

September 18, 2025

Bread Financial
[REDACTED]

Comenity Capital Bank
[REDACTED]

SUBMITTED ELECTRONICALLY VIA www.FDIC.gov

Jennifer Jones
Deputy Executive Secretary
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)

Dear Ms. Jones:

Comenity Capital Bank, a Utah industrial bank (the “**Bank**”)¹ chartered in 2003, and its parent company, Bread Financial Holdings, Inc. (“**Bread Financial**”), a publicly traded financial services company, appreciate the opportunity to comment on the Request for Information approved by the Board of Directors of the Federal Deposit Insurance Corporation (the “**FDIC**”) on July 15, 2025, regarding the FDIC’s approach to evaluating the statutory factors applicable to certain filings submitted by industrial banks, including applications for merger transactions, changes in bank control and deposit insurance (the “**RFI**”).

The Bank and Bread Financial applaud the FDIC for requesting public input on industrial banks and the agency’s process for evaluating licensing applications involving such banks. The Acting Chairman’s commitment to processing applications for industrial banks in accordance with the law and in a fair and transparent manner is well documented in the FDIC Board of Directors’ meeting records, and the RFI will provide helpful information for the FDIC Board and staff to take into account in supervising industrial banks and evaluating industrial bank applications for merger transactions, changes in bank control, and deposit insurance.

The existing regulatory and supervisory framework for industrial banks is effective in mitigating risks to the Deposit Insurance Fund (the “**DIF**”) and to individual banks and the customers they serve. Particularly for well-established industrial banks owned by financial entities, applications should be evaluated and processed pursuant to the existing regulatory and supervisory framework applicable to all insured depository institutions.

BREAD FINANCIAL AND THE BANK

Bread Financial operates primarily through its two FDIC-insured depository institution subsidiaries, the Bank, and Comenity Bank, a Delaware-chartered bank (originally chartered in 1989 as a national bank) operating as a credit card bank pursuant to the Competitive Equality Banking Act (CEBA). Bread Financial does not engage in any commercial or nonfinancial activities. The Bank’s business plan is not

¹ Comenity Capital Bank, a Utah-chartered industrial bank headquartered in Draper, Utah, has total consolidated assets of approximately \$13.0 billion as of June 30, 2025.

dependent on the products, services or customers of Bread Financial as Bread Financial does not offer products and services of its own.

Regulation. The Bank is subject to prudential regulation, supervision and examination by the FDIC, as its primary federal regulator, and by the Utah Department of Financial Institutions, as its chartering authority. The Bank is also subject to supervision and examination by the Consumer Financial Protection Bureau with respect to the federal consumer financial protection laws.

Products & Services. The Bank offers loans (in various forms) to consumers across the United States. These include: (i) credit card loans through private label and co-brand credit card programs with retailers and other brand partners (merchants); (ii) direct-to-consumer (“DTC”) credit cards; and (iii) Bread Pay™ installment loan products.

The credit card merchant programs include: (i) “open-end” (or revolving balance) loans through general purpose credit cards (a proprietary, Bread-branded credit card, and “co-brand” credit cards (*i.e.*, cards that are co-branded with a particular merchant, but may be used for general purposes and not just for purchases from the co-brand merchant)); (ii) open-end loans through credit cards known as “private label,” “store-brand” or “closed loop” credit cards, which are intended for use only for purchases from a specific merchant or group of merchants, in contrast with general purpose credit cards; (iii) personal installment loans (Bread Loans™) up to \$35,000, with terms of 24 to 60 months, which can be used for a variety of purposes, such as funding major purchases or life events, or consolidating credit card debt; and (iv) “pay over time” installment loans (Bread Pay™), used to split the cost of a single purchase into installment payments (either four monthly installment payments through Bread Pay™ SplitPay plans, or longer term monthly installment loans).

The Bank also offers Bread Savings products which are DTC, or retail, deposit products, primarily in the form of certificates of deposit and high-yield savings accounts, including traditional and Roth Individual Retirement Accounts.

Serving the Underserved. Bread Financial has been servicing consumer credit card programs for many of the country’s most recognized brands for over 35 years. The Bank’s merchant partner base consists of large consumer-based businesses, as well as small- and medium-sized businesses (SMBs). The merchant partner base is well diversified across a broad range of industries and retail verticals. This permits the Bank to provide its credit products to consumers to finance a range of everyday and one-time purchases.

More than is typical of its credit card competitors, the Bank has merchant partners whose customer base is underserved regarding access to credit. These partners include discount and “family brand” retailers with price-points below more advertised and recognizable brands and partners geared towards budget-shoppers. This segment of the marketplace generally has lower levels of household income and consequently less access to credit and alternative purchasing resources. In particular, the Bank’s private label programs create opportunities for this segment. Specifically, because the Bank is able to set lower credit limits, it is able to make credit available to those with lower credit risk scores who might otherwise not be able to qualify for a credit card. The Bank’s thoughtful and responsible underwriting approach also helps those who are new to credit or rebuilding their credit begin to build their own credit profile that will benefit them as they apply for other loans.

The Bank’s other credit products are also resources for modest income borrowers needing small loans for shorter terms. Often, the participating merchant partners are themselves small to midsize companies who might not be able to partner with large institutions.

