

MEMORANDUM

TO: FDIC Board of Directors

FROM: Ryan Billingsley
Acting Director, Division of Risk Management Supervision

DATE: July 15, 2025

RE: Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies

SUMMARY

Staff presents for approval by the Federal Deposit Insurance Corporation (FDIC) Board of Directors (FDIC Board) the attached resolution and *Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies* (RFI) and requests that the FDIC Board authorize its publication in the Federal Register with a 60-day comment period. The RFI would seek public comment on how the FDIC reviews certain applications and notices submitted by industrial banks and industrial loan companies (together, industrial banks) in the context of its evaluation of the statutory factors governing such filings.

Concur:

Mathew P. Reed
Acting General Counsel

BACKGROUND

Under the Federal Deposit Insurance Act, industrial banks¹ are “State banks,”² and all the existing FDIC-insured industrial banks are “State nonmember banks.”³ As a result, the FDIC is the appropriate Federal banking agency for industrial banks.⁴ Each industrial bank is also regulated by its respective State chartering authority.⁵

The Competitive Equality Banking Act of 1987⁶ excluded industrial banks from the definition of “bank” in the Bank Holding Company Act (BHCA). As a result, a company can control an industrial bank without being a bank holding company (BHC) subject to the BHCA’s activities restrictions or supervision and regulation by the Board of Governors of the Federal Reserve System (FRB). Currently operating industrial banks are owned by both financial and commercial firms.

On February 23, 2021, the FDIC published a final rule governing the parent companies of industrial banks, codified at 12 CFR part 354 of the FDIC Rules and Regulations (part 354), which took effect on April 1, 2021.⁷ Part 354 codified the FDIC’s practice of establishing, in connection with certain filings, a framework to mitigate risk to the Deposit Insurance Fund that

¹ Herein, the term “industrial bank” means any insured State-chartered bank that is an industrial bank, industrial loan company, or other similar institution that is excluded from the definition of “bank” in the Bank Holding Company Act pursuant to 12 U.S.C. 1841(c)(2)(H). State laws refer to both industrial loan companies and industrial banks. For purposes of this RFI, the FDIC is treating the two types of institutions as the same. The term industrial bank does not include limited purpose trust companies and credit card banks that also are exempt from the definition of “bank” pursuant to section 1841(c)(2).

² 12 U.S.C. 1813(a)(2).

³ 12 U.S.C. 1813(e)(2). Historically, industrial banks have elected not to become members of the Federal Reserve System.

⁴ 12 U.S.C. 1813(q)(2).

⁵ There are currently 24 industrial banks: 15 were chartered in Utah, four in Nevada, three in California, one in Hawaii, and one in Minnesota.

⁶ Pub. L. 100-86, 101 Stat. 552 (Aug. 10, 1987).

⁷ 86 FR 10703 (Feb. 23, 2021).

may otherwise be presented in the absence of Federal consolidated supervision⁸ of an industrial bank and its parent companies. Part 354 requires certain conditions and written commitments for each deposit insurance application approval, non-objection to a change in control notice, and merger application approval that would result in an industrial bank becoming a subsidiary of a company that is not subject to Federal consolidated supervision. Part 354 also requires that, before any industrial bank may become a subsidiary of a company that is not subject to Federal consolidated supervision, such industrial bank and parent company must enter into one or more written agreements with the FDIC. Additionally, Part 354 requires the FDIC's prior written approval for certain actions proposed by the industrial bank, such as making a material change in its business plan. Part 354 applies to any industrial bank that becomes a subsidiary of a company not subject to Federal consolidated supervision as a result of a change in bank control or merger, or that is granted deposit insurance, on or after, April 1, 2021.⁹

REQUEST FOR INFORMATION

The FDIC proposes to undertake a comprehensive review of the nature and structure of companies that have applied, or may in the future apply, for an industrial bank charter and Federal deposit insurance and the issues those applications—and certain other filings involving industrial banks—may present. This review will inform the FDIC's efforts to determine how the

⁸ In the context of this RFI, "Federal consolidated supervision" refers to the supervision of a parent company and its subsidiaries by the FRB. Consolidated supervision of a BHC by the FRB encompasses the top-tier parent company and its subsidiaries, and allows the FRB to understand "the organization's structure, activities, resources, and risks, as well as to address financial, managerial, operational, or other deficiencies before they pose a danger to the BHC's subsidiary depository institutions." See SR Letter 08-9, "Consolidated Supervision of Bank Holding Companies and the Combined U.S. Operations of Foreign Banking Organizations" (Oct. 16, 2008).

⁹ In August 2024, the FDIC published a notice of proposed rulemaking (NPR) proposing to amend part 354 in several ways. 89 FR 65556 (Aug. 12, 2024). Staff is separately presenting for approval by the FDIC Board a Federal Register notice that would withdraw the NPR. If the FDIC decides to pursue regulatory action in this area, it will issue a new proposed rule.

agency may adjust its policies regarding how it would evaluate the statutory factors in the context of the unique aspects of industrial bank applicants' business plans and the issues presented by the range of companies that may seek to establish an industrial bank.

Toward that end, the attached RFI discusses the statutory framework and provides background information regarding currently operating industrial banks and asks a broad range of questions covering topics such as information relevant to the evaluation of applicable statutory factors, and the characteristics and complexity of industrial bank parent companies.

The FDIC will carefully consider comments from interested parties in connection with its overall review of the application process with respect to industrial banks and any future agency action regarding these filings.

CONCLUSION

Staff presents for approval by the FDIC Board the *Request for Information on Industrial Banks and Industrial Loan Companies and Their Parent Companies* and requests that the Board authorize its publication in the Federal Register with a comment period ending 60 days after publication.

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