



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

**Financial Institution Letter**  
**FIL-58-2005**  
**July 1, 2005**

## **FDICCONNECT**

### **Three New FDICconnect Business Transactions Available**

**Summary:** On June 28, 2005, the FDIC will offer three new online business applications through FDICconnect, its secure transaction-based Web site for FDIC-insured institutions. They are applications for consent to exercise trust powers, applications for a brokered deposit waiver, and applications pursuant to prompt corrective actions.

**Distribution:**

All Insured Banks and Savings Associations

**Suggested Routing:**

Chief Executive Officer  
Executive Officers

**Related Topics:**

President's Management Agenda  
Government Paperwork Elimination Act

**Attachments:**

Registration Overview and Procedures  
Designated Coordinator Registration Form  
Transaction List  
State Banking Department Electronic Participants

**Contact:**

Gina O. Luckenbill  
Information Management Analyst  
[GLuckenbill@fdic.gov](mailto:GLuckenbill@fdic.gov)  
(202) 898-3848

**Note:**

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at [www.fdic.gov/news/news/financial/2005/index.html](http://www.fdic.gov/news/news/financial/2005/index.html).

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

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (1-877-275-3342 or 202-416-6940).

**Highlights:**

In addition to the 17 existing business transactions available through FDICconnect, on June 28, 2005, institutions will be able to submit:

- Applications for consent to exercise trust powers. *This transaction will be available to all FDIC-supervised institutions.*
- Applications for a brokered deposit waiver. *This transaction will be available to all FDIC-insured institutions.*
- A capital restoration plan and/or an application for prior approval to engage in certain activities pursuant to Section 38 of the FDI Act and 12 CFR Part 303, Subpart K, of the FDIC Rules and Regulations. *Parts of this transaction will be available to all FDIC-insured institutions, while others will apply only to FDIC-supervised institutions.*

*FDICCONNECT*

Three New FDIC*connect* Business Transactions Available

On June 28, 2005, the Federal Deposit Insurance Corporation (FDIC) will activate three new on-line business applications through FDIC*connect*, its secure transaction-based Web site for FDIC-insured institutions. The new on-line transactions are applications for consent to exercise trust powers, applications for a brokered deposit waiver, and applications pursuant to prompt corrective actions.

The expansion of FDIC*connect* reaffirms the FDIC's commitment to:

- Comply with the Government Paperwork Elimination Act of 1998 (GPEA);
- Address President Bush's Management Agenda, which directs government agencies to establish electronic alternatives to current paper processes where feasible; and
- Provide increased customer service to FDIC-insured institutions by improving existing business processes to enable more efficient and effective communication.

The FDIC is encouraging institutions that have not yet registered for FDIC*connect* to do so *as soon as possible* so that they may benefit from the opportunities the system provides. Attached is an overview of the FDIC*connect* registration process, which includes instructions for registration, and an FDIC*connect* Designated Coordinator Registration Form, which includes instructions for approving and submitting the form.

The three new online applications available on June 28, described in more detail below, are in addition to the 17 currently available (see the attached list of available transactions).

- The electronic Application for Consent to Exercise Trust Powers (CETP) transaction can be used to submit an application pursuant to Section 333.2 of the FDIC Rules and Regulations, which prohibits a state nonmember bank from changing the general character of its business without the prior written consent of the FDIC. A change in the character of a business is generally considered to have occurred when a fiduciary relationship is created. The FDIC only gives consent to exercise powers that are granted or permitted by the state authority; the FDIC does not grant trust powers. *This transaction will be available to all FDIC-supervised institutions.*
- The electronic Application for Brokered Deposit Waiver (BDW) transaction can be used to submit an application pursuant to Section 29 of the FDI Act and Section 337.6 of the FDIC Rules and Regulations, which state that an adequately capitalized insured depository institution may not accept, renew or roll over any brokered deposit unless it has obtained a waiver from the FDIC. (Note that national banks, Federal Reserve-member banks and thrift institutions should consult the regulations of their primary

regulator to ensure that they meet any additional requirements.) *This transaction will be available to all FDIC-insured institutions.*

- The electronic Prompt Corrective Action (PCA) transaction can be used to submit an application pursuant to Part 303.200 of Subpart K of the FDIC Rules and Regulations, which covers applications filed pursuant to Section 38 of the FDI Act. These regulations require insured depository institutions that are not adequately capitalized to receive approval prior to engaging in certain activities. (Note that national banks, Federal Reserve-member banks and thrift institutions should consult the regulations of their primary regulator to ensure that they meet any additional requirements.) Section 38 restricts or prohibits certain activities and requires an insured depository institution to submit a capital restoration plan when it becomes undercapitalized. The restrictions and prohibitions become more severe as an institution's capital level declines. *Parts of this transaction will be available to all FDIC-insured institutions, while others will apply only to FDIC-supervised institutions.*

PCA regulations require that insured depository institutions receive prior approval before engaging in the following activities:

- Under Section 325.104 of the FDIC Rules and Regulations, state nonmember banks that are undercapitalized, significantly undercapitalized or critically undercapitalized must file “a capital restoration plan” with the FDIC within 45 days of the date that the bank receives notice, or is deemed to have notice, that it is less than adequately capitalized.
- Any insured state nonmember bank and any insured branch of a foreign bank should submit an “application for capital distribution” if, after having made a capital distribution, the institution would be undercapitalized, significantly undercapitalized or critically undercapitalized.
- Any insured state nonmember bank and any insured branch of a foreign bank that is undercapitalized or significantly undercapitalized, and any insured depository institution that is critically undercapitalized, should submit “an application to engage in acquisitions, branching or new lines of business.” A new line of business includes any new activity exercised that, although it may be permissible, has not been exercised by the institution.
- Any insured state nonmember bank or insured branch of a foreign bank that is significantly or critically undercapitalized, or any insured state nonmember bank or any insured branch of a foreign bank that is undercapitalized, and has failed to submit or implement in any material respect an acceptable capital restoration plan, should submit “an application to pay a bonus or increase compensation for any senior executive officer.”

- Any critically undercapitalized insured depository institution should submit “an application to pay principal or interest on subordinated debt.”
- Any critically undercapitalized insured depository institution should submit “an application to engage in certain restricted activities.”

For more information, please contact Gina Luckenbill, Information Management Analyst, Division of Supervision and Consumer Protection, at 202-898-3848 (e-mail, [GLuckenbill@fdic.gov](mailto:GLuckenbill@fdic.gov)).

Michael J. Zamorski  
Director  
Division of Supervision and Consumer Protection