



DEPOSIT INSURANCE APPLICATIONS

Procedures Manual

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The information contained in this Manual summarizes relevant guidance regarding FDI applications. Users of the Manual should review all applicable statutes, rules, regulations, and policies for formal application requirements, including those issued by the chartering authority, the primary federal regulator (PFR), and the FDIC if it is not the PFR.

TABLE OF CONTENTS

<u>Topic</u>	<u>Page</u>
<u>Introduction</u>	1
<u>Section I: General FDI Application Matters</u>	2
<u>A. Charter Types and Related Matters</u>	2
<u>B. Types of FDI Applications</u>	3
<u>C. Analytical Considerations</u>	5
<u>D. Disposition of FDI Applications</u>	6
<u>E. Regulatory Coordination</u>	7
<u>F. Organizational Form</u>	8
<u>G. Applications with Unique Characteristics</u>	8
<u>Section II: Pre-Filing Activities</u>	9
<u>A. Overview of Pre-Filing Activities</u>	9
<u>B. Procedures for Pre-Filing Meetings</u>	10
<u>C. Documentation of Pre-Filing Activities</u>	11
<u>Section III: Application Receipt, Review, and Acceptance</u>	11
<u>A. Receipt of an FDI Application</u>	12
<u>B. Publication</u>	13
<u>C. Standard or Expedited Processing</u>	13
<u>D. Initial Review of the Application for Completeness</u>	14
<u>E. Substantially Complete Determination</u>	30
<u>Section IV: Application Processing</u>	32
<u>A. Field Investigation</u>	36
<u>B. Background Investigations</u>	37
<u>C. Evaluation of the Statutory Factors</u>	37
<u>D. Approval Conditions</u>	38
<u>E. Delegations of Authority</u>	40
<u>F. Availability of Informal Review Process</u>	41
<u>Section V: Pre-Opening Activities</u>	41
<u>A. Pre-Opening Conditions</u>	41
<u>B. Pre-Opening Meeting</u>	42
<u>C. Executive Secretary Section Notification</u>	43
<u>Section VI: Post-Opening Considerations</u>	43
<u>A. Supervisory Strategy</u>	43
<u>B. On-Site Visitations and Examinations</u>	44
<u>C. Off-Site Monitoring Activities</u>	44
<u>D. Business Plan Change Requests</u>	44
<u>E. Other Filings</u>	45
<u>Resources</u>	46
<u>Appendix 1: Federal Banking Agency and State Banking Authority Roles</u>	49
<u>Appendix 2: Additional Considerations Regarding Stock Benefit Plans</u>	50
<u>Appendix 3: SOI Quality Assurance Checklist</u>	51
<u>Appendix 4: Frequently Imposed Conditions</u>	53
<u>List of Acronyms and Abbreviations</u>	54

Introduction

This Procedures Manual (Manual) provides direction for professional staff during each stage of the federal deposit insurance (FDI) application process, from pre-filing activities through final action. It also addresses important post-opening considerations once a *de novo*¹ institution begins operations. A case manager from the regional office (RO) in which the application is filed will generally be the primary point of contact for the Federal Deposit Insurance Corporation (FDIC) during the FDI application process. The case manager will coordinate communication within the FDIC and among the relevant supervisory agencies. Collectively, the case manager and applicable field office (FO), RO, and Washington Office (WO) staff will work together to ensure that each application is processed in accordance with established time frames, FDIC policies, and other applicable regulatory and supervisory requirements.

Because a *de novo* institution has no established record as an insured depository institution, its success will largely depend on the qualifications of the management team and board of directors, the adequacy of capital, and the soundness of the business plan. The Manual discusses these aspects in depth, along with the statutory framework for evaluating an FDI application as set forth in the [Federal Deposit Insurance Act](#) (FDI Act).

The content of the Manual is divided into six sections as shown below. The Manual also includes a list of resources with corresponding links, appendices that provide other helpful tools and information, and a [list of acronyms and abbreviations](#) used throughout the Manual.

Section I.	General FDI Application Matters
Section II.	Pre-Filing Activities
Section III.	Application Receipt, Review, and Acceptance
Section IV.	Application Processing
Section V.	Pre-Opening Activities
Section VI.	Post-Opening Considerations

The FDIC strives to act on FDI applications within four months of receiving a substantially complete application. However, processing times may vary depending on the specific characteristics of a proposal. Ultimately, the timeliness of the application process relies on the quality and completeness of the application submission; the responsiveness of the organizers² in addressing information needs; and the effectiveness of the communication among the FDIC, the other agencies, and the organizers. To further the goal of timely processing, the Manual places significant emphasis on the quality and effectiveness of the case manager's initial review of the application materials.

¹ For purposes of this Manual, the term *de novo* refers to newly established institutions with no existing operations and new institutions that result from the conversion of an operating, non-insured entity.

² The term "organizer" generally refers to any person or entity that is significantly involved in the organization of a proposed depository institution.

Section I: General FDI Application Matters

A. Charter Types and Related Matters

Proposed institutions can range from traditional community banks³ to institutions that present added complexity with regard to their business models or organizational structures. In general, traditional community banks focus on providing banking services, including loans and core deposits, typically relied on by individuals and businesses in their local communities. Applicants may also propose to establish a “non-bank,” which refers to an insured depository institution that is a “bank” for purposes of the FDI Act, but is not a “bank” for purposes of the [Bank Holding Company Act](#) (BHCA) or a “non-community bank,” which refers to an institution that may involve more complexity than a traditional community bank in terms of its business model, products, services, activities, market segments, funding, delivery channels, geographic footprint, operations, or intercompany or other third-party relationships.⁴

While this Manual is applicable to any type of proposed institution, staff should refer to the Supplement entitled, [Applications from Non-Bank and Non-Community Bank Applicants](#) (Supplement) for additional considerations when processing an FDI application from a non-bank or non-community bank applicant.⁵ Regardless of the proposal’s complexity, staff will process each application in a fair, objective, timely, and forward-looking manner that considers each applicant’s specific risk attributes and any mitigating elements.

In order for an institution to obtain deposit insurance from the FDIC, it must obtain either a bank or savings association⁶ charter from the applicable chartering authority⁷ to conduct its proposed business activities. Chartering authorities include the various state banking agencies in the case of institutions with a state charter, and the Office of the Comptroller of the Currency (OCC) in the case of institutions with a national or federal charter. Organizers will generally choose to pursue a charter that relates to the proposed institution’s business model. The FDIC does not have a preference regarding a *de novo* institution’s charter selection.

Proposed depository institutions may include the following charter types:

- National bank;
- State bank, either nonmember or member of the Federal Reserve System (FRS);
- Federal savings bank or association;
- State savings association; or
- Other (any other depository institution engaged in the business of receiving deposits other

³ References to “banks” or “institutions” in this Manual include savings associations, unless otherwise noted.

⁴ Non-banks may be owned by parent companies that are not subject to the [BHCA](#); therefore, the parent companies are not regulated or supervised by the Federal Reserve Board (FRB).

⁵ As applicable, staff should reference the overview portion (Sections 1.1 through 1.11) of the FDIC’s [Applications Procedures Manual](#), which is generally applicable to all filing types.

⁶ The term “savings association” is defined in [Sec 3\(b\)\(1\) of the FDI Act](#). Savings associations, which may include federal or state savings associations, are also commonly referred to as thrift institutions.

⁷ Institutions that apply for FDI must meet the FDIC’s statutory, regulatory, and other application requirements as well as satisfy the chartering agency’s requirements pursuant to state or federal law.

than trust funds).⁸

The OCC and some states offer limited or special purpose charters. These charter types include insured limited purpose trust company charters and charters for institutions whose operations are limited to credit card operations. The OCC and some states also offer charters that envision business models that are narrower in scope than traditional institutions. For example, charters may be granted to institutions that are primarily focused on community development⁹ or cash management activities, or that may operate as “bankers’ banks.”¹⁰ Chartering authorities have also granted “shelf charters,”¹¹ whose operations commence with the acquisition of one or more failed banks, and certain states offer insured industrial loan company (ILC)¹² charters.

Certain institutions, regardless of charter type, may be designated as a minority depository institution (MDI). Section 308 of the Financial Institution Reform, Recovery, and Enforcement Act of 1989 (FIRREA) defines an MDI as any depository institution where 51 percent or more of the stock is owned by one or more “socially and economically disadvantaged individuals.”¹³ See also the [FDIC Policy Statement Regarding Minority Depository Institutions](#) for additional information.¹⁴

The FDIC has long recognized the importance of MDIs in promoting the economic viability of minority and underserved communities, and has named an MDI coordinator in each RO. The case manager should coordinate the review of any FDI application involving a proposed MDI with the RO MDI coordinator.

B. Types of FDI Applications

[Section 5 of the FDI Act](#) requires any proposed depository institution that seeks FDI to file an

⁸ The phrase “engaged in the business of receiving deposits other than trust funds” is defined in [Section 303.14 of the FDIC Rules and Regulations](#) as an insured institution that maintains one or more non-trust deposit accounts in the minimum aggregate amount of \$500,000.

⁹ Institutions may pursue certification by the U.S. Department of the Treasury (U.S. Treasury) as a community development financial institution (CDFI). CDFIs are specialized financial institutions that provide financial products and services to populations and businesses located in underserved markets. CDFIs may include banks and holding companies, credit unions, and other types of entities (such as loan funds and venture capital funds). Refer to the [U.S. Treasury’s CDFI Fund website](#) for additional details.

¹⁰ A “bankers’ bank” is a financial institution that provides financial services to other banks.

¹¹ “Shelf charters” can enable potential bank owners who are not currently affiliated with an insured depository institution to qualify to bid on failed financial institutions for which the FDIC is acting as receiver. In order to bid, the organizers must obtain a charter from the chartering authority. Operations under a shelf charter will not commence unless the organizers are identified as the winning bidder for a failing institution and acquire the failed institution. See the [FDIC Statement of Policy on Qualifications for Failed Bank Acquisitions](#) (SOP-QFBA) for additional information.

¹² For purposes of this Manual, an ILC refers to either an industrial loan company or an industrial bank.

¹³ Minority, as defined by Section 308 of FIRREA, means any Black American, Asian American, Hispanic American, or Native American.

¹⁴ The [FDIC Policy Statement Regarding Minority Depository Institutions](#) additionally defines an MDI as any federally insured depository institution where 51 percent or more of the voting stock is owned by minority individuals that are U.S. citizens or permanent legal U.S. residents. An institution will also be considered an MDI if a majority of the board of directors is minority and the community that the institution serves is predominantly minority.

application with the FDIC. Proposed institutions apply for FDI by filing an [Interagency Charter and Federal Deposit Insurance Application](#) (Application Form) with the appropriate FDIC RO. (The same form may be filed with the chartering agency for purposes of seeking a financial institution charter.) The appropriate FDIC RO is normally based on the state in which the proposed institution will be headquartered. Refer to [Section III of the Manual](#) for further details regarding the FDIC's application requirements.

Regardless of a proposed institution's charter type, FDI applications generally fall within one of the categories identified in the table below.

FDI Application Types

Type of Application	Additional Information
1. Newly insured depository institution with no existing operations.	Historically, this is the most common type of FDI application that the FDIC has received.
2. Existing and operating institution that is not insured by the FDIC.	Examples include credit unions, limited purpose trust companies, and other types of non-insured entities.
3. Interim institutions, which are typically created to facilitate other transactions, such as mergers or organizational structure changes.	<p>An FDI application is required for any:</p> <ul style="list-style-type: none"> a. Purchase and assumption transaction involving a state or federal interim institution and an insured institution. b. Merger transaction between a state-chartered interim institution and an insured institution when the FDIC is not the federal banking agency (FBA) acting on the application. <p>Note: Mutual-to-stock conversions or the creation of a mutual holding company may include a merger transaction(s) with an interim institution(s) to facilitate the corporate reorganization. In such a case, refer to (a) and (b) above as well as applicable state law to determine whether an FDI application is required.</p>
4. Conversion of an existing federal savings association (FSA) into more than one insured institution.	An FDI application is required under the specific circumstances described in Section 5(i)(5)(A) of the Home Owners' Loan Act (HOLA) by which an FSA with branches in operation in one or more states before November 12, 1999, converts into more than one state or national bank(s); a separate application is required for each bank resulting from the conversion. Otherwise, there is no requirement to file an FDI application upon conversion of an FSA into a state or national bank.
5. Withdrawal from membership in the FRS	To continue its insured status upon withdrawal from membership in the FRS, a state-chartered bank must submit a letter FDI application, as described in Sections 303.21 and 303.25 of the FDIC Rules and Regulations .

The case manager should consult with Legal Division (Legal) staff at the RO if a determination is needed as to whether an FDI application is required. As appropriate, the WO should also be consulted. In such instances, the case manager should email a brief summary of the proposal or the contemplated transaction(s) to the appropriate WO section chief.

An FDI application is not required for certain types of proposals. The table below describes common situations that do not require an FDI application.

Examples of When an FDI Application is Not Required

Type of Application	Additional Information
1. Continuation of insurance.	<p>Section 4 of the FDI Act provides for continued FDI for insured institutions following charter conversions and certain merger transactions:</p> <ol style="list-style-type: none"> a. Admission of an insured institution to membership in the FRS. b. Conversion of an insured state bank into a national bank. c. Conversion of an insured federal depository institution into a state depository institution (see exception in item 4 in the table above for the conversion of an FSA). d. Conversion of an insured state or federal depository institution into a federal depository institution (see exception in item 4 in the table above for the conversion of an FSA). e. Merger or consolidation of insured depository institutions, or of a non-insured depository institution with an insured depository institution.
2. Formation of federally chartered interim institution.	<p>Such institutions are insured upon the issuance of the institution's charter by the OCC per Section 5(a)(2) of the FDI Act, if they will not open for business. An FDI application also will not be required in connection with a merger transaction of a federally chartered interim institution and an insured institution. An FDI application, however, will be required for a purchase and assumption transaction involving a federal interim institution.</p>

C. Analytical Considerations

All FDI applications are required to be reviewed under the framework of statutory factors enumerated in [Section 6 of the FDI Act](#). The statutory factors, as discussed further in [Section III of the Manual](#), are:

- The institution's financial history and condition;
- The adequacy of the institution's capital structure;
- The institution's future earnings prospects;
- The general character and fitness of the management of the institution;
- The risk presented by the institution to the Deposit Insurance Fund (DIF);
- The convenience and needs of the community to be served by the institution; and,
- Whether the institution's corporate powers are consistent with the purposes of the FDI Act.

