banks, as well as applications for changes in control or merger transactions, including:

- General considerations related to the size, complexity, and parent companies of Corporate Banks;
- Adequacy of the capital structure;
- Risk to the DIF;
- Convenience and needs of the community, and
- Advantages and disadvantages of non-financial companies forming and owning corporate banks.[31]

COMMENTS

As detailed earlier, we were encouraged by the FDIC's recognition of the clear and serious risks of Corporate Banks and its steps toward mitigating those risks in its October 2024 Proposal.[32]

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[30] James R. Barth & Yanfei Sun, *A New Look at the Performance of Industrial Loan Corporations* 31, THE UNIVERSITY OF UTAH DAVID ECCLES SCHOOL OF BUSINESS: UTAH CENTER FOR FINANCIAL SERVICES (Jan. 2018), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3197316.

[31] Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies, *supra* note 2, at 34274-76.

[32] Better Markets, Comment Letter, *supra* note 10.

Unfortunately, the FDIC has taken a significant step backward with this RFI, now seemingly ignoring its own well-reasoned and well-supported research and efforts to control Corporate Bank risk, to ultimately protect the banking system, economy, and the American people.

There are many real-life examples of these risks, including Wal-Mart's and Home Depot's attempts to become Corporate Banks. These applications received widespread opposition from community bankers, public interest groups, other retailers, regulators, labor unions, and members of Congress, citing an array of problems ranging from concerns that the corporate bank would soon grow large enough that it would be too big to fail, threaten financial stability, and become a taxpayer liability if it got into financial trouble.[33] Moreover, granting these retailers direct access to the payment system clearly represents a competitive advantage relative to other retail stores. Importantly, these are not just our views or the views of a select few; the FDIC itself received more than 13,000 public comments on this issue and heard substantial testimony over three days, mostly in opposition to Wal-Mart's application to become a bank.[34]

We urge the FDIC to reinstate its own body of knowledge related to the risks of Corporate Banks and employ its now much more limited staff[35] and resources to focus on ways to control these risks to protect the banking system and the American people, rather than revisit the same basic questions about Corporate Banks in an attempt to find more loopholes that only benefit corporations and layer even more risk into the economy and financial system.

Our comments in response to the RFI are as follows:

- Recognize the significant costs and risks that Corporate Banks present to the American people, economy, and financial system. The FDIC itself, banking industry trade groups such as the Independent Community Bankers of America ("ICBA"), and consumer protection organizations such as the National Community Reinvestment Coalition ("NCRC"), have detailed many serious risks associated with Corporate Banks.

  These costs and risks[36] fit broadly into three categories:

  - Supervisory Concerns: Substantial reliance on a parent company or affiliate makes corporate banks vulnerable to financial distress or operational disruptions at the parent. In other words, if the parent company needs money, it may siphon assets from its subsidiaries, including the corporate bank, which would weaken the financial position of the corporate bank.

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33 *See e.g.*, Wilmarth, *Wal-Mart and the Separation of Banking and Commerce*, *supra* note 22.

34 Moratorium on Certain Industrial Loan Company Applications and Notices, 71 Fed. Reg. 43482, 43483 (Aug. 1, 2006), https://www.federalregister.gov/documents/2006/08/01/E6-12449/moratorium-on-certain-industrial-loan-company-applications-and-notices.

35 *See, e.g.*, *Financial Regulators Face Deepest Personnel Cuts in Decades*, PYMNTS (May 7, 2025), https://www.pymnts.com/news/regulation/2025/financial-regulators-face-deepest-personnel-cuts-decades/.

36 *See, e.g.*, Olesiuk, *supra* note 7, at 4-6.

- Convenience and Needs Concerns: Corporate banks are inherently dependent and focused on the parent company's business lines and customers. This narrow focus conflicts with the public purpose of banks, which are expected to serve the convenience and needs of the community broadly. Corporate banks that serve niche markets and only exist to serve consumers who purchase a specific product sold by the parent company raise fundamental questions about the social benefit of corporate banks.

- Failure Concerns: Failures of a corporate bank are difficult, lengthy, and costly, compared to traditional banks, because of corporate banks' narrow business lines that are often entirely focused on supporting the corporate activities of the parent company. In other words, it is unlikely that a traditional bank could easily acquire a failed corporate bank and seamlessly integrate it into the traditional bank's existing operating structure. This lack of "franchise value" could cause the FDIC to have to utilize resolution mechanisms that are more costly to the DIF and potentially to taxpayers.

