



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-42-2018
August 20, 2018

Modifications to the Statement of Policy for Section 19 of the Federal Deposit Insurance Act

Summary: The FDIC has issued modifications to its Statement of Policy (SOP) for Section 19 of the Federal Deposit Insurance (FDI) Act. Section 19 prohibits, without the prior written consent of the FDIC, a person convicted of any criminal offense involving dishonesty, breach of trust, money laundering, or who has entered into a pretrial diversion or similar program (program entry) in connection with a prosecution for such offense, from participating in the affairs of an FDIC-insured institution. On January 8, 2018, the FDIC published in the *Federal Register* notice of proposed modifications and sought public comment. On July 19, 2018, after consideration of comments received, the FDIC Board of Directors approved modifications to the SOP's *de minimis* exceptions to filing an application and made additional technical and clarifying changes. The modifications are expected to reduce the number of Section 19 applications and regulatory burden. The updated SOP is available on the FDIC's website and was published in the *Federal Register* on August 3, 2018.

Statement of Applicability to Institutions with Total Assets Under \$1 Billion: This Financial Institution Letter applies to all FDIC-insured institutions.

Distribution:

FDIC-Insured Institutions

Suggested Routing:

Chief Executive Officer
Legal Counsel
Human Resources Department
Compliance Officer

Attachment:

[FDIC Statement of Policy for Section 19 of the FDI Act](#)

Application:

[Section 19 Application Form](#)

Contact:

Larisa Collado, Section Chief, at (202) 898-8509 or lcollado@fdic.gov; or Brian Zeller, Review Examiner, at (319) 395-7394 ext. 4125 or bzeller@fdic.gov.

Note:

FDIC Financial Institution Letters (FILs) may be accessed from the FDIC's website at www.fdic.gov/news/news/financial/2018/.

To receive FILs electronically, please visit www.fdic.gov/about/subscriptions/fil.html.

Paper copies may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

- The *de minimis* exceptions, under which the FDIC's consent is automatically granted and an application is not required, have been modified to encompass convictions or program entries for issuance of insufficient funds checks of moderate aggregate value; small dollar, simple theft; and isolated minor offenses committed by young adults.
- Drug-related covered offenses will be granted automatic FDIC consent and not require an application if *de minimis* criteria are met.
- FDIC-supervised institutions may provide prospective employees conditional offers of employment pending a background check provided that the individual does not begin employment until the institution verifies that the individual's participation is not barred by Section 19.
- Clarifying modifications have been made to further define the terms "complete expungement," "jail time," and "pretrial diversion or similar programs."
- The FDIC is in the process of updating its application forms to reflect these revisions.
- The FDIC will issue an informational brochure that explains the process for submitting an application to the FDIC.
- The modifications provide carefully measured changes to the SOP while preserving the purpose of the law that will reduce regulatory burden, promote public awareness of the law, and decrease the number of covered offenses that will require an application.