Each factor must be fully considered. Unless all of the statutory factors are favorably resolved, the FDI application may not be acted on under delegated authority, which is discussed in [Section IV of the Manual](#).¹⁵ In order to properly consider the statutory factors, all facts and circumstances relevant to the proposed institution must be completely understood. This requires conducting a thorough review of the application materials (including the business plan), maintaining ongoing communication with the organizers and other relevant agencies, and ensuring that the depth of the review is commensurate with the nature and complexity of the application.

Overall, thorough analysis of an application should lead to logical and well-supported conclusions regarding not only the individual statutory factors, but also the proposed institution's long-term viability and prospects for operating in a safe and sound manner. To that end, the case manager's analysis should consider whether all major aspects of the proposal make clear business sense, the underlying assumptions are reasonable, and the key risks have been identified and appropriately addressed.

D. Disposition of FDI Applications

Based on the analysis conducted, the case manager should recommend action with regard to each FDI application. The recommendation should be for one of the following courses of action, consistent with the delegations of authority:

- **Return** – Applications that are wholly inadequate should be promptly returned to the applicant. The case manager should also recommend returning any application that is not substantially complete, as discussed in [Section III of the Manual](#), following the applicant's response to any FDIC information request.¹⁶
- **Approve** – Generally, if the statutory factors are favorably resolved, the case manager should recommend approval of the application. The approval will be conditioned on the applicant's satisfaction of certain standard conditions. Non-standard conditions may also be imposed to control or mitigate a proposal's unique risks. [Section IV of the Manual](#) discusses conditions.
- **Withdraw** – If the statutory factors cannot be favorably resolved, at the FDIC's discretion, applicants may be offered the opportunity to withdraw the filing.¹⁷ The applicant may propose modifying the application to address the underlying concerns; however, significant changes may require the submission of a new application.
- **Deny** – If the statutory factors cannot be favorably resolved, and the applicant does not withdraw the application or propose acceptable modifications, the case manager should recommend denial of the application.

¹⁵ Only the FDIC Board of Directors may act on an FDI application for which one or more statutory factors are not favorably resolved. In addition, only the FDIC Board may deny an FDI application.

¹⁶ If an FDI application is returned or withdrawn, an applicant may choose to file a new application. The FDIC will review the new FDI application in its entirety and will follow the procedures described in this Manual.

¹⁷ Applicants may decide to withdraw an application at any time; such decisions must be in writing.

E. Regulatory Coordination

The case manager is expected to maintain close communication with other applicable agencies during the FDI application process to discuss the application and any related submissions, conduct pre-filing or other meetings with the organizers or their representatives, and facilitate on-site investigations or reviews. In general, it is expected that all meetings with organizers or their representatives will be conducted jointly with the chartering authority to promote information sharing and avoid duplication of efforts.

Similarly, the case manager is expected to coordinate with the FRB if an institution will be a state member bank or owned by a holding company. All required holding company filings will be submitted to the FRB. The case manager may also coordinate with the FRB, or encourage organizers to contact the FRB directly, in situations where questions exist regarding the possibility of a group or entity being considered in control of the institution for purposes of the [BHCA](#) or the [HOLA](#). As with the charter selection, the FDIC has no preference with regard to the organizers' ownership decisions, which should be consistent with the proposed institution's specific circumstances.

While each federal agency and state authority makes independent decisions regarding applications, coordination throughout the application process helps facilitate information sharing and timely decisions. Further, if the relevant filings are approved and the proposed institution commences operations, interactions with the applicable regulatory agencies will continue after opening through established supervisory processes.¹⁸

All institutions have a PFR, which serves as the federal agency responsible for supervising the institution. The PFR will be:

- The FDIC, if the institution is a state-chartered institution that is not a member of the FRS;
- The FRB, if the institution is a state-chartered, FRS-member institution; or
- The OCC, if the institution has a national bank or FSA charter.

The anticipated PFR for the proposed institution (based on the type of charter being pursued) will generally lead any on-site activities that may occur during the FDI application process. This does not preclude the FDIC from initiating additional on-site activities, as deemed necessary, to complete its analysis of the application. [Appendix 1](#) summarizes the primary supervisory roles of the applicable agencies.

¹⁸ The FDIC may also interact with appropriate regulators regarding the affiliation of an institution with a company subject to functional regulation (*e.g.*, insurance companies, securities companies, broker-dealers, *etc.*) pursuant to the [Gramm-Leach-Bliley Act](#), as well as the [Bureau of Consumer Financial Protection](#) which supervises and examines consumer financial service providers under its jurisdiction for compliance with federal consumer financial laws.

F. Organizational Form

A *de novo* institution may choose different organizational forms depending on its specific circumstances. There are notable differences between organizational forms, and elections made for tax purposes may affect the number of allowable shareholders, the terms of prospective capital distributions, and the tax treatment of income and losses.

For example, a C Corporation (C Corp) allows for an unlimited number of shareholders, while an S Corporation (S Corp) is restricted by Internal Revenue Service regulations as to the number and type of shareholders. A C Corp pays taxes on its income directly, while its shareholders are taxed on cash dividends. Alternatively, an S Corp passes through taxable income or losses directly to shareholders, who report those earnings on individual tax returns. Shareholders of both the C Corp and S Corp are generally subject to limited shareholder liability. Rules for limited liability companies (LLCs) are provided in state law and [Section 303.15 of the FDIC Rules and Regulations](#).

The case manager should consult with RO Legal and/or accounting specialists if questions arise regarding the legal, tax, or capital implications associated with a particular organizational form.

G. Applications with Unique Characteristics

Certain FDI applications present unique characteristics. These applications, which could fall under any charter type, include those from the following types of applicants:

- Non-banks: ILCs, trust and credit card banks organized under the [Competitive Equality Banking Act](#) (CEBA), and potentially other institutions (including, for example, municipal deposit banks).
- Non-community banks: specialty or niche institutions,¹⁹ publicly owned institutions,²⁰ foreign owned institutions, institutions in a parallel banking organization (PBO),²¹ institutions formed to acquire a failed bank, and certain types of operating non-insured entities seeking deposit insurance.

Applications with unique characteristics are not inherently problematic, but may require more in-depth analysis of certain features of the proposal. Further, these applications must be acted on at the Risk Management Supervision (RMS) Division or FDIC Board level. While every reasonable effort should be made to ensure timely processing, such applications are expected to take longer to process than the typical 120 days due to their unique characteristics. The case

¹⁹ Specialty (or niche) proposals generally involve institutions that present a concentrated business focus, significant specialized activities, or other unique characteristics.

²⁰ Establishment of publicly owned institutions is rare because they present concerns regarding the institution's ability to operate independently of the political process; a potential lack of continuity in the institution's policies, management, and oversight, which could result from changes in the governmental entity's leadership; and the institution's ability to raise capital.

²¹ A PBO is created when at least one U.S. depository institution and one foreign bank are controlled either directly or indirectly by the same person or group of persons who are closely associated in their business dealings or otherwise acting in concert. It does not include structures in which one depository institution is a subsidiary of the other, or the organization is controlled by a company subject to the [BHCA](#).

manager should evaluate any application that presents unique characteristics on a case-by-case basis to ensure that all risks, as well as any compensating controls, are fully understood and considered in the analysis of the statutory factors. Refer to the Supplement for further discussion.

Section II: Pre-Filing Activities

A. Overview of Pre-Filing Activities

Case managers are expected to play an active role in pre-filing activities. They typically serve as the first line of communication, and ultimately as the primary contact, between an organizing group and the FDIC. The case manager may field calls from prospective organizers or their representatives with specific questions regarding a contemplated proposal or general questions regarding the FDI application process. In addition, case managers are expected to coordinate pre-filing meetings with the organizing group, other discussions with organizers and other agency counterparts, and internal meetings to discuss key aspects of a potential FDI application.

Pre-filing contacts and meetings are generally conducted for all FDI applications. The goals of these activities are to facilitate a comprehensive application that complies with FDIC and other applicable regulatory requirements, and to minimize unnecessary delays in processing the application. Pre-filing discussions help provide clarity for the organizers regarding regulatory expectations and the application process, including general timelines for processing. In addition, the pre-filing process provides an opportunity for organizers to receive preliminary feedback regarding areas of a proposal that may need to be further developed or that may raise concerns. Pre-filing activities are also beneficial for the supervisory agencies to learn more about the organizing group and the nature of a potential FDI application.

The FDIC has established a voluntary process for the receipt and review of draft deposit insurance proposals. While the process may be particularly helpful for business models that present unusual or complex aspects, or for groups seeking technical assistance, any organizing group may choose to submit a draft proposal to obtain feedback beyond that typically available through the existing pre-filing process. Refer to [Financial Institution Letter \(FIL\)-82-2018](#) for additional information, including an implementing document that describes the [FDIC's review process for draft deposit insurance proposals](#).

The case manager should consider the following questions during the pre-filing process:

- Who are the primary organizers and what are their backgrounds?
- What is the anticipated charter type and ownership structure?
- Have discussions been held with the chartering authority and, if applicable, the FRB?
- What are the sources of capital, the status of capital-raising activities, and the planned equity structure?
- Will there be any principal shareholders?
- Will there be any foreign shareholders?
- Have any members of the senior management team or board of directors been identified? If so, what are their backgrounds relative to the contemplated institution?
- What is the anticipated emphasis or business focus of the institution?

- What is the target market area and anticipated community to be served?
- Will the institution offer (or engage in) any non-traditional products, services, or activities?
- Will there be any affiliate relationships or transactions involving insiders?²²
- Do the organizers plan to establish any stock benefit plans?

B. Procedures for Pre-Filing Meetings

Pre-Filing Meeting Attendance – As a general rule, pre-filing meetings should be attended by:

- Members of the organizing group (including potential investors, management, or directors);
- Representatives of the organizing group (such as attorneys or consultants);
- Applicable professional staff of the FDIC;
- Representatives of the chartering authority; and, as appropriate,
- The FRB as PFR or holding company supervisor.

If the FDIC is coordinating the meeting, the case manager should invite all applicable agencies to participate. FDIC representatives at a pre-filing meeting should generally include staff from the appropriate RO and FO. Staff from the FDIC's WO may also be invited to attend. In some instances, the WO may coordinate pre-filing meetings, such as in the event of failed bank acquisition proposals or proposals where the supervisory region is uncertain. In such cases, the WO will determine the appropriate RO to participate in the meeting.

Pre-Filing Meeting Materials – The case manager should encourage the organizers to provide materials for the FDIC and other agencies to review in advance of the pre-filing meeting. The materials may include a slide deck (or similar type of presentation), as well as a draft business plan or other draft organizational documents (such as preliminary stock offering materials). This will help familiarize the FDIC with the proposal ahead of the meeting, assist in arranging participation from applicable staff, and generally lead to a more productive meeting.

Pre-Filing Meeting Topics – The materials provided by the organizers will largely drive the content and flow of the pre-filing meeting. Staff should ask the organizers to discuss the backgrounds of the organizing group and any individuals being considered to manage or direct the institution, and key elements of the anticipated business plan including the ownership structure, target geographic and customer markets, primary products and services, main strategic objectives, capital and management plans, and other pertinent aspects. In addition, staff should ask the organizers to discuss any contemplated insider transactions and stock benefit plans. These elements may be in their early stages of development.

FDIC staff should provide preliminary feedback, respond to questions, and discuss the FDIC's expectations with regard to submitting a formal application, including a comprehensive business plan. The case manager and other FDIC attendees should be prepared to discuss regulatory

²² An insider is defined as a person who is proposed to be a director, officer, or incorporator of an applicant; a shareholder who directly or indirectly controls 10 percent or more of a class of the applicant's outstanding voting stock; or the associates or interests of any such person. Refer to the [FDIC Statement of Policy on Applications for Deposit Insurance](#) (SOP-ADI).

requirements and guidance, and any unusual aspects of the proposal, including potential conditions that could be imposed (*e.g.*, with regard to proposals involving nonbanks, foreign ownership, or other applicable areas). Any matters that might potentially present concerns should be articulated.

Additional follow-up discussions, both internally and with the organizers or other agencies, may be necessary to further assess preliminary aspects of the proposal.

C. Documentation of Pre-Filing Activities

The case manager is expected to document the FDIC’s participation in each pre-filing discussion or meeting with a memorandum to the file that identifies the participants or attendees, addresses the substance of the discussion, and describes any anticipated next steps or follow-up items. If a meeting with an organizing group is held in the WO, staff from the WO is expected to document the meeting and provide the appropriate RO a copy of the memorandum for its permanent files.

The case manager should provide a copy of the pre-filing memoranda for a proposed institution to the investigating examiner for review and follow-up during the field investigation. Each RO and the WO are to maintain a centralized file of all pre-filing memoranda in the appropriate system of record.

Section III: Application Receipt, Review, and Acceptance

The review and processing of an FDI application is time sensitive. The FDIC strives to act on all FDI applications within 120 days of receiving a substantially complete application. In order to meet this goal, each FDI application must be thoroughly reviewed promptly following receipt. Processing should generally occur according to the timeline summarized in the table below.

