

FACT SHEET

Final Rule: Parent Companies of Industrial Banks and Industrial Loan Companies

- The FDIC is finalizing a rule to require certain conditions and commitments for each deposit insurance application approval¹ from an industrial bank or industrial loan company (collectively, “industrial bank” or “ILC”) whose parent company is not subject to consolidated supervision by the Federal Reserve Board.
- The rule will accomplish two important goals:
 1. Ensure that the parent of a covered industrial bank approved for deposit insurance serves 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 have existed in the United States for over a century. In the 1980s, Congress made all industrial banks eligible for deposit insurance and expressly adopted an exception to the Bank Holding Company Act permitting a parent company to own and control an industrial bank without becoming subject to regulation and supervision by the Federal Reserve Board as a bank holding company, based solely on such control.
- The FDIC applies the same regulatory and supervisory requirements to an industrial bank as it does for any state-chartered bank that is not a member of the Federal Reserve System. Moreover, the FDIC evaluates all applications for deposit insurance, including those from industrial banks, based on the same statutory factors under the Federal Deposit Insurance Act.
- As a result of their unique business models, industrial banks are typically required to maintain significantly higher capital than other insured banks. Moreover, the FDIC has historically required parent companies of industrial banks to enter into capital and liquidity maintenance agreements as a precondition for deposit insurance 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.
- By codifying the requirement that the parent company enter into agreements with the FDIC to maintain certain levels of capital and liquidity at a subsidiary industrial bank, the rule will ensure the safety and soundness of these institutions and protect the Deposit Insurance Fund. In addition, the rule will enable the FDIC to require additional commitments from the parent of an industrial bank as warranted by the bank’s business model.

¹ The rule will also apply to merger applications and change in control applications.