



FACT SHEET | Notice of Proposed Rulemaking: Parent Companies of Industrial Banks and Industrial Loan Companies

- The FDIC is seeking comment on a proposed rule that would require certain conditions and commitments for each deposit insurance application approval¹ from an industrial bank or industrial loan company (ILCs and industrial banks) whose parent company is not subject to consolidated supervision by the Federal Reserve Board.
- The proposed rule would accomplish two important goals:
 1. Ensure that the parent of a covered industrial bank approved for deposit insurance would serve as the source of strength for the industrial bank; and
 2. Provide transparency to future applicants and the broader public as to what the FDIC requires of parent companies of covered industrial banks.
- State-chartered industrial banks and ILCs have existed in the United States for over a century. In the 1980s, Congress made all industrial banks and ILCs eligible for deposit insurance and excluded their controlling parent companies from being subject to Federal Reserve Board supervision based solely on their controlling interests in these banks.
- The FDIC applies the same regulatory and supervisory requirements to industrial banks and ILCs as it does for any state-chartered banks that is not a member of the Federal Reserve system. Moreover, the FDIC evaluates all applications for deposit insurance, including those for industrial banks, based on the same statutory factors under the Federal Deposit Insurance Act.
- As a result of their unique business models, industrial banks typically maintain significantly higher capital than other insured banks. By codifying the requirement that a covered parent company maintain high levels of capital and liquidity at a subsidiary industrial bank, the proposed rule would ensure the safety and soundness of these institutions and protect the Deposit Insurance Fund. In addition, the proposed rule would enable the FDIC to require even more stringent commitments from the parent of a covered industrial bank.
- The FDIC has historically required parent companies of industrial banks seeking deposit insurance to enter into capital and liquidity maintenance agreements as a precondition for approval. These agreements obligate the parent company to serve as a financial backstop by maintaining the industrial bank's capital and liquidity at levels that the FDIC deems necessary for the safe and sound operation of the industrial bank.

¹ The proposal would also apply to merger applications and change in control applications.