Summary of the FDI Application Review and Processing Timeline

Timeframe	Action
<ul style="list-style-type: none"> ➤ Within three business days of receiving the application 	<ul style="list-style-type: none"> • Send a letter to the applicant acknowledging receipt and directing publication if it has not yet occurred. • Create a record in the application tracking system. • Notify FO management, the Division of Depositor and Consumer Protection (DCP), and applicable RMS and Legal specialists.
<ul style="list-style-type: none"> ➤ Within 30 days of receipt 	<ul style="list-style-type: none"> • Review the submitted application for completeness, consistency, and conformance with filing procedures. • Send a letter to the applicant noting that the application is substantially complete and accepted for processing as of the date of receipt; or if the application is not substantially complete, send a letter noting that additional information is needed.²³

²³ The letter for a non-bank or non-community bank proposal may take up to 45 days to issue depending on the matters presented.

Timeframe	Action
➤ Once the application is accepted as substantially complete ²⁴	<ul style="list-style-type: none"> ● Formally begin application processing, including the evaluation of the statutory factors and other activities. ● Coordinate and commence the field investigation.
➤ Within 60 days of deeming the application substantially complete	<ul style="list-style-type: none"> ● Complete the field investigation. ● Communicate any identified concerns to the applicant.
➤ Within 30 days of completing the field investigation	<ul style="list-style-type: none"> ● Resolve any identified issues or concerns. ● Complete application processing. ● Obtain the applicant's written concurrence to any proposed non-standard conditions. ● Finalize the recommendation for action.

These standards and other relevant procedures are discussed further in the following items and in [Section IV of the Manual](#). Any processing delays need to be reflected in the appropriate data fields and commented upon in sufficient detail in the FDIC's application tracking system. In addition, any related correspondence or materials should be maintained in the FDIC's automated documentation distribution system.

A. Receipt of an FDI Application

The assigned case manager must begin reviewing the application promptly following receipt and coordinate internally and with the other relevant agencies to facilitate a common understanding of the proposal. Within three business days of receiving an FDI application, the case manager should prepare and send a letter to the applicant acknowledging receipt, requesting publication of the filing in a local newspaper if publication has not already occurred (see [Item B](#) below), and addressing historic preservation and environmental policy requirements if not discussed in the application. The letter should not convey a determination regarding acceptance or request additional information as these matters should be communicated separately, as appropriate.

The case manager must create a record in the application tracking system within three business days of receiving an application. The record should include an adequate description of the proposal and note the date that the acknowledgment letter was sent, and all applicable data fields should be completed. The case manager is expected to update the status comments in the record throughout the application process to reflect any noteworthy developments, including all significant internal and external contacts.

Within three business days of receiving an application, the case manager should notify DCP, FO management, and the appropriate RMS and Legal specialists that the application was received. These notifications will help facilitate DCP's review of any applicable consumer compliance or [Community Reinvestment Act](#) (CRA) considerations, the specialists' reviews of matters pertaining to their respective areas, and FO management's preparation for the field investigation.

²⁴ In certain instances, the delegations of authority may require acceptance of an application to occur at the WO level. In such cases, the RO should consult with the appropriate WO section chief prior to commencing formal application processing and the field investigation.

institution, and whether the institution's corporate powers are consistent with the purposes of the FDI Act. The [SOP-ADI](#) provides additional information about the statutory factors.³¹

Application Form

The [Application Form](#) requests the information necessary for the FDIC to evaluate the statutory factors. General guidance for reviewing each section of the [Application Form](#) for completeness is provided below. This section of the Manual is the most extensive section as it is important to identify early in the process any concerns that will require significant attention to ensure that they do not delay the timely consideration of the application.

Management

The quality of management (including directors and officers) is the single most important contributor to the success of any FDIC-insured institution.³² The investigating examiner's review of management will center on an evaluation of the individuals' backgrounds in relation to their proposed duties and responsibilities. Accordingly, the case manager should ensure that the information provided by the organizers relevant to the board of directors and executive officers is complete and raises no significant follow-on questions.

The application must identify the proposed full-time chief executive officer (CEO) and may identify other key executive officers. Key executive officers typically include the chief financial officer, chief lending officer, and chief operating officer, and may include others depending on the proposed business plan and the institution's size, complexity, and risk profile. These individuals do not need to be formally employed by the proposed institution, but the application should describe their commitment to joining the new organization. In some instances, identifying satisfactory candidates for certain positions can take additional time. Acceptable candidates should be identified and submitted for consideration as soon as practical. In cases where positions have not yet been filled, the case manager should request that the organizers provide a list of qualifications for the specific positions and should remain in contact with the organizers regarding the status of recruitment efforts.

Interagency Biographical and Financial Reports

The case manager is expected to review the submitted financial and biographical information (as reported on the [IBFR](#)) for each proposed organizer, director, senior executive officer, and 10-percent-or-more shareholder prior to accepting an FDI application for processing. The primary purpose of this review is to ensure that no concerns exist with regard to each individual's disclosed background, experience, affiliations, equity interests, and overall financial position (net worth, debt level, cash flows, *etc.*).

³¹ [63 Fed. Reg. 44756, August 20, 1998](#), effective October 1, 1998; amended at [67 Fed. Reg. 79246, December 27, 2002](#).

³² In order to favorably resolve the management factor, evidence should support that the quality of the proposed management would be equivalent to a rating of "2" or better under the [Uniform Financial Institutions Rating System](#) (UFIRS). A rating of "2" under UFIRS is generally indicative of a satisfactory record of performance in light of the institution's particular circumstances.

When reviewing the biographical section, the case manager should:

- Ensure that all questions are answered.
- Determine whether any of the responses raise additional questions.
- Request an application pursuant to [Section 19 of the FDI Act](#) if an individual has been convicted of a criminal offense involving dishonesty, breach of trust, or money laundering, or has entered into a pretrial diversion in connection with a prosecution of such an offense.
- If the individual answered “yes” to any of the questions in items 5(a) through 5(f) of the [IBFR](#), review the supporting documentation for sufficiency and compare it against any relevant source documentation from FDIC records (*e.g.*, Reports of Examination, enforcement actions, or investigations conducted after an institution’s failure by the Division of Resolutions and Receiverships or Legal’s Professional Liability Section). RO Legal may be of assistance in evaluating court documents or in obtaining court records.
- Consult with RO management and, as appropriate, the WO regarding the sufficiency of the responses to any questions answered “yes.” Examples of background and experience issues that have made approval of FDI applications problematic include, but are not necessarily limited to:
 - proposals that consider individuals for key decision making positions who have been associated with failed financial institutions or financial institutions that are or were in troubled condition as a result of their actions or decisions;
 - proposals that include principals, particularly directors and senior executive officers, either individually or through related business interests, who have a history of bankruptcy filings or defaults on obligations that have resulted in losses to an insured financial institution or the DIF, or exhibit other behaviors that indicate a lack of personal or professional financial responsibility; or
 - proposals that include individuals who are unable or unwilling to demonstrate the financial capacity to meet their personal financial obligations.
- Resolve any insufficient responses or responses that raise questions about an individual’s qualifications prior to accepting the application as substantially complete. The individual should be given the chance to respond in writing to any objections raised. Issues may need to be raised directly with the individual and not the organizing group. Consult with RO Legal before initiating any discussions.

When reviewing the financial section, the case manager should:

- Ensure the mathematical accuracy of the financial information.
- Determine whether additional information is needed to support the value assigned to any assets. Significant assets in the form of closely held corporations, partnerships, or sole proprietorships should be supported by detailed financial statements on these entities. If the individual’s financial standing is largely dependent upon the appreciated value of real estate or closely held companies, request the basis for the valuation of the assets.
- Determine whether any additional information is needed regarding contingent liabilities.
- Evaluate the reasonableness of the cash flow statement relative to the other financial information provided and determine whether any additional information is needed.

As appropriate, the case manager should request additional information for any portions of the [IBFR](#) that are incomplete, inconsistent, or require further details or explanation. If the FDIC

identifies derogatory information that was not disclosed on an individual's [IBFR](#), the individual should be provided an opportunity to explain the omission and provide complete information regarding the matter omitted. However, such omissions may raise questions regarding the individual's honesty and integrity. Depending on the nature of the omission and the underlying issues, the individual may be deemed unfit to serve at the *de novo* institution. Certain information obtained through a Suspicious Activity Report or law enforcement records is confidential and may not be discussed with the individual unless the information is otherwise available in public records. The case manager should discuss questions regarding the confidentiality of any information with RO management and RO Legal.

The case manager is expected to promptly notify RO management if significant questions arise while reviewing the submitted [IBFRs](#). Any significant concerns based on the [IBFR](#) review may be discussed with the applicant to the extent that those concerns do not involve confidential law enforcement information. If the FDIC determines that the individual's personal or professional financial responsibility or experience cannot be favorably resolved (after reviewing all appropriate information), the applicant will be advised that the FDIC will not be able to favorably resolve the management statutory factor unless the individual is replaced. Legal staff and the WO are available to assist in reviewing matters involving proposed individuals.

The case manager should review the qualifications of the proposed CEO and ensure that the individual has a record of performance at the executive level with an institution of comparable size, complexity, risk profile, and business model. Although prior CEO experience is strongly encouraged, it is not required. If the candidate has not previously served as CEO, the candidate's background and experience should demonstrate the breadth of knowledge, skills, and abilities necessary to successfully fulfill the requirements of the position. Minor concerns should be flagged for follow-up by the investigating examiner. Significant concerns should be discussed with RO management, with consideration given to delaying the acceptance of the filing as substantially complete until the concerns are resolved.

The case manager should also determine whether confidentiality is requested for any proposed members of management. Any confidentiality requests should be flagged for the investigating examiner. To the extent required or permitted by law, the FDIC will maintain the confidentiality of the affected candidate until employment arrangements are finalized. RO Legal should be consulted if a question arises regarding confidentiality laws or requirements.

Compensation Arrangements

The case manager is expected to review compensation arrangements for appropriateness. Questions about the appropriateness of compensation need not delay acceptance of a filing as substantially complete, but should be addressed in a timely fashion so that any corrections or clarifications may be incorporated into the field investigation.

[Appendix A to Part 364 of the FDIC Rules and Regulations, Interagency Guidelines Establishing Standards for Safety and Soundness](#) (Appendix A to Part 364) discusses excessive compensation and compensation that could lead to material financial loss to an institution. Per [Appendix A to Part 364](#), compensation is deemed excessive when amounts paid are "unreasonable or

*nov*o institution to be classified as well capitalized under the Prompt Corrective Action rule, as defined by its PFR. Refer to the [SOP-ADI](#) for additional considerations.

Projected Capital Sources

- If a list of known subscribers is provided, the case manager should review the list to ensure that all 10-percent-or-more shareholders have completed [IBFRs](#). Any necessary submissions should be requested.
- The case manager should forward the offering circular, solicitation material, and any other related documents to the WO RMS Accounting and Securities Disclosure Section for review and comment. If the offering materials have not yet been provided, the case manager should request that the organizers submit the materials as soon as possible.
- Submission of either of the aforementioned items need not delay acceptance of the applications as substantially complete.

Types of Proposed Capital

- If the proposal involves capital other than common voting stock or involves multiple classes of common or preferred stock, the case manager should ensure that all features of each type or class of capital have been fully detailed. If any unfavorable features exist, such that the capital structure could adversely impact the institution or future capital raising efforts, the case manager should request in writing that the unfavorable features be corrected. Depending on the nature and significance of any issues to be resolved, submission of the corrected capital structure need not delay acceptance of the application as substantially complete.
- If voting trust arrangements are proposed, the case manager should be aware that they are not prohibited, but are generally discouraged for new institutions because of the potential for insiders to gain control disproportionate to their investment.
- The case manager should ensure that stock of each class is to be sold at the same price and with the same voting rights. Correction of any disparities should be requested in writing. Depending on the nature and significance of the issue to be resolved, submission of corrections need not delay acceptance of the application as substantially complete.
- If any noncash contributions to capital have been proposed, the case manager should review the documentation provided to support the value of the assets to be contributed.
 - The value of real estate, fixed assets, loans, and leases should be documented by an independent appraisal or market valuation. The investigating examiner will review the assets and the valuations during the field investigation.
 - The value of existing businesses should be documented by at least two independent appraisals of the company's fair market value. Appraisals should be no more than six months old and based on recognized valuation methods. Appraisals should specifically indicate the values assigned to any contingent liabilities disclosed by the business owner. The business owner should be asked to provide a statement certifying that all contingent liabilities were disclosed to the appraiser and acknowledging that the FDIC certifications on page 11 of the [Application Form](#) apply to the statement.
- Submissions that are reliant upon noncash contributions to capital to meet the minimum capital requirements should not be accepted for filing as substantially complete until all necessary valuations are received.

Convenience and Needs

The case manager should ensure that the required information in support of this section has been provided in the application. The case manager will have forwarded a copy of the application, including the business plan, to DCP shortly after receipt. Feedback from DCP should be obtained within 30 days from receipt of the application and should be shared with the investigating examiner. Additionally, the case manager should seek assistance from DCP in evaluating the CRA Plan.

The investigating examiner, with support from DCP, will assess the trade area population demographics and the proposed institution's willingness and ability to meet the deposit and credit needs of the community to be served. The investigating examiner will also assess the competitive dynamics of the market and how the proposed institution will compete for market share.

Premises and Fixed Assets

The case manager should ensure that sufficient detail regarding premises and fixed assets is provided in the application, and that fixed asset investments are accurately reflected in the *pro forma* financial statements. The investigating examiner will evaluate the reasonableness of the investments in fixed assets, conformance with applicable statutory or regulatory limits (whether state or federal), and fulfillment of the requirements of the [National Historic Preservation Act](#) (NHPA) and the [National Environmental Protection Act](#) (NEPA).

Investments in Premises and Fixed Assets

The case manager should ensure that:

- The organizers³⁶ have identified a location for the proposed institution. The specific physical location (address) of the proposed institution's main office does not need to be identified at the time an application is filed. In such circumstances, the application and the published notice³⁷ should include a reasonable description³⁸ of the anticipated location of the main office. If the institution will open in temporary quarters, the notice must also indicate the location of the temporary quarters.
 - When reviewing the reasonableness of the described location absent a specific address, the FDIC may consider issues such as the nature of the area (e.g., urban, suburban, or rural), population, physical boundaries, historic preservation or environmental issues, and political subdivisions, metropolitan statistical areas, or census tracts.