The ICBA focuses on the inherent conflict of interest that exists with corporate banks that cannot "function as neutral arbiters of credit," which would directly support the business model of the parent company.[37] It also underscores the risks to the DIF and the propagation of systemic risks that will cause widespread harm to the banking system, financial system, and the economy at large.[38]

The NCRC shares these concerns and adds fair lending concerns related to recent corporate bank applications.[39] The NCRC explains how corporate banks do not have community reinvestment areas that are commensurate with the area in which they do business. Corporate bank operations are often national in scope, or at least include several states, but

[37] *See, e.g.*, Independent Community Bankers of America, Press Release, *ICBA Opposes Stellantis Application For ILC Charter* (Mar. 17, 2025), https://www.icba.org/newsroom/news-and-articles/2025/03/17/icba-opposes-stellantis-application-for-ilc-charter.

[38] Independent Community Bankers of America, Press Release, Comment Letter, *ICBA Letter in Opposition to the Application for Deposit Insurance by Stellantis Bank USA* (Mar. 16, 2025), https://www.icba.org/advocacy/letter-details/letter-opposing-the-ilc-application-of-stellantis.

[39] *See, e.g.*, National Community Reinvestment Coalition, Comment Letter, *National Community Reinvestment Coalition Opposition to Federal Deposit Insurance Application for OneMain Financial* (June 26, 2025), https://ncrc.org/national-community-reinvestment-coalition-opposition-to-federal-deposit-insurance-application-for-onemain-financial/; National Community Reinvestment Coalition, Comment Letter, *NCRC Comment Letter in Opposition to Stellantis Bank USA Application for Deposit Insurance* (Mar. 17, 2025), https://ncrc.org/ncrc-comment-letter-in-opposition-to-stellantis-bank-usa-application-for-deposit-insurance/; National Community Reinvestment Coalition, Comment Letter, *NCRC Comments on Square's Proposed CRA Strategic Plan Outline how Square Exploits the ILC Charter to Avoid Reinvestment Obligations* (Oct. 15, 2024), https://ncrc.org/ncrc-comments-on-squares-proposed-cra-strategic-plan-outline-how-square-exploits-the-ilc-charter-to-avoid-reinvestment-obligations/.

their community reinvestment obligations only apply to the immediate area around their physical headquarters location, most commonly in Utah.

- Fully close the loophole that permits ownership of Corporate Banks by commercial firms. The FDIC should impose a new moratorium on Corporate Bank applications and urge Congress to close the statutory loophole exempting Corporate Banks and their parent companies from the supervisory framework that is normally applicable to bank holding companies. That supervisory framework is ill-equipped to adequately supervise commercial firms. Even the FDIC recognizes this fact:

  > There has been continuing interest in the establishment of industrial banks, particularly with regard to proposed institutions that plan to implement specialty or limited purpose business models, including those where the operations of the proposed industrial bank would be interconnected with, or reliant on, the operations of the parent company or its affiliates.[40]

  Moreover, Corporate Bank ownership structures and business models have evolved and increased in complexity. As the GAO explained, Corporate Banks experienced significant asset growth during the 2000s and changed from a class of limited-purpose banks to a diverse group of insured institutions with a variety of business lines.[41]

  Risks stemming from such a structure can include both direct financial risks and risks that are difficult to identify, quantify, and control, such as the effect on the Corporate Bank if the commercial parent or affiliates were to come under serious financial or reputational distress. ***At the end of the day, the regulatory framework for these institutions primarily benefits the handful of commercial enterprises that are affiliated with Corporate Banks, not Main Street Americans.***

- Apply the same risk considerations that were proposed in October 2024 for new Corporate Banks to ***all Corporate Banks***—including those that are open and operating, as well as those that apply to the FDIC for approval to open. The FDIC has detailed several serious risks that relate to the fact that shell or captive companies, including:

  (1) They cannot function independently from the parent,

  (2) They are substantially reliant on the parent company or its affiliates, and

[40] Parent Companies of Industrial Banks and Industrial Loan Companies, *supra* note 4, at 65557.

[41] GOVERNMENT ACCOUNTABILITY OFFICE, *supra* note 28, at 79.

(3) They serve only as a funding channel for an existing corporate entity or affiliate business line.[42]

Some of the existing Corporate Banks also ***rely to a significant extent on their parent companies or affiliates*** for business generation, operational aspects, and/or a variety of corporate support services.[43] Even if these Corporate Banks are currently in satisfactory condition, this condition may not continue, and therefore, may not rule out additional or unforeseen future risks.

- Detail the specific metrics or benchmarks that the FDIC will use to measure the degree to which a Corporate Bank exhibits shell or captive characteristics. We appreciate that Corporate Banks and business models can be unique, but it is a disservice to the public and the Corporate Banks to not provide more clarity around these metrics. Any bank that applies for deposit insurance should be subject to the same basic levels of oversight and regulation by the FDIC and other banking regulators.

