

## I. INTRODUCTION

The FDIC Legal Division has concluded that operating insured banks or state savings associations converting from one kind of charter to another (i.e. Federal to Federal, State to State, Federal to State, or State to Federal), need not reapply for Federal deposit insurance. An exception to this is due to Section 8(o) of the FDI Act which explicitly withdraws insurance from the successor institution when a bank that is a member of the Federal Reserve System converts to a nonmember institution. In such a case, an application for deposit insurance is required.

## II. FORM OF APPLICATION

Applicants should submit a letter application to the appropriate Regional Director in accordance with Section 303.25(a) of the FDIC Rules and Regulations. The application shall consist of the following information:

1. A copy of the letter, and any attachments thereto, sent to the appropriate Federal Reserve Bank stating the bank's intention to terminate its membership;
2. A copy of the letter from the appropriate Federal Reserve Bank acknowledging the bank's notice to terminate membership;
3. A statement regarding any anticipated changes in the bank's general business plan during the next 12-month period; and
4. A statement by the bank's management that there are no outstanding or proposed corrective programs or supervisory agreements with the FRS. If such programs or agreements exist, a statement by the applicant that its board of directors is willing to enter into similar programs or agreements with the FDIC, which would become effective upon withdrawal from the FRS.

## III. ACCEPTING AND PROCESSING THE APPLICATION

Case Managers should review and process these applications following the steps below and refer to *Applications Overview*, Section 20.1 of these Procedures, for general processing guidance for all application types.<sup>1</sup>

1. Section 303.25(b) of the FDIC Rules and Regulations requires the FDIC to notify the applicant, within 15 days of receipt of a substantially complete application, either that federal deposit insurance will continue upon termination of membership in the FRS, or that additional review is warranted and the applicant will be notified, in writing, of the FDIC's final decision regarding continuation of deposit insurance. Thus, it is imperative that these applications be reviewed upon receipt, and communication with the applicable Federal Reserve Bank and state chartering agency counterparts begin as soon as practical; however, if the FDIC does not act within the expedited processing period, it does not constitute an automatic or default approval.

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<sup>1</sup> Case Managers should follow the general guidance and expectations for all applications regarding receipt and acceptance, recordkeeping responsibilities, DCP notifications, WO action or input, delegations, and other instructions as applicable in *Applications Overview*, Section 1.1 of these Procedures.

2. All applications are to be entered into the appropriate internal system of record within three business days of receipt. In all cases, dates and comments in the record are to be updated regularly to reflect the current status of the application.
3. Initially review all materials for completeness, and request additional information if necessary. Applications for continuation of deposit insurance submitted in conjunction with a withdrawal from the FRS are typically processed without a field investigation. However, under certain circumstances, an onsite investigation may be warranted. The Case Manager should discuss any concerns regarding the condition of the applicant and recommendations to conduct an onsite investigation with the appropriate Assistant Regional Director.
4. Analyze the application and complete the appropriate Summary of Investigation form (SOI).<sup>2</sup> Retrieve the Application Summary Statement from the appropriate internal database and attach it to the SOI. In the comments section, describe and assess the transaction, the financial condition of the bank and the holding company (if applicable), any outstanding or contemplated supervisory actions by the FRS, any proposed or recently implemented material changes in the business plan, comments from other applicable regulators, and the seven statutory factors set forth in Section 6 of the FDI Act. Timely communication with the FRS and state counterparts regarding the applicant's supervisory standing and the proposal are key factors in processing and analyzing the proposal.

Case Managers must fully consider and provide well supported findings and/or recommended resolutions for each statutory factor. The *FDIC Statement of Policy on Applications for Deposit Insurance* provides guidance regarding the analysis of the statutory factors, and the *FFIEC Statement of Policy on Regulatory Conversions* (FIL-40-2009) provides additional information on supervisory matters and strategies in situations where a change in the primary federal regulator is proposed.

5. If approval is being recommended, prepare an approval letter notifying the applicant that federal deposit insurance will continue upon termination of membership in the FRS. The letter should include all applicable standard conditions and any recommended non-standard conditions. The Case Manager should obtain the applicant's written agreement to any non-standard conditions prior to submitting the approval documents for signature. Refer to *Standard and Non-standard Conditions*, Section 1.11 of these Procedures, for further instructions.
6. If deficiencies may result in a denial of the application, the Regional Office (RO) should advise the applicant of the deficiencies to ensure that all necessary facts are obtained prior to making a final decision. Refer to *Denials and Disapprovals*, Section 1.3 of these Procedures, for further instructions.
7. If a denial is recommended, or if an approval is recommended but the applicant has not agreed in writing to non-standard conditions, submit the SOI and the draft letter to the Washington Office (WO) for final action. Refer to *Applications Overview*, Section 1.1 of these Procedures, for instructions regarding applications that require WO action or input.

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<sup>2</sup> Case Managers should follow the general instructions and SOI requirements for all types of applications found in *Summary of Investigation*, Section 1.2 of these Procedures, as well as the specific instructions in this Section.

8. Update the system of record within the appropriate internal database to reflect the date of final action, the date forwarded to the WO, if applicable, the hours devoted to the application, and any other required information.

#### **IV. TIMEFRAME FOR PROCESSING**

Statutory: Per Section 303.25(b), the appropriate Regional Director shall notify the applicant, within 15 days of receipt of a substantially complete application, either that federal deposit insurance will continue upon termination of membership in the FRS or that additional review is warranted, and that the applicant will be notified, in writing, of the FDIC's final decision regarding continuation of deposit insurance. If the FDIC does not act within the processing period, it does not constitute an automatic or default approval.

RO Processing Guideline: 30 days after receipt of a substantially complete application.

WO Processing Guideline: 30 days, as applicable.

#### **V. PUBLICATION REQUIREMENT**

None.

#### **VI. DELEGATED AUTHORITY**

Delegations of authority regarding applications, notices, and other filings are discussed in *Applications Overview*, Section 1.1 of these Procedures. Generally, the RO may act on applications to continue deposit insurance after withdrawal from the FRS when approval is contemplated and the applicant has agreed in writing to any non-standard conditions. If denial is recommended or in cases where the applicant has not agreed in writing to proposed non-standard conditions of approval, the RO cannot act on the application.

#### **VII. REFERENCES**

*Section 8(o) of the Federal Deposit Insurance Act; Section 303.25 of the FDIC Rules and Regulations; FDIC Statement of Policy on Applications for Deposit Insurance*

*FDIC Advisory Opinion 92-18, Whether Deposit Insurance of National Bank Will Continue Under FDI Act if Bank Converts to State Charter and Terminates Its Membership in the Federal Reserve System, dated April 3, 1992*

*FFIEC Statement on Regulatory Conversions, FIL-40-2009, July 7, 2009*