³⁶ The [SOP-ADI](#) uses the term "proponents" rather than organizers in discussing certain statutory factors.

³⁷ The location must be described in the notice of the institution's proposed formation that is required to be published in a newspaper of general circulation in the community in which the main office of the institution will be located, pursuant to [Sections 303.7 and 303.23 of the FDIC Rules and Regulations](#).

³⁸ A reasonable description may be based on street boundaries within a neighborhood or city block. Alternatively, a broader area may be presented if supported by additional information, such as a quadrant within a census tract, zip code, or municipal boundaries.

- The description should be sufficient to provide an understanding of the general location and geographic market of the proposed institution, such that the FDIC may evaluate the application pursuant to the statutory factors and regulations for which the institution's location is relevant, including consumer protection and community reinvestment laws and rules.
- The FDIC will advise an applicant in writing if additional information is needed and whether re-publication is required.
- The application tracking system should be updated to reflect that a specific address has not yet been identified.
- The proposed or existing investments in fixed assets, both direct and indirect, are detailed within the application materials. Proposed investments in premises should be detailed separately, including the main office, any branch sites, any loan production offices (LPOs), and any other offices.
- The proposed investments, including any investment in planned future branches, are supported by appraisals, purchase documents, or construction estimates and accurately reflected in the *pro forma* financial statements.
- The organizers do not intend to purchase any fixed assets or enter into any non-cancelable construction contracts, leases, or other binding arrangements prior to approval of the FDI application and other agency filings.

Historical Preservation and Environmental Policy Considerations

Each application must indicate that the applicant has contacted the State Historic Preservation Officer (SHPO) and/or Tribal Historic Preservation Officer (THPO) for a determination as to whether, or to what degree, the proposed main office and/or any branch site may affect any district, site, building, structure, or object listed in or eligible for listing in the National Register of Historic Places pursuant to the [NHPA](#). The applicant is also required to specify how the determination was made, such as through consultation with the SHPO, review of the National Register of Historic Places, or other means identified in the [Application Form](#) instructions.

In addition, the applicant is required to discuss any significant effect the proposal will have on the quality of the human environment. This includes any changes in air or water quality, noise levels, energy consumption, population congestion, solid waste disposal, or environmental integrity of private land within the scope of the [NHPA](#).

The case manager is expected to review the submitted information for completeness and to confirm that no historical protection or environmental concerns are evident. The FDIC will make an independent determination, but will place significant weight on the opinions of the SHPO and THPO as to whether a proposed site is historic and, if so, what effect the proposal will have on the property. The applicant should not initiate site work until the FDIC has made its determination.

If the submitted information indicates that the proposal will have an adverse effect on a historic property, district, or object, the case manager should inform RO Legal, and as appropriate, the WO. The FDIC, in conjunction with the PFR (if not the FDIC), will communicate with the applicant, the SHPO and/or THPO, the designated consulting parties, and as necessary, the Advisory Council on Historic Preservation to determine whether modifications to the proposal

could avoid, minimize, or mitigate the adverse effect, and whether a Memorandum of Agreement or Memorandum of Understanding is appropriate.

In addition to the environmental items noted in the [Application Form](#), the case manager should consider the proposed institution's plans to comply with local zoning laws, as well as the property's location and the resulting traffic patterns (including the adequacy of roads, parking facilities, and related matters). Any potentially favorable impacts such as a possible decrease in pollution or fuel consumption should also be considered.

For additional information, refer to the [NHPA](#), the [NEPA](#), the [FDIC Statement of Policy Regarding the NHPA](#), the [FDIC Statement of Policy Regarding the NEPA Procedures Relating to Filings Made with the FDIC](#), and the [Applications Procedures Manual](#).

Information Technology

The case manager should verify that the requested information regarding information technology (IT) has been provided and that the information is consistent with the discussion in the Business Plan. The case manager should also consider whether it would be advisable for an IT specialist to participate in the field investigation. The investigating examiner will assess the proposed IT infrastructure, policies, and security.

Other Information

The investigating examiner will assess the adequacy of proposed policies, the reasonableness of organizational expenses, and the sufficiency of proposed fidelity coverage. The case manager should ensure that the requested information has been provided.

Key Operating Policies

The case manager should verify that key operating policies are provided with the application materials for the investigating examiner to review during the field investigation. At a minimum, the lending, investment, funds management, and interest rate risk policies should be provided. Submission of these policies need not delay acceptance of the filing as substantially complete, but the organizers should be requested in writing to provide the policies as soon as possible to facilitate timely review during the field investigation.

Organizational Expenses

The case manager should verify that the proposed organizational expenses are fully expensed in the *pro forma* financial statements at the time operations commence. Organizational expenses may include consultant, attorney, and other professional support costs incurred in preparing the application and supporting documentation, including the business plan, feasibility studies, and *pro forma* financial projections. There are also costs associated with facilitating a capital raise, retaining members of the management team, and completing other organizational activities.

If the RO has not recently received many FDI applications, the case manager should contact other regions, on behalf of the investigating examiner, to determine the level of organizational

expenses incurred by other institutions for comparison purposes. However, the use of such comparisons must consider the size, nature, complexity, and location of each institution.

Organizers, including officers and directors, and non-insiders may be paid with stock for professional services rendered during the organizational phase. The value of the stock payment should be equal to the value of the services rendered (based on the per-share price of the proposed institution's primary stock offering and the comparative cost of an arms-length transaction with an independent third party). Refer to [Appendix 2](#) for additional considerations if any stock benefits are associated with payments for professional services.

Fidelity Insurance

The case manager should perform a preliminary review of the proposed insurance policies to ensure that any indemnification provisions are not overly broad. For example, provisions that offer protection beyond the coverage of any director and officer liability insurance or that protect against gross negligence or fraud, bad faith, acts beyond the scope of the individual's relationship to the institution, penalties or fines, or similar circumstances are generally inappropriate.

Additionally, per [Part 359 of the FDIC Rules and Regulations](#), institutions are prohibited from purchasing an insurance policy that would indemnify an institution-affiliated party³⁹ (IAP) from civil money penalties. The case manager should consult with RO Legal regarding the language included in any proposed indemnification clause. Refer to [FIL-47-2013, Director and Officer Liability Insurance Policies, Exclusions, and Indemnification for Civil Money Penalties](#) for additional information.

Business Plan

All *de novo* institutions must prepare and submit a business plan that is specific to the institution and sufficiently detailed. The case manager is expected to review the proposed business plan for completeness and consistency prior to accepting an FDI application as substantially complete. The business plan must be clear, comprehensive, and well-supported to demonstrate that the institution will operate in a safe and sound manner. The business plan should be tailored to the institution's size, complexity, and risk profile. Therefore, smaller, non-complex community institutions may require a less extensive plan. The business plan should demonstrate that the *de novo* institution has a reasonable probability of success in achieving its stated goals and objectives, while operating prudently. The business plan should also demonstrate that sufficient capital is available to address uncertainties and that the institution has a clear ability to raise capital if needed.

³⁹ Pursuant to [Section 3\(u\) of the FDI Act](#), the term IAP means (1) any director, officer, employee, or controlling stockholder (other than a holding company) of, or agent for, an insured depository institution; (2) any other person who has filed or is required to file a change-in-control notice with the appropriate FBA under [Section 7\(j\) of the FDI Act](#); (3) any shareholder (other than a holding company), consultant, joint venture partner, and any other person as determined by the appropriate who participates in the conduct of the affairs of an insured institution; and (4) any independent contractor who knowingly or recklessly participates in any violation of any law or regulation, any breach of fiduciary duty, or any unsafe or unsound practice, which caused or is likely to cause more than a minimal financial loss to, or a significant adverse effect on, the institution.

Guidance for developing a business plan is included within the [Application Form](#). The case manager should confirm that the business plan content covers the following areas: executive summary; description of business; marketing plan; management plan (including directors and officers); records, systems, and controls; financial management plan; monitoring and revising the plan; and financial projections. In addition, the case manager should consider the following questions while reviewing the business plan:

- Is the plan tailored to the institution's anticipated size, complexity, and risk profile?
- Are the primary goals and objectives clearly articulated?
- Does the plan realistically forecast market demand, the customer base, competition, and economic conditions (and are the supporting feasibility studies, if any, reasonable)?
- Are all key risks identified and addressed with appropriate risk management controls?
- Are all primary products, services, and activities explained in sufficient detail?
- Does the plan present an appropriate board, management, and staffing structure?
- Is succession planning adequate?
- Does the plan indicate that sufficient capital will be raised and maintained?
- Does the plan indicate that profitable operations will occur by the end of the third year of operation?
- Does the plan project reasonable asset growth?
- Are the underlying assumptions sufficiently detailed and well supported?
- Are the financial projections consistent with the underlying strategies, the economic assumptions, and other risk management tools (such as the proposed operating budget)?
- Does the plan include prudent risk tolerance limits and key ratios or other metrics to facilitate periodic performance monitoring?
- Does the plan describe how management and the board will monitor progress and adherence?
- Does the plan indicate that acceptable IT resources will be provided?
- Does the plan indicate that appropriate due diligence has been performed on any proposed vendors or third-party service providers?
- Are insider transactions, if any, described and on arms-length terms?
- Does the plan indicate that the institution will help to meet the deposit and credit needs of the community to be served and applicable CRA requirements?
- Is the plan sustainable over a long-term horizon?

The FDIC does not require a specific format for a business plan, although each of the following areas should be addressed.

Description of the Business – The business plan should discuss the institution's proposed location and any future branching or expansion plans, the institution's organizational structure, any insider transactions, and the legal form of stock ownership. The depth of the business plan should be more expansive in situations in which, for example, the institution proposes to operate within a complex organizational structure, rely significantly on affiliates or third parties for business development or operational support, concentrate on a niche market, offer non-traditional or higher-risk products or services, maintain significant balance sheet concentrations (in asset or liability components), or generate unusually high levels of non-interest income.

Marketing Plan – In addition to describing target markets and the products and services to be offered, the business plan should discuss the analyses and assumptions with respect to products and services, the selected markets, relevant economic considerations, and the competitive environment.

Management Plan – The business plan should discuss the number of organizers and directors, board committees and their responsibilities, duties and responsibilities of the senior executive officers and employees, and the institution’s plans to address management succession. As noted above, the majority of the institution’s board of directors should be independent from the parent and any affiliates.

Records, Systems, and Controls – The business plan should discuss the institution’s plans for accounting and internal control systems; the internal audit function; compliance management programs, including Bank Secrecy Act (BSA)/anti-money laundering (AML); and annual audits by independent public accountants. Proposals involving transactions or relationships with affiliates should describe all planned arrangements and include service level agreements that comply with [Sections 23A and B of the Federal Reserve Act](#).

The business plan should also address IT, which involves the institution’s core banking systems, internal networks, internet and mobile applications, and payment and settlement systems that may be hosted internally or externally. Effective IT and cybersecurity strategies that are aligned with the institution’s overall strategies are critical due to the role of technology in supporting and delivering most business activities. As such, appropriate strategies should be adopted for the institution’s business activities (such as commercial lending and asset management) and enterprise-wide activities (such as security and business continuity planning), and should address system development, acquisition, and outsourcing requirements.

For outsourced solutions, the strategies should identify functions or services that the institution will outsource, and include the name of each third party under consideration, due diligence performed, costs, and an assessment of external dependency risks. Contracts should be made contingent on obtaining the necessary regulatory approvals for both the institution’s charter and FDI, and limit personal liability if approval is not obtained. For internal solutions, the strategies should address facilities, capacity, and skill requirements, and be supported by projected technology-related budgets. The regulatory agencies have developed resources for institutions on third-party relationships and outsourcing, information security and business continuity planning, and cybersecurity.⁴⁰

Financial Management Plan – The business plan should discuss the institution’s capital and earnings goals; plans for raising capital; dividend policy; funding plans, including how the institution will identify and measure liquidity risk; and types of investment securities to be held. The business plan should also discuss the institution’s objectives, strategies, and risk tolerance for interest rate risk, including how the institution will identify and measure interest rate risk.

⁴⁰ Refer to [FIL-44-2008, *Guidance for Managing Third-Party Risk*](#); the Federal Financial Institutions Examination Council ([FFIEC](#)) [Information Technology Handbook, booklets on Outsourcing Technology Services, Information Security, and Business Continuity Management](#); and [FFIEC Cybersecurity Awareness](#).

Further, the business plan should address the loan review program, including how the institution will identify and measure credit risk, and its methodology for determining the ALLL.

Narrowly focused proposals, including niche or monoline operations or other proposals considering a limited set of banking activities, should address how the institution will mitigate concentration risk, maintain adequate liquidity, and manage credit-sensitive funding risks. Business plans that contemplate significant asset concentrations such as lending concentrations in commercial real estate (CRE), higher-risk loan categories, or activities that otherwise diverge from conventional banking services must include commensurate risk management practices to mitigate risks. Similarly, plans that indicate a high reliance on non-core funding (*e.g.*, borrowings, brokered deposits, listing service deposits, *etc.*) must include appropriate risk management practices and contingency funding plans.

If the proposed institution will be significantly involved in transactions or relationships with the parent company or any affiliates, the proposal must demonstrate that the institution has a sustainable financial structure.

Monitoring and Revising the Plan – The business plan should discuss how the institution’s board of directors will monitor adherence to the business plan and amend the plan to accommodate significant or material changes (*e.g.*, the board’s proposed responses to greater or lesser than expected growth, greater or lesser than expected market penetration, *etc.*). Narrowly focused proposals should clearly define strategic alternatives for redirecting efforts, which may include self-liquidation, if the business plan proves unsuccessful.

Financial Projections – The business plan should provide opening day *pro forma* financial information and quarterly projections for the first three years of operation, including the projected balance sheet, income statement, and regulatory capital schedules. The *pro forma* financial projections need to indicate that the proposed institution will be profitable within a reasonable period (generally three years) and maintain a tier 1 capital-to-assets leverage ratio (as defined in the appropriate capital regulation and guidance of the applicable PFR) of not less than 8 percent during the first three years of operation.