  The current effort to limit oversight of Corporate Banks and find ways for them to avoid supervision exposes the public to significant risk. If, or perhaps more accurately, when a Corporate Bank application is approved and then subsequently fails because one or more of the factors were given too much leniency, the public will be left holding the bag. The lack of transparency around metrics and benchmarks that will be used to supervise Corporate Banks also exposes the FDIC to increased risk if unequal criteria are used to approve or deny applications.

  One example to illustrate the usefulness of specific metrics is the interagency guidance that was developed to provide clarity and transparency related to commercial real estate lending concentrations.[44] While not perfect, the guidance provides benchmarks to define concentration levels at which regulators will apply greater scrutiny to commercial real estate lending activity. With Corporate Banks, however, no metrics are provided; the FDIC simply states that all Corporate Banks are unique and the facts and circumstances around

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[42] *See, e.g.*, Federal Deposit Insurance Corporation, *Statement of Martin J. Gruenberg, Chairman FDIC Board of Directors Notice of Proposed Rulemaking to Amend Part 354 of the FDIC Rules and Regulations* (July 30, 2024), https://www.fdic.gov/news/speeches/2024/statement-martin-j-gruenberg-chairman-fdic-board-directors-notice-proposed; Federal Deposit Insurance Corporation, *Memorandum to the Board of Directors: Proposed Rule to Amend Part 354, Parent Companies of Industrial Banks and Industrial Loan Companies* 7 (July 30, 2024), https://www.fdic.gov/system/files/2024-07/bc-proposed-rule-on-parent-companies-of-industrial-banks-and-industrial-loan-companies-073024.pdf.

[43] Parent Companies of Industrial Banks and Industrial Loan Companies, *supra* note 4, at 65562.

[44] Federal Deposit Insurance Corporation, *Commercial Real Estate Lending Joint Guidance*, FINANCIAL INSTITUTION LETTER (Dec. 12, 2006), https://www.fdic.gov/news/financial-institution-letters/2006/fil06104.html.

each are different.[45] This statement is not helpful for the Corporate Banks, the FDIC, or the public.

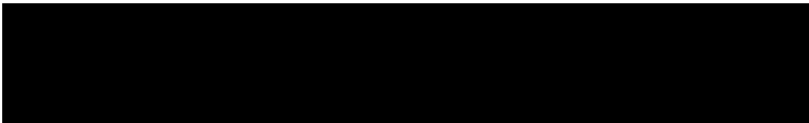
- Commit to holding a public hearing for ***every*** Corporate Bank application, to gather input and fully understand its effect on and relationship to the convenience and needs of the community. The public has rightly identified the challenges that Corporate Banks inherently face in meeting the convenience and needs of the community.[46] It has also been correctly stated that the benefits of a Corporate Bank may accrue to the parent company rather than the community. These observations point to the need for a comprehensive assessment of this factor and the potential negative consequences of approval for ***every*** potential new Corporate Bank.

  While holding a public meeting would expend additional resources, the benefit of hearing from a wide and diverse group of stakeholders and members of the public would be useful and worth the expense. This process would also likely underscore how limited the benefits are and how high the costs are of approving additional Corporate Banks for deposit insurance coverage.

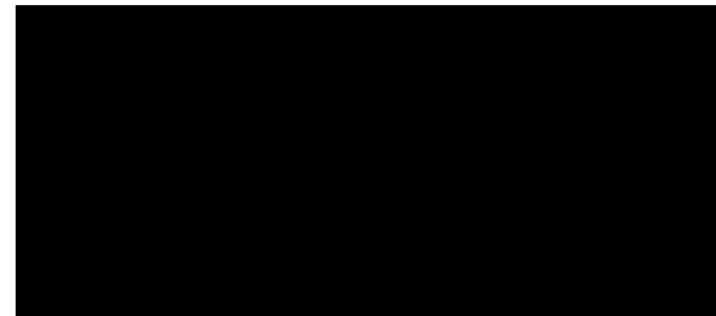
CONCLUSION

We hope these comments are helpful as the FDIC continues its important work to protect depositors and the banking system.

Sincerely,



Shayna M. Olesiuk
Director of Banking Policy



[45] Parent Companies of Industrial Banks and Industrial Loan Companies, *supra* note 4, at 65562.

[46] *See, e.g.*, Independent Community Bankers of America, *supra* note 37, at 6; National Community Reinvestment Coalition, Comment Letter, *NCRC Comment Letter in Opposition to Stellantis Bank USA Application for Deposit Insurance*, *supra* note 39; National Community Reinvestment Coalition, Comment Letter, *NCRC Comments on Square's Proposed CRA Strategic Plan Outline how Square Exploits the ILC Charter to Avoid Reinvestment Obligations*, *supra* note 39.