INDUSTRIAL BANKS

Industrial banks represent a small but vibrant subset of FDIC-insured banks that help satisfy the financial services needs of a range of industries and sectors. They have a rich history in the banking industry that

commenced when Arthur Morris, a notable banker, established the Fidelity Savings and Trust Company of Norfolk, Virginia, in 1910. The bank was formed to provide credit to bank employees and other working-class individuals who were unable to obtain credit from traditional commercial banks at the time. This led to the formation of a number of like institutions that prioritized the provision and expansion of consumer credit in the United States. Even today, the twenty-three (23) existing industrial banks provide banking services to customers that are underserved by traditional banks.

The regulatory and supervisory framework for industrial banks, and their owners, was addressed specifically by Congress in 1987. The FDIC promulgated Part 354 of its regulations in 2021 to establish a supervisory framework for parent companies of industrial banks and additional supervisory expectations for industrial banks. Pursuant to Part 354, the FDIC last year approved the deposit insurance application for an industrial bank from Thrivent Financial for Lutherans to create Thrivent Bank, a newly chartered industrial bank headquartered in Salt Lake City, Utah.

As described in the preamble to the RFI, industrial banks, at times, have drawn public attention. Congress imposed a moratorium on the approval of certain applications for industrial banks as part of the Dodd-Frank Act, and the FDIC likewise has imposed moratoria on industrial bank applications on two occasions in 2006 and 2007 in response to applications that it had received.

INDUSTRIAL BANKS OWNED BY FINANCIAL ENTITIES

The public attention and moratoria directed at industrial banks has been spurred by industrial banks that are or would be owned by commercial firms engaged in activities such as manufacturing or distribution. Indeed, Congress' moratorium applied only to industrial banks that would be owned by a commercial firm, and the FDIC's second moratorium likewise applied only to industrial banks to be owned by these firms. The ownership of industrial banks by financial entities, such as Bread Financial, has been uncontroversial. While there are only a small handful of industrial banks that are owned by financial entities, these banks make up a sizable percentage of the total assets held by all industrial banks and largely serve market segments not embraced by traditional insured depository institutions. Moreover, these banks do not present any of the competitive concerns that may be posed by industrial banks affiliated with commercial firms and such banks, including the Bank, generally do not depend on the operations, products, services and customers of their parent.

THE REQUEST FOR INFORMATION

When considering the tailoring of its analysis, Bread Financial encourages the FDIC to distinguish between industrial banks owned by commercial firms and those owned by financial entities. Industrial banks that are owned by financial entities and that provide traditional bank products and services should be evaluated like all other FDIC-insured depository institutions using the FDIC's standard procedures for determining whether the applicable statutory criteria are satisfied.

The RFI's various questions and requests are well suited to obtaining information on these important differences. Among others, the RFI includes a request for comment on the following: *"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?"* The FDIC's analysis of an application involving an industrial bank owned by a company that is financial in nature, particularly an existing, long-established industrial bank, does not require special tailoring and instead should be processed in accordance with the FDIC's standard application procedures. For example, the industrial bank's capital and liquidity should be evaluated relative to its business plan and its financial parent's ability to serve as a source of strength to the bank.

The RFI also includes the following request for comment: *How should the FDIC assess an industrial bank applicant's capital adequacy? How should this assessment compare to other types of depository institutions?* For an industrial bank owned by a company that is financial in nature, the manner in which

the FDIC assesses capital adequacy should be consistent with that of other insured depository institutions, as its parent and affiliates should not inherently pose any different or unique forms of risk that invariably necessitate industrial bank capital levels that exceed the standard thresholds set in the capital adequacy rule. Likewise, industrial banks owned by a company that is financial in nature do not pose resolvability concerns that are distinct from those posed by other insured depository institutions.

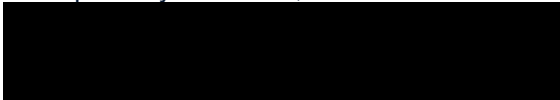
The RFI further includes the following request for comment: *In general, how effective is the regulatory and supervisory framework for industrial banks? To what extent, if at all, should the existing regulatory and supervisory framework inform the FDIC's evaluation of applications?"*

The existing regulatory and supervisory framework for industrial banks is effective in mitigating risks to the Deposit Insurance Fund and to individual banks and the customers they serve. This is particularly the case for industrial banks owned by financial entities, since the framework of federal and state banking laws, regulations, and guidance, has been created and augmented over time to consider the safe and sound provision of banking products and services by financial services organizations. Applications should be evaluated and processed pursuant to the existing regulatory and supervisory framework applicable to all insured depository institutions, particularly for well-established industrial banks owned by financial entities.

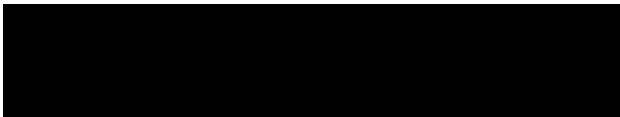
* * * *

Bread Financial and the Bank appreciate the opportunity to provide commentary for the RFI. If you have any questions concerning this comment letter or would like the Bank to provide other information, please do not hesitate to contact us.

Respectfully submitted,



Bruce Bowman
President, Comenity Capital Bank



Joseph Motes, EVP, CAO, GC and Secretary
Bread Financial Holdings, Inc.