In addition, the business plan should provide details regarding all key assumptions, discussion of market studies or surveys used to support projected growth, discussion of the level of marketing expenses necessary to achieve the projected loan and deposit volumes, and a sensitivity analysis of the financial projections to reflect the effects of adverse changes in interest rates, changes in the asset/liability mix, and higher than expected operating expenses, marketing costs, and/or growth rates. All financial projections should be well-supported and sufficiently detailed.

The case manager should review projected income and expense levels for consistency with the strategic objectives, primary activities, balance sheet composition, and underlying assumptions detailed in the business plan. All income and expense items should be accurate, sufficiently detailed (without broad “catch-all” categories for major components), and consistent with the institution’s projected asset/liability mix and assumptions regarding interest rates and other relevant factors. The case manager should verify that the financial projections include sufficient details regarding each of the following areas:

- Interest income (anticipated yields on loans, securities, and other earning assets);
- Interest expenses (expected costs of deposits and other interest-bearing liabilities);
- Non-interest income (revenue from service fees and other non-interest income sources);
- Non-interest expenses (expenses related to salaries and employee benefits, premises and fixed assets, and other operational aspects; the projections should include all pre-opening organizational expenses);
- Provisions for loan and lease losses (provision expenses should be sufficient to establish and maintain an adequate ALLL relative to the risk in the loan portfolio);
- Taxes (at the federal, state, and local levels; any projected tax benefits associated with tax loss carryforwards would not be considered core earnings); and
- Any other significant income or expenses (including those related to any one-time or non-recurring events).

If projections indicate significant non-interest income levels, the case manager should review the income sources for volatility to determine if the income may be cyclical or dependent on certain economic factors. Depending on the proposed institution’s complexity and any anticipated concentrations, the business plan may need to include alternative scenarios that provide meaningful stress tests of earnings and capital projections.

As circumstances warrant, the case manager may need to obtain additional support from Legal, DCP, or RMS specialty areas to fully evaluate a particular aspect of the business plan. The case manager may also use data tools and other internal resources available through the FDIC’s Division of Insurance and Research (DIR) website, as well as the FDIC Library.

Any issues or concerns with regard to the business plan should be discussed with RO management. Further, such matters should be communicated to the applicant as soon as practical and, as appropriate, described in the letter sent to the applicant that notes whether the application is, or is not, substantially complete.

E. Substantially Complete Determination

Following the review of the application, including all submitted materials and exhibits, and the consideration of any comments from DCP or Legal based on their respective initial reviews, the case manager needs to determine whether the application should be deemed substantially complete and accepted for processing.⁴¹ An FDI application is considered substantially complete when the FDIC has the information necessary to fully consider each of the applicable statutory factors and any other regulatory requirements.⁴² In general, if an applicant has provided the information required in the [Application Form](#),⁴³ including an acceptable business plan, and the materials do not raise significant follow-on questions, then the application will be deemed substantially complete as of the date received.

⁴¹ Unless otherwise limited by the delegations of authority, the RO may deem an FDI application substantially complete.

⁴² “Regulatory requirements” refers to the requirements included in Part 303 of the FDIC Rules and Regulations and any other federal or state regulations, statutes, or laws applicable to the filing.

⁴³ Refer to the [Application Form](#) for a detailed list of information that should be submitted as part of an FDI application. Each agency has specific purposes and timing requirements for the required information.

Significant follow-on questions may arise, for example, from inconsistencies between sections of the application, [IBFR](#) filings that disclose concerns (*e.g.*, bankruptcies, short sales, significant business lawsuits, prior experience at a failed or troubled bank, prior enforcement action, *etc.*), proposed relationships that are significant for executing the business plan (*e.g.*, insider, affiliate, or other third-party relationships), and complex or unusual organizational or ownership structures. Most FDI applications should not raise significant follow-on questions because such issues should have been raised and addressed during the pre-filing process.

Within 30 days of receiving the application, the RO is expected to issue a letter to the applicant that states whether the application is, or is not, deemed substantially complete.⁴⁴

- If the application was **substantially complete** when received by the FDIC, the case manager should enter the date of receipt as the acceptance date in the application tracking system. In addition, the case manager should ensure that a letter is issued to inform the applicant that the filing is substantially complete and provide the acceptance date. The letter may also request missing information; however, such requests should be limited to clarifying information, information required by rule that is expected to be provided in the near term and that does not directly impact the consideration of applicable statutory factors (*e.g.*, verification of publication), or technical items or documents necessary to complete a specific component of the filing (*e.g.*, final or executed documents previously submitted in draft form). The letter should provide a short timeframe for submitting any requested materials, typically not more than 30 days. The RO should not delay the processing of a filing while awaiting receipt of the requested information or documentation.
- If the application was **not substantially complete** when received, the case manager should consult with the ARD on whether to return⁴⁵ the application or issue a letter to request additional information. A request letter should only be issued for an application that is not substantially complete when the additional information relates to a limited number of specific matters, would enable a complete analysis of the matters and the related statutory factors, and can reasonably be expected to be submitted within a short period of time. The request letter should be developed in coordination with the relevant banking agencies.

If a decision is made to return the application, the case manager should call the applicant to advise that the materials will be returned with a letter describing the deficiencies. The return letter should clearly describe the information that is lacking or deficient, and state that the applicant may choose to file a new application after it addresses the noted deficiencies. The case manager should update the application tracking system to include the action taken (Returned), the action date, and appropriate explanatory comments. The case manager should also prepare a summary memorandum that briefly explains the circumstances surrounding the closure of the

⁴⁴ The letter for a non-bank or non-community bank proposal may take up to 45 days to issue depending on the matters presented.

⁴⁵ The FDIC's authority with regard to returning a filing (or deeming it "abandoned") is described in [Section 303.11\(e\) of the FDIC Rules and Regulations](#).

application file. The memorandum should be maintained in the automated document distribution system and included in the RO's centralized file for returned applications.⁴⁶

If a decision is made to request additional information, the letter that notes that the application is not substantially complete should also indicate that the application not been accepted for processing; clearly state the date by which the applicant's response must be received (within 30 days from the date of the letter); and indicate that if the FDIC determines that the application remains incomplete after review of the applicant's response, the FDIC will return the application and consider the file closed.⁴⁷

If circumstances warrant, the ARD may determine to provide the applicant an extension of time to respond to the letter. The extension should only be provided if the applicant submits written justification to support the need for the extension (*e.g.*, the complexity of the requested information may require substantial compilation, processing, research, or analysis). If an extension of time is granted, the FDIC should notify the applicant in writing of the new response deadline, which should generally not exceed 30 days beyond the originally provided response date.

The application should generally be considered substantially complete if the response fully addresses each matter included in the request letter. In such circumstances, an acceptance letter should be sent to the applicant, and the application should be reflected as accepted in the application tracking system as of the date the last response was received by the FDIC. As noted above, an application is substantially complete when sufficient information has been provided to fully consider the applicable statutory factors.

If the filing remains incomplete following receipt of any responses, the FDIC will, in most cases and absent extenuating circumstances, return the filing and consider the file closed. Extenuating circumstances are those beyond the applicant's control and could include, for instance, business disruptions due to inclement weather or emergency situations, or other similar challenges. Multiple requests by the FDIC for additional, clarifying, or supporting information should be avoided.

Section IV: Application Processing

Once the application is accepted as substantially complete, the case manager should carry out the following key activities. Certain activities, as indicated, are discussed in further detail in subsequent items within this section. Additional pre-opening activities that occur for approved FDI applications are discussed in [Section V of the Manual](#).

⁴⁶ Each RO must maintain a separate centralized file for all returned and withdrawn applications. The centralized file should include the memorandum that summarizes the circumstances surrounding the closure of the application file.

⁴⁷ Per [Section 303.11\(e\) of the FDIC Rules and Regulations](#), if information is not provided within the time period specified by the FDIC, the FDIC may deem the filing abandoned and shall provide written notification to the applicant and any interested parties that submitted comments to the FDIC that the file has been closed.

1. Field Investigation – Contact the field supervisor and DCP to discuss the field investigation, including plans to address any key information or issues identified during the pre-acceptance review. The discussion should also address any needs for DCP, RMS, or other specialty area assistance. The field investigation should commence as soon as practical following acceptance and should be completed within 60 days of deeming an application substantially complete. Refer to [Item A](#) below for further discussion regarding the field investigation.
2. Additional Notifications – The other relevant agencies should be notified that the application has been accepted through being copied on the acceptance letter sent to the applicant. If the application requires action at the WO level, email the appropriate WO section chief to provide notification of the acceptance date.
3. Background Investigations – Ensure that all relevant information needed to complete the background investigations is received and entered into the internal investigation system. Determine whether the results of the background investigation identify concerns regarding any proposed individuals or adverse items that should have been disclosed in the [IBFR](#). Refer to [Item B](#) below for further discussion regarding background investigations.
4. Credit Reports and Public Records – Obtain credit reports and, as appropriate, request searches of available public record databases (*e.g.*, Lexis/Nexis, Dunn & Bradstreet, *etc.*) through the FDIC Library via the internal investigation system. The case manager will be notified when the results are available. This information will be used to verify or further investigate information reported on the [IBFR](#). The case manager should provide the credit reports to the investigating examiner. General internet searches may also provide useful information regarding the proposed individuals and their affiliations.
5. Communication with the Investigating Examiner – Contact the investigating examiner to discuss the scope of the investigation and related matters. Maintain regular communication with the investigating examiner during the field investigation to remain abreast of status, timing, resource needs, significant developments or changes to the proposal (if any), and any issues or concerns requiring RO or WO attention.
6. Communication with the Other Agencies – Maintain regular communication with the other agency counterparts on matters including field investigation work, information requests (if any are outstanding), joint meetings or discussions, significant developments or changes to the proposal (if any), issues or concerns, and timing and anticipated results of agency decisions.
7. Communication with the Organizers – Maintain regular communication with the organizers and, as appropriate, their representatives, to convey status and any necessary follow-up requests, respond to questions, and discuss any issues or concerns. Any significant concerns should be discussed with RO management, and as applicable, the WO, prior to being raised with the organizers and may be communicated in a letter to the organizers by the conclusion of the field investigation. If a letter is sent, it should be signed by the appropriate RO or WO official in accordance with the delegations of authority and should provide the organizers up to 30 days following the investigation to address those matters.

8. Communication with the Washington Office – In conjunction with discussing significant matters with RO management, the case manager should also be alert to situations that should be communicated timely to WO RMS management. Communication is warranted when substantial concerns are identified that may be challenged or result in unfavorable findings relative to the statutory factors, atypical investigation processes may be required, significant legal issues exist, or review and processing are expected to be materially outside prescribed timeframes. The communication should be provided as soon as practical after a situation has been identified. For any application that requires WO action, the RO should keep the appropriate section chief apprised of the application status, any key developments, and material findings or recommendations.
9. Report of Investigation (ROI) – Review the investigating examiner’s ROI, which documents the results and findings of the field investigation, for accuracy, adherence to the ROI instructions, and consistency with FDIC policy. Determine if the field investigation identified any significant matters that could result in the FDIC not being able to favorably resolve one or more statutory factors, or not being able to satisfy any historical protection or environmental policy requirements. Coordinate any necessary edits or changes to the ROI with the investigating examiner.
10. Summary of Investigation (SOI) – Prepare the SOI using the applicable form, which is automatically created through the application tracking system. There are separate forms depending on the specific type of FDI application (*e.g.*, new institution or institution that results from converting an operating, non-insured insured entity). The SOI is the primary tool for the RO to present the facts, circumstances, and associated analysis regarding an FDI application. In addition to completing all applicable data fields, the case manager must ensure that the SOI presents a full description of the proposal (including the business plan), the analysis and conclusions regarding the statutory factors, any other significant matters (including details regarding any proposed non-standard conditions, as discussed in [Item D](#) below), and the recommended course of action. The SOI may also incorporate or summarize key information from the ROI. [Appendix 3](#) provides a Quality Control Questionnaire, which is designed to help the case manager ensure that the SOI includes all necessary information.
11. Evaluation of the Statutory Factors – Evaluate each of the statutory factors for FDI. Document the analysis and conclusions with regard to the statutory factors in the SOI. Evaluating the statutory factors is discussed in detail later in this section in [Item C](#).
12. Resolution of Matters – Ensure that any issues or concerns conveyed to the organizers are resolved within 30 days of being communicated. If significant deficiencies are identified with regard to any statutory factors, the organizers should be provided an opportunity to address these matters during this time period prior to the FDIC taking action.
13. Final Action and Related Documents – If approval is recommended, prepare the draft Order, Statement, and transmittal letter reflecting the RO’s recommended action on the FDI application. An Order and a Statement must be prepared for each approval and denial action. If denial is recommended, the draft transmittal letter should fully explain the reasons for the denial. Since denial of an FDI application is not delegated to the RO, any denial case must

be forwarded to the WO for final action. The delegations of authority are discussed in [Item E](#) below and describe when RO or WO action is required.

If WO action is required, the RO should forward the signed SOI and other applicable documents (the ROI, Order, Statement, and transmittal letter) to the appropriate associate director for final review, processing, and action. The appropriate WO section chief should be copied. The SOI forwarded to the WO should be signed by the regional director or deputy regional director. The case manager should update the application tracking system to reflect that the application was forwarded to the WO for final action. The WO will coordinate with the RO and WO Legal during the final review and processing, inform the RO of the application's disposition, issue the final approval documents to the applicant, and provide copies of all final documents to the RO for inclusion in the automated document distribution system.

14. Documentation of Returned and Withdrawn Applications – Similar to the procedures for returned applications, document any withdrawals of an FDI application in a summary memorandum to the file that briefly describes the circumstances surrounding the closure of the application file and the underlying rationale. Explanatory comments are also to be posted in the application tracking system. ROs are to maintain a single, centralized file of all summary memoranda for returned and withdrawn applications. In the event the case has been forwarded to or otherwise resides in the WO, the WO will develop the summary memorandum and provide a copy to the appropriate RO for the application file or, if appropriate, maintain a copy in the centralized file of all returned and withdrawn applications handled at the WO level.
15. Update the Application Tracking System – Update the application tracking system to reflect the final disposition of the application. All applicable fields need to be populated to indicate the action taken, the action date, and other necessary information and comments. For all approvals, the case manager should list the non-standard conditions in the specified location and update the application tracking system to reflect the consummation date once it is verified.
16. Record Retention – Upon final disposition of the application, ensure that the relevant documents are retained in the automated document distribution system in accordance with the FDIC's recordkeeping and record retention requirements.⁴⁸ This includes the ROI, SOI, and other final case documents. The field examiner will be responsible for scanning the investigation workpapers (*e.g.*, interview notes, meeting summaries/agendas, industry data, analytical information, *etc.*) into the document distribution system and will coordinate with the case manager to ensure that duplicate files, such as those related to business plan content or other application materials, are not retained. The description for each document stored in the document distribution system should be clear and should include the application tracking number for the application.

⁴⁸ Per the FDIC's record retention requirements, records regarding approved and denied applications are to be retained for a period of 30 years. Records regarding returned and withdrawn applications are to be retained for a period of 10 years.

A. Field Investigation

The field investigation is an integral part of the FDI application process. Field investigations are generally conducted for all FDI applications except those involving an interim institution, an FSA proposing to convert into more than one insured institution, a state-chartered bank proposing to continue its insured status upon withdrawal from the FRS, or an application subject to expedited processing. Waivers of the field investigation for any other type of FDI application should be rare. The case manager or RO management should consult with the appropriate WO section chief in any other situation where a waiver is being considered.

The information obtained through discussions with the proposed institution's executive management and directors during an investigation, and the analysis conducted by the investigating examiner (as documented in the ROI), provide essential information that will support the conclusions regarding the FDI application. The field investigation should commence shortly following acceptance of the application given the target 60-day investigation completion goal.

Once the application is accepted for processing, the case manager should contact the field supervisor to discuss focal areas of the investigation and anticipated staffing needs, including any necessary specialty area assistance. The case manager should also contact DCP to discuss any needed staffing resources with regard to compliance or CRA. An on-site compliance review will normally be required as part of the field investigation for an operating non-insured institution where the FDIC will be the PFR.

Before the investigation commences, the case manager should contact the investigating examiner to discuss the investigation scope, the proposed institution's business model, primary observations noted during the initial review of the application, and elements of the proposal requiring particular attention or specialty area review. The discussion should also include any specific issues that should be addressed during the individual (organizer, director, and officer) and community interviews. Individual interviews are required in all investigations. The case manager should advise the investigating examiner on the extent to which community interviews will be required. The number of interviews conducted will vary depending on the nature and complexity of the FDI application, the characteristics of the target market, and whether additional insights are needed regarding the impact of the proposal on the community.

The case manager and the investigating examiner should coordinate the field investigation with the other relevant agencies, including the chartering authority and, as applicable, the local FRB. While each agency will develop its own conclusions and produce an independent field investigation report, the investigation may be conducted jointly or concurrently with the chartering agency to avoid duplication and alleviate regulatory burden on the applicant. The case manager may also participate in discussions with the other agency counterparts to assist in addressing any issues or concerns that arise during the investigation.

The case manager should regularly interact with the investigating examiner during the investigation to receive updates, provide consultation on complex or technical matters, help resolve any issues, and communicate any significant items to RO management or the WO. The

case manager and the investigating examiner should communicate any significant identified concerns regarding the application to the organizers by the completion of the field investigation.

B. Background Investigations

Background investigations are conducted following the acceptance of an application, are coordinated through the WO, and include Federal Bureau of Investigation (FBI) fingerprint identification checks,⁴⁹ FBI and Immigration and Customs Enforcement name (ICE) checks, and other formal informational searches by the appropriate federal agencies. It is RMS policy that background investigations will be conducted on all proposed organizers, directors, senior executive officers, and 10-percent-or-more shareholders. The background investigation results, as well as the case manager's review of the [IBFRs](#) and other pertinent information, provide essential information for assessing management's character and fitness.

Each applicable regulator, including the FDIC, the chartering authority, and the FRB (if PFR or if the proposal involves a holding company) conducts its own independent background investigations. The FDIC's background investigation reports are only for the FDIC's use and may not be disclosed to outside parties, including other regulatory agencies.

The case manager must ensure that all required documentation needed to complete the background investigations is received from the applicant and forwarded to the WO. The case manager should initiate the investigation in the internal investigation system. The WO will submit the background investigation requests to the relevant agencies and authorities (*e.g.*, FBI and ICE). The case manager will be notified when the results are available in the internal investigation system for review.

Because background investigations may take an extended period of time, the FDIC may act on an application before all results are received. In such cases, a non-standard condition must be imposed that requires the institution to remove any director, senior executive officer, or 10-percent-or-more-shareholder if the FDIC objects to any such person based on information obtained during the background investigation. The case manager is expected to notify RO management and RO Legal, and as appropriate, the WO of any adverse finding that will necessitate the removal of an individual. Refer to the [Applications Procedures Manual](#) for further information regarding background investigations.

C. Evaluation of the Statutory Factors

In general, staff may approve an FDI application if each of the statutory factors plus the considerations required by the [NHPA](#) and the [NEPA](#) are resolved favorably. The applicant should be given an opportunity to withdraw the application if these factors and considerations cannot be favorably resolved. If the applicant does not withdraw the application or make acceptable modifications, the application will be recommended for denial.

The case manager should refer to the [SOP-ADI](#) for additional information with regard to each

⁴⁹ As announced in [FIL-21-2018](#), the FDIC implemented electronic fingerprinting to facilitate background checks performed in connection with applications.

statutory factor. Certain information and analyses may impact multiple factors. Any element of the proposal that poses risk but has not been associated with another statutory factor should be assessed under risk to the DIF. Further, concerns identified with respect to the other statutory factors may also be incorporated into the assessment of risk to the DIF.

Based on the review of the application and the results of the field investigation, the case manager needs to make a determination as to whether each statutory factor is found to be favorable; favorable, subject to conditions; or unfavorable. In order to favorably resolve a statutory factor, the analysis should lead to a clear and well-supported conclusion that no material concerns exist with regard to the factor.

“Favorable, subject to conditions” may be used in situations where the institution can be reasonably expected to address a pending issue in a timely manner in the normal course of business. In such situations, the matter in question would generally not be a material component of the proposal and would not adversely impact the institution’s overall risk profile.

The imposition of non-standard conditions cannot be used as a means to favorably resolve any statutory factors that otherwise present material concerns. For example, “favorable, subject to conditions” would not be an appropriate conclusion if the situation involves weak or questionable earnings projections; an unacceptable or opaque control structure; insufficient capital levels; weak or marginal management or director candidates; apparent violations of a statute or regulation; or a higher risk business model without compensating factors, such as a strong risk management program. In such situations, the finding would be “unfavorable.”

Conversely, “favorable, subject to conditions,” may be an appropriate conclusion with respect to the management factor if the institution is proposing to offer trust services as part of its diversified strategies, but has not yet selected a senior trust officer. In this case, assuming the finding regarding management is otherwise satisfactory, it may be appropriate to impose a condition that the institution must appoint an acceptable senior trust officer prior to initiating any trust services.

D. Approval Conditions

The FDIC imposes certain conditions on all institutions that are granted deposit insurance. These conditions include minimum initial and ongoing capital for the three-year *de novo* period, requirements related to ownership and management, fidelity bond insurance coverage and financial statement audit requirements, among other conditions.

The FDIC’s standard conditions are drawn from [Section 303.2\(dd\) \(Subpart A\) of the FDIC Rules and Regulations](#), the [footnotes to Subpart B of the Delegations of Authority: Applications & Filings](#); and [Board Resolution 071098](#) (dated December 3, 2002, regarding Delegations of Authority). Standard conditions are conditions that the FDIC may impose unilaterally without seeking the applicant’s written agreement.

The FDIC may also impose non-standard conditions on a case-by-case basis. Typically, non-standard conditions are used when the FDIC determines that additional controls are appropriate or necessary to mitigate risks unique to the proposal. Non-standard conditions may

also be needed to ensure that actions or activities in process at the time of approval are completed before deposit insurance becomes effective. The case manager should consider whether any non-standard conditions are appropriate and seek the applicant's written agreement to any proposed non-standard conditions before the FDIC approves an FDI application.

The most common non-standard conditions address business plan changes, employment agreements and stock options plans, bank policies, and additional directors or officers.⁵⁰ Non-standard conditions may also address corporate relationships, management authority and independence, and other areas as appropriate.⁵¹ Most non-standard conditions do not exceed the three-year *de novo* period. However, certain conditions may be imposed for any length of time deemed necessary to mitigate risk. Any contemplated non-standard conditions should be discussed with RO management and, as circumstances dictate, with RO Legal and the WO.

All applicable standard and non-standard conditions need to be included in the Order granting FDI. The Order should be issued with a formal Statement indicating the basis for approval. The Order and Statement will be publicly available on the FDIC's website. [Appendix 4](#) lists (in abbreviated form) the conditions that are frequently imposed in an Order. The FDIC may impose fewer conditions, additional conditions, or variations of the conditions listed in these appendices, depending on the facts and circumstances of a given proposal.

The SOI should describe the rationale for imposing any non-standard condition(s). Further, the applicant's written agreement to the non-standard conditions should be maintained in the automated document distribution system. If non-standard conditions are warranted and not agreed to by the applicant, the application must be forwarded to the WO for final disposition by the FDIC Board of Directors.

FDIC Use of Written Agreements

Depending on the nature and complexity of the application, the FDIC may impose non-standard conditions that require the institution or other applicable parties (such as certain affiliates or investors) to enter into a written agreement. Written agreements provide a supplemental tool that may address specific risks or supervisory matters with regard to an institution. These may include parent company agreements, capital and liquidity maintenance agreements, operating agreements, and passivity agreements. The case manager should consider whether the organizational structure, parental or affiliate relationships, nature or complexity of the business model, or circumstances involving certain investors warrant the use of one or more written agreements. The authority to enforce any written agreement is vested in the PFR.

⁵⁰ If the FDIC acts on an application where the full executive officer team has not yet been identified, non-standard conditions may be imposed that require FDIC non-objection to any proposed executive officer candidate(s). The conditions may also require the submission of background information, proposed employment agreements and compensation arrangements, and any other relevant items.

⁵¹ If the FDIC acts on an application where the specific location of the main office has not yet been identified, non-standard conditions may be imposed that require FDIC non-objection to the proposed location, chartering authority approval, satisfactory resolution of any outstanding historical preservation and environmental matters, and appropriate plans to reasonably inform the public.

If a written agreement is contemplated, the case manager should discuss the matter with RO management and RO Legal, and as appropriate, consult with the WO. Refer to the [Applications Procedures Manual](#) and the Supplement for additional information regarding written agreements.

E. Delegations of Authority

The FDIC's delegations of authority for FDI applications and other filings are included in a [Matrix](#) on the FDIC's public website and in [Board Resolution 071098](#), dated December 3, 2002. In addition, on September 11, 2007, the FDIC Board of Directors retained the right to act on certain ILC filings including, but not limited to, FDI applications and business plan change requests. The Board also reserved to itself consideration of all "major matters," that is any matter that would establish or change existing FDIC policy, could attract unusual attention or publicity, or would involve an issue of first impression. In addition, delegated authority will not be retained at the RMS division level unless all statutory factors are favorably resolved and any concerns with respect to the [NHPA](#) or [NEPA](#) are adequately addressed.

Generally, applications involving proposed traditional community banks will be acted on at the regional level. In the case of an FDI application for which delegated authority resides at the RO level, the regional director or deputy regional director will be the approving official. Further, the regional director or deputy regional director must sign all recommendations forwarded to the WO for action. ROs must forward all FDI applications for which authority has not been delegated to the RO to the WO for final action.

Authority to act has not been delegated to the RO for the following types of filings:

- FDI applications for de novo institutions owned by a company that is not a bank holding company under the [BHCA](#) or a savings and loan holding company under the Home Owners' Loan Act ([HOLA](#)) (e.g., ILCs, institutions organized under the [CEBA](#), and unitary thrifts);
- FDI applications for certain special purpose banks and non-banks, including non-community banks, money desk operations with no teller windows, internet-based institutions, bankers' banks, and monoline, boutique, or niche institutions that focus on particular market segments (e.g., sub-prime lending, limited purpose product lines, select customer bases, *etc.*); and
- FDI applications involving proposed institutions that will be part of PBOs or that will have foreign ownership of 25 percent or more of the initial capital, provided that the institution will not be part of a foreign banking organization (FBO).⁵²

Delegations with respect to other FDI applications may be restricted due to the circumstances presented, including any application that presents major matters. For cases requiring final action at the WO, the RO must email a brief summary of the proposal to the appropriate associate director within 10 days following receipt of the application; and upon completion of the RO's evaluation of the application, forward the signed SOI and other pertinent case documents to the appropriate associate director.

⁵² The term FBO refers to a foreign bank that conducts operations in the U.S. FBOs generally have a longstanding presence in the U.S., and their activities may consist of branches, agencies, foreign-owned U.S. bank subsidiaries, and representative offices.

F. Availability of Informal Review Process

As appropriate, the case manager should advise applicants of the FDIC's informal review process. If an applicant has concerns regarding the FDIC's review of its application, including concerns with respect to processing timeframes or other pre-decisional matters, the applicant may request a review by the RMS division director similar to the informal review process discussed in [FIL-51-2016, *Reminder on FDIC Examination Findings*](#). The informal review process is available solely for pre-decisional processing matters. Applicants may not use this process to request a review of the FDIC's analysis or preliminary findings with regard to any statutory factor or the application as a whole; determinations involving conditions to be imposed in connection with approving the application; or situations where the FDIC has offered the applicant an opportunity to withdraw the filing.

Section V: Pre-Opening Activities

The case manager is expected to maintain regular contact with the organizers during the pre-opening process to help ensure that the proposed institution is prepared to begin operations in a seamless manner. During this time frame, the organizers should direct appropriate attention to the following areas, among others:

- Finalizing policies and procedures for all key business areas (*e.g.*, loans, investments, liquidity, interest rate risk, BSA/AML, compliance, IT, code of ethics, *etc.*);
- Developing documents for delivering loan, deposit, and other banking products or services;
- Hiring and training staff;
- Formalizing all service/vendor relationships;
- Ensuring all physical office space is ready for occupancy;
- Ensuring IT systems will operate as planned;
- Developing strategies to remain aware of physical and cybersecurity threats; and
- Instituting appropriate security procedures and meeting with local law enforcement.

In addition to discussing progress and responding to any questions regarding these matters, the case manager should ensure that the pre-opening activities described below are completed.

A. Pre-Opening Conditions

The case manager should verify that all pre-opening conditions included in the FDI Order are met prior to FDI becoming effective and the institution opening for business. Certain conditions may require that the organizers submit materials to the FDIC demonstrating compliance, while others may need to be verified through additional communication or correspondence with the organizers. To the extent possible, the case manager should verify compliance with pre-opening conditions via off-site activities.

The case manager generally needs to obtain the following documentation from the organizers to facilitate the verification process:

- A Certificate of Board Resolution indicating that the proposed institution's board has adopted the conditions of the FDI Order and that all applicable pre-opening conditions have been met;

- Evidence that the minimum required capital has been raised and is in escrow;
- A final shareholder list with each shareholder's name, domicile, type and number of shares purchased, and dollar amount invested;
- Copies of any final contracts, leases, or other agreements related to the construction or rental of permanent quarters;
- A copy of the binder for fidelity insurance;
- Final details regarding any insider transactions or stock financing arrangements; and
- Any other pertinent documentation to verify compliance with pre-opening conditions.

The chartering authority or the FRB may conduct a pre-opening examination to confirm that the proposed institution is ready to commence operations. The case manager should confirm with the chartering authority that the proposed institution has been, or will be, granted a charter to conduct its proposed business as a depository institution. In addition, if the institution will be owned by a holding company, the case manager should confirm that the FRB has approved, or intends to approve, the holding company's acquisition of voting stock control of the proposed institution prior to its opening for business.

All documentation related to the verification of pre-opening conditions should be maintained in the automated document distribution system.

B. Pre-Opening Meeting

After compliance with the pre-opening conditions has been verified and an opening date has been set, the case manager and the field supervisor are expected to meet with the proposed institution's board. The purpose of the meeting is to discuss the board's ongoing obligations with respect to the continuing conditions of the FDI Order and, if the institution is a state nonmember institution, familiarize the board with the FDIC's supervisory strategy during the *de novo* period. Refer to [Section VI of the Manual](#) for additional details regarding the supervisory strategy.

At the meeting, FDIC staff should emphasize the need for institution management to provide prior notice⁵³ to the regional director or the PFR, if not the FDIC, for any proposed material deviation or material change from the institution's business plan, and the need for the board to monitor the institution's performance to identify any early signs that correction is needed. FDIC staff should refer the board to the [Applications Procedures Manual](#) for additional information.

When possible, the pre-opening meeting should be conducted jointly with the other applicable agencies including the state authority and/or the PFR, if the institution is not a state nonmember institution. If the institution will be the subsidiary of a holding company, appropriate FRB representatives should also be invited. Following the meeting, the case manager should prepare a memorandum to the file that lists the meeting attendees and summarizes the discussion. This meeting may be held within 30 days after opening if sufficient time is not available pre-opening.

⁵³ The FDIC may require the applicant to seek prior approval of a business plan change in cases involving higher complexity or elevated risk.

C. Executive Secretary Section Notification

Following verification of the pre-opening conditions (including confirmation of approval from the chartering authority), the case manager needs to email the following information to the Executive Secretary Section (ESS), using the address for “new banks” in the FDIC’s internal email system:

- Name of the institution’s president/CEO;
- Exact name of the institution;
- Institution’s physical address, including zip code;
- Date the institution will open for business;
- Institution’s fax number, phone number, and email address;
- Case manager’s name and phone number (if different from the sender);
- Institution’s FDIC Certificate number;
- Institution’s class; and
- RMS field office.

The email should be sent to the ESS as soon as practical, but no later than two business days before the institution plans to open for business. The ESS will prepare the institution’s deposit insurance certificate (which will indicate the effective date of FDI coverage) and forward it to the institution along with membership materials to be displayed at teller windows.

Section VI: Post-Opening Considerations

As noted previously, the case manager will be the FDIC’s primary supervisory contact for an insured institution once it opens for business. The below items summarize professional staff’s key responsibilities during the *de novo* period for a newly insured institution.

A. Supervisory Strategy

The case manager, in coordination with other appropriate staff, must develop an annual supervisory strategy for each assigned *de novo* institution. The supervisory strategy must be approved by the regional director and should be consistent with the institution’s size, complexity, and risk profile. In addition, the approved supervisory strategy and any related documentation should be included in the automated document distribution system. The supervisory strategy for a state nonmember institution should address (at a minimum) the following items:

- Assessing compliance with the ongoing conditions of the FDI Order;
- Reviewing adherence to the FDIC-approved business plan;
- Evaluating the institution’s primary risk areas;
- Monitoring growth in total assets, loans, deposits, and funding;
- Monitoring concentrations in higher-risk areas;
- Assessing the adequacy of risk management practices (including oversight of vendor relationships) in light of the institution’s strategies and risk profile;
- Coordinating supervisory activities with DCP, other relevant specialty areas, and other applicable agencies; and

- Conducting quarterly supervisory monitoring activities, including on- and off-site activities, as appropriate.

If the FDIC is not the PFR, the supervisory strategy may be more limited in scope with an emphasis on quarterly off-site monitoring activities and communication with the case manager's counterpart at the PFR to remain informed of any significant developments.

B. On-Site Visitations and Examinations

On-site visitations and examinations should occur at appropriate intervals in accordance with the policies of the PFR. Risk management examination schedules and institution monitoring for state nonmember institutions will generally be governed by the requirements detailed in [Part 337.12 of the FDIC Rules and Regulations](#).

Newly insured state nonmember institutions will typically undergo a visitation within six months of opening for business and a full-scope examination annually for the first three years of operation.⁵⁴ The supervisory strategy for a state nonmember institution may incorporate more frequent visitation or call programs to monitor business plan implementation or specific areas of concern. If a state nonmember institution is a subsidiary of a multi-bank holding company that is in satisfactory condition, normal examination cycles are to be followed at the regional director's discretion.

C. Off-site Monitoring Activities

The case manager is expected to conduct quarterly off-site monitoring activities for each assigned *de novo* institution. At a minimum, off-site activities should include quarterly off-site analysis of Call Report and Uniform Bank Performance Report financial information, and a comparison to business plan projections. As part of the supervisory strategy for a state nonmember institution, the case manager should periodically (at least quarterly) contact institution management to discuss financial and operating performance, progress in meeting business plan projections, and any other relevant items. In cases where the FDIC is not PFR, the case manager should contact the applicable other agency counterpart each quarter to discuss the institution's performance and any noteworthy developments. Documentation of off-site activities should be maintained in the automated document distribution system.

D. Business Plan Change Requests

Business plan change requests are expected to be rare for a newly insured institution, as the approval of FDI is based on the business plan submitted and reviewed during the application process. Per a condition in the FDI Order, all new institutions are required to provide prior

⁵⁴ In addition, newly insured institutions will normally undergo a consumer compliance visitation within the first 12 months and full-scope compliance and CRA examinations within the first 24 months of operation. Thereafter, the institution will be subject to the standard examination frequency schedule for compliance and CRA with intervals based on ratings and asset size (refer to the [FDIC Compliance Examination Manual](#) for the frequency schedule for state nonmember banks).

notice to its PFR for any proposed major deviation or material change from the business plan during the first three years of operation.

Major deviations or material changes from a business plan could involve adjustments to the target geographic market, additional branching or expansion plans, new products or services, new activities or third-party relationships, growth that significantly exceeds or falls short of projections, or other unexpected outcomes that could influence the institution's risk profile. The case manager should promptly communicate with institution management regarding issues involving business plan adherence.

Although the overall processing time for business plan changes may vary depending on the nature and extent of the proposed changes, the FDIC should generally act on business plan change requests within 30 days of receiving a substantially complete request. Refer to the [Applications Procedures Manual](#) for additional information regarding business plan changes.

E. Other Filings

The institution may submit applications, notices, or other filings to the applicable agencies during the *de novo* period. For any such filings, whether submitted directly to the FDIC or provided to the FDIC for informational purposes, the case manager should consider whether the contemplated activities or transactions are consistent with the approved business plan. If inconsistencies are noted, the institution may need to provide notice of a business plan change. All filings that require FDIC action must be processed in accordance with applicable laws, regulations, policies, guidance, and the FDIC's delegations of authority.

Resources

Agency Contact Information and Websites

<u>Resource</u>	<u>Website</u>
Bureau of Consumer Financial Protection	http://www.consumerfinance.gov
Conference of State Bank Supervisors (Directory)	https://www.csbs.org/state-bank-agency-contact-quick-access
Federal Deposit Insurance Corporation (FDIC)	https://www.fdic.gov
FDIC Public Website Dedicated to Applications for Deposit Insurance	https://www.fdic.gov/regulations/applications/depositinsurance/
FDIC Office Directory and Contacts	http://www.fdic.gov/about/contact/directory/
Federal Reserve Board of Governors	http://www.federalreserve.gov
National Credit Union Administration	https://www.ncua.gov/Pages/default.aspx
Office of the Comptroller of the Currency	http://www.occ.gov

Application Form and Related Documents⁵⁵

<u>Resource</u>	<u>Website</u>
Interagency Charter and Federal Deposit Insurance Application	https://www.fdic.gov/formsdocuments/f6200-05.pdf
Interagency Biographical and Financial Report	https://www.fdic.gov/formsdocuments/bio-finreport.doc

Laws and Regulations

<u>Resource</u>	<u>Website</u>
Section 3 of the FDI Act	https://www.fdic.gov/regulations/laws/rules/1000-400.html
Section 4 of the FDI Act	https://www.fdic.gov/regulations/laws/rules/1000-500.html
Section 5 of the FDI Act	https://www.fdic.gov/regulations/laws/rules/1000-600.html
Section 6 of the FDI Act	https://www.fdic.gov/regulations/laws/rules/1000-700.html
Section 19 of the FDI Act	https://www.fdic.gov/regulations/laws/rules/1000-2100.html
Part 303 of the FDIC Rules and Regulations	https://www.fdic.gov/regulations/laws/rules/2000-200.html
Part 337 of the FDIC Rules and Regulations	https://www.fdic.gov/regulations/laws/rules/2000-5900.html
Part 345 of the FDIC Rules and Regulations	https://www.fdic.gov/regulations/laws/rules/2000-6500.html
Part 347 of the FDIC Rules and Regulations	https://www.fdic.gov/regulations/laws/rules/2000-6800.html
Part 359 of the FDIC Rules and Regulations	https://www.fdic.gov/regulations/laws/rules/2000-7700.html
Part 364 of the FDIC Rules and Regulations	https://www.fdic.gov/regulations/laws/rules/2000-8600.html
Bank Holding Company Act	https://www.fdic.gov/regulations/laws/rules/7500-2100.html
Community Reinvestment Act	https://www.fdic.gov/regulations/laws/rules/6000-1500.html
Federal Reserve Act Sections 23A and B	https://www.fdic.gov/regulations/laws/rules/7500-200.html
Home Owners' Loan Act Section 5	https://www.fdic.gov/regulations/laws/rules/8000-4300.html
Home Owners' Loan Act Section 10	https://www.fdic.gov/regulations/laws/rules/8000-4360.html
Competitive Equality Banking Act	https://www.govinfo.gov/content/pkg/Stature-101/pdf/Statute-101-Pg552.pdf
National Historic Preservation Act (NHPA)	https://www.fdic.gov/regulations/laws/rules/8000-5100.html
National Environmental Policy Act of 1969 (NEPA)	https://www.fdic.gov/regulations/laws/rules/8000-5000.html

⁵⁵ Application and IBFR forms are also available in Word format at [FDIC: Forms](#)

Supervisory Guidance

<u>Resource</u>	<u>Website</u>
Applications Procedures Manual	https://www.fdic.gov/regulations/applications/resources/apps-proc-manual/index.html
FDIC Statement of Policy on Applications for Deposit Insurance (SOP-ADI)	https://www.fdic.gov/regulations/laws/rules/5000-3000.html
FDIC Statement of Policy on Qualifications for Failed Bank Acquisitions (SOP-QFBA)	https://www.fdic.gov/regulations/laws/faqfbqual.html
FIL 35-2002 (Joint Agency Statement on Parallel-Owned Banking Organizations)	https://www.fdic.gov/news/news/financial/2002/fil0235.html
FIL 44-2008 (Guidance for Managing Third-Party Risk)	https://www.fdic.gov/news/news/financial/2008/fil08044.html
FIL-47-2013 (D&O Liability Insurance Policies, Exclusions, and Indemnification for CMPs)	https://www.fdic.gov/news/news/financial/2013/fil13047.pdf
FIL-51-2016 (Reminder on FDIC Examination Findings)	https://www.fdic.gov/news/news/financial/2016/fil16051.html
FDIC Policy Statement Regarding Minority Depository Institutions	https://www.fdic.gov/regulations/resources/minority/sop5-only.PDF
FDIC Statement of Policy Regarding the NHPA	https://www.fdic.gov/regulations/laws/rules/5000-1400.html
FDIC Statement of Policy on NEPA Procedures Relating to Filings Made With the FDIC	https://www.fdic.gov/regulations/laws/rules/5000-1500.html
FDIC Statement of Policy Concerning the Responsibilities of Bank Directors and Officers	https://www.fdic.gov/regulations/laws/rules/5000-3300.html
FDIC Statement of Policy Regarding Use of Offering Circulars in Connection with Public Distribution of Bank Securities	https://www.fdic.gov/regulations/laws/rules/5000-500.html
Interagency Guidance on Sound Incentive Compensation Policies	https://www.fdic.gov/regulations/laws/rules/5000-5350.html
Interagency Statement of Policy on the Uniform Financial Institutions Rating System	https://www.fdic.gov/regulations/laws/rules/5000-900.html

Other Resources

<u>Resource</u>	<u>Website</u>
FDIC Delegations of Authority: Board Resolution	https://www.fdic.gov/regulations/laws/matrix/
FDIC Delegations of Authority Matrix	https://www.fdic.gov/regulations/laws/matrix/
FDIC's Deposit Insurance Handbook	https://www.fdic.gov/regulations/applications/handbook.pdf
FDIC FDI Applications Resources	https://www.fdic.gov/regulations/applications/index.html
FDIC Directors' Resource Center	https://www.fdic.gov/regulations/resources/director/
FDIC's Pocket Guide for Directors	https://www.fdic.gov/regulations/resources/director/pocket/index.html
FDIC FOIA Service Center	https://www.fdic.gov/about/freedom/
FDIC Risk Management Manual of Examination Policies	https://www.fdic.gov/regulations/safety/manual/
FDIC Supervisory Insights, Special Corporate Governance Edition (A Community Bank Director's Guide to Corporate Governance: 21st Century Reflections on the FDIC Pocket Guide for Directors)	https://www.fdic.gov/regulations/examinations/supervisory/insights/sise16/si-se2016.pdf
FDIC Supervisory Insights, Summer 2016 (<i>De Novo</i> Banks: Economic Trends and Supervisory Framework)	https://www.fdic.gov/regulations/examinations/supervisory/insights/sisum16/sisum16.pdf
FDIC Compliance Examination Manual	https://www.fdic.gov/regulations/compliance/manual/index.html
FDIC Trust Examination Manual	https://www.fdic.gov/regulations/examinations/trustmanual/

<u>Resource</u>	<u>Website</u>
FFIEC BSA/AML Examination Manual	https://bsaaml.ffiec.gov/examprocedures
FFIEC Cybersecurity Awareness	https://www.ffiec.gov/cybersecurity.htm
FFIEC Information Technology Examination Handbook Infobase	https://ithandbook.ffiec.gov/
Financial Services Information Sharing and Analysis Center Website	https://www.fsisac.com/
U.S. Treasury's CDFI Fund website	https://www.cdfifund.gov/Pages/default.aspx

Appendix 1: Federal Banking Agency and State Banking Authority Roles

<u>Agency</u>	<u>Primary Roles</u>
FDIC	<ul style="list-style-type: none"> • Insures the deposits of all depository institutions approved for FDI. • Together with the respective chartering state authority, supervises state-chartered institutions (banks and savings associations) that are not members of the FRS. • Maintains backup supervisory responsibility for institutions for which the FRB and the OCC are the PFRs. • Acts as receiver for all failed insured banks and savings associations, and may be appointed to resolve non-bank financial companies if their failure would have serious adverse effects on U.S. financial stability and other statutory requirements are met. • Reviews resolution plans filed by certain large banking organizations and non-bank financial companies designated by the Financial Stability Oversight Council (FSOC) for FRB supervision that describe the company’s strategy for its rapid and orderly resolution under the bankruptcy code in the event of the company’s material financial distress or failure.
FRB	<ul style="list-style-type: none"> • Serves as PFR for state-chartered banks that are members of the FRS, bank and financial holding companies (and certain subsidiaries), and savings and loan holding companies. • Supervises other firms designated as systemically significant by the FSOC, and other entities pursuant to the Dodd-Frank Act. • Reviews resolution plans filed by certain large banking organizations and non-bank financial companies designated by the FSOC for FRB supervision.
OCC	<ul style="list-style-type: none"> • Charters and serves as PFR for national banks and FSAs.
State Banking Authorities ⁵⁶	<ul style="list-style-type: none"> • Charters state banks and savings associations, regardless of whether the institution is a member of the FRS. • Together with the respective PFR, supervises state-chartered institutions and certain holding companies.

⁵⁶ Refer to the [Conference of State Bank Supervisors](#) website for a directory of banking authorities for each of the 50 states, the District of Columbia, and the U.S. territories. Also, refer to the [National Credit Union Administration](#) (NCUA) website for information regarding the supervision, chartering, and insurance of credit unions. The NCUA is an independent federal agency responsible for regulating and supervising federal credit unions. The NCUA insures deposits in federal and most state-chartered credit unions across the U.S.

Appendix 2: Additional Considerations Regarding Stock Benefit Plans

- In general, stock benefit plans should encourage the continued involvement of the participants and serve as an incentive for the successful operation of the institution.
- Stock benefit plans should not encourage speculative or high risk activities, or serve as an obstacle to or otherwise impede the sale of additional stock to the general public.
- While each proposed stock benefit plan will be evaluated on a case-by-case basis, the following summarizes a framework for stock benefits that the FDIC considers to be consistent with [Appendix A to Part 364](#).

Framework for Recipients Based on Role in an Institution’s Organization or Operation

<i>Role</i>	<i>Benefits</i>
Incorporator – no other role	<ul style="list-style-type: none"> • Incorporators not continuing as directors or officers should not receive stock benefits based only on “incorporator” status.
Incorporator – that is also a proposed director or senior executive officer	<ul style="list-style-type: none"> • Maximum of one option or warrant for each share subscribed in the initial offering; subject to vesting requirements. • On a case-by-case basis, additional stock benefits may be granted to an incorporator who will also be a senior executive officer, based on the individual’s demonstrated financial commitment, time, and expertise. • In certain cases, additional stock benefits may be allowed for other roles, such as when the individual is also a provider of organizational funds or professional services, as described below.
Provider of organizational funds (seed money)	<ul style="list-style-type: none"> • Maximum of one option or warrant for each share received in repayment of the seed money invested. Stock benefits should only be granted if seed money is repaid in the form of stock; amounts repaid in cash should not receive stock benefits.
Provider of professional or other services	<ul style="list-style-type: none"> • Maximum of one option or warrant for each share received in lieu of cash payment for the market value of professional or other services rendered. Stock benefits may only be granted if fees for services are being paid in the form of stock; amounts paid in cash should not receive stock benefits.
Asset (non-cash) contributor	<ul style="list-style-type: none"> • Capital is expected to take the form of cash; the valuation of any assets proposed to be contributed should be supported by one or more independent appraisal(s). • Maximum of one option or warrant for each share received in exchange for the assets contributed. • Stock benefits should be granted only if payment for the assets to be contributed is in the form of stock; amounts paid in cash should not receive stock benefits.
Loan guarantor	<ul style="list-style-type: none"> • Stock benefits granted to each individual guaranteeing a loan should be offered pro rata based on the amount drawn. • The market value of the stock benefit should not exceed the lower of the amount drawn on the loan or the amount of the guarantee.
Investor in initial capital raise	<ul style="list-style-type: none"> • Any stock benefits granted to investors in the initial capital raise should be offered proportionately to all investors, and should not exceed one option or warrant per each share subscribed in the initial offering.

Post-Opening Stock Benefit Plans

<i>Role</i>	<i>Benefits</i>
Director, officer, or employee	<ul style="list-style-type: none"> • Stock benefits that are part of a comprehensive plan to reward future performance will be reviewed as part of each individual’s total compensation.

Appendix 3: SOI Quality Control Questionnaire for FDI Applications

1. Does the Proposed Transaction section of the SOI:

Critical Items	Y, N, or NA
• Describe the FDI proposal in sufficient detail?	
• Describe the anticipated business model, including the primary products and services, funding sources, and operational focus?	
• Note any concerns about whether the proposal presents “major matters,” such as significant policy or legal issues, the potential to attract unusual attention or publicity, or is a matter of first impression?	
• Summarize any related applications that have been or are anticipated to be submitted (e.g., companion filings to the FDIC and/or other agencies)?	
• Provide details regarding other material contextual information (e.g., pertinent ownership, affiliate, or insider issues)?	

2. Does the Statutory Factors section of the SOI:

Critical Items	Y, N, or NA
• Address each statutory factor under a separate heading?	
• Include a level of information and analysis for each statutory factor that is commensurate with the complexity and inherent risks of the proposal?	
• Discuss any unfavorable information or other material issues (including enforcement actions) regarding compliance, CRA, IT, BSA/AML, other specialty areas, or the parent organization (including any affiliates)?	
• Provide specific mitigating information (if any exists) for any negative information identified with regard to any statutory factor?	
• Clearly indicate whether each statutory factor was favorably resolved, favorably resolved subject to conditions, or unfavorably resolved?	

3. Does the Other Significant Matters section of the SOI:

Critical Items	Y, N, or NA
• Discuss any noteworthy regulatory, policy, or legal issues that are not addressed elsewhere in the SOI?	
• Discuss any regulatory or policy issues that must be addressed per outstanding policy (such as the presence of a dominant management influence, including any mitigating factors)?	
• If not addressed elsewhere and applicable, discuss the institution’s anticipated compliance and CRA programs, and DCP’s opinion of filing (including the source and date of the opinion)?	
• If not addressed elsewhere and applicable, discuss the institution’s plans with regard to IT, including cybersecurity?	
• Describe any consultations with the WO, Legal, or any specialty areas?	
• List any recommended non-standard conditions, describe the rationale for the conditions, and identify the individual that agreed to the conditions and the date of agreement?	
• If any actions by other regulatory agencies are subject to conditions, summarize the conditions?	

Critical Items	Y, N, or NA
<ul style="list-style-type: none"> Discuss the attitude of the other regulators, and include dates of any correspondence documenting other regulatory actions on the filing and any related filings? 	
<ul style="list-style-type: none"> Include a statement as to who has delegated authority to act on the filing? If the regional director does not have delegated authority, include a statement as to why he/she does not have delegated authority? 	
<ul style="list-style-type: none"> For filings forwarded to WO for action, include the name, title, and complete address of the designated point of contact for the applicant? 	

4. Does the Conclusion and Recommendation section of the SOI:

Critical Items	Y, N, or NA
<ul style="list-style-type: none"> Include a brief statement regarding the RO's recommended course of action with regard to the filing? 	
<ul style="list-style-type: none"> Provide an executive summary supporting the recommendation? 	
<ul style="list-style-type: none"> Describe any information (if applicable) that mitigates any identified areas of concern? 	
<ul style="list-style-type: none"> Is there a signature block, immediately below the Conclusion and Recommendation section, for the approving individual? The signature block should include the individual's name and title, and the date of the action. 	

Appendix 4: Frequently Imposed Conditions

- 1) The applicant will provide a specific amount of initial paid-in capital.
- 2) The tier 1 capital-to-assets leverage ratio (as defined in the appropriate capital regulation and guidance of the institution's PFR) will be maintained at not less than 8 percent throughout the first three years of operation and an adequate allowance for loan and lease losses will be provided.
- 3) Any changes in proposed management or proposed ownership to the extent of 10 percent or more of stock, including new acquisitions of or subscriptions to 10 percent or more of stock, shall be approved by the FDIC prior to the institution opening for business.
- 4) The applicant will adopt an accrual accounting system for maintaining the books of the institution.
- 5) Where applicable, deposit insurance will not become effective until the applicant has been granted a charter as a depository institution, has authority to conduct such business, and its establishment and operation have been fully approved by the appropriate state and/or federal supervisory authority.
- 6) Where deposit insurance is granted to an interim institution formed or organized solely to facilitate a related transaction, deposit insurance will only become effective in conjunction with consummation of the related transaction.
- 7) Where applicable, a registered or proposed bank holding company has obtained approval of the Board of Governors of the FRS to acquire voting stock control of the proposed depository institution prior to its opening for business.
- 8) Where applicable, the applicant has submitted any proposed contracts, leases, or agreements relating to construction or rental of permanent quarters to the appropriate Regional Director for review and comment.
- 9) Where applicable, full disclosure has been made to all proposed directors and stockholders of the facts concerning the interest of any insider in any transactions being effected or then contemplated, including the identity of the parties to the transaction and the terms and costs involved.
- 10) The person(s) selected to serve as the principal operating officer(s) shall be acceptable to the appropriate Regional Director.
- 11) The applicant will have adequate fidelity coverage.
- 12) The institution will obtain an audit of its financial statements by an independent public accountant annually for at least the first three years after deposit insurance is effective and submit certain audit-related documents to the appropriate FDIC office within specified time frames.
- 13) The institution shall operate within the parameters of the business plan submitted to the FDIC. During the first three years of operation, the institution shall provide prior notice to the appropriate Regional Director or its PFR, if not the FDIC, for any proposed major deviation or material change from the submitted business plan.
- 14) The institution will develop and implement a CRA plan appropriate for its business strategy, if not previously submitted.
- 15) During the first three years of operation, the institution shall notify the appropriate Regional Director of any plans to establish an LPO at least 60 days prior to opening the facility.
- 16) In cases primarily involving special purpose *de novo* institutions, where the applicant's business plan indicates there will only be an intercompany or similar deposit, the institution shall acquire, prior to the effective date of deposit insurance, and continue to maintain the requisite deposits to be "engaged in the business of receiving deposits other than trust funds," as defined in [Section 303.14 of the FDIC Rules and Regulations](#).
- 17) If the transaction does not take effect within the specified time period, or unless a request for an extension of time has been approved, the consent granted shall expire at the end of the time period.
- 18) Until the FDIC's conditional commitment becomes effective, the FDIC retains the right to alter, suspend, or withdraw its commitment if warranted.

List of Acronyms and Abbreviations

Abbreviation	Description
ALLL	Allowance for Loan and Lease Losses
AML	Anti-Money Laundering
BHCA	Bank Holding Company Act
BSA	Bank Secrecy Act
C Corp	C Corporation
CBLR	Community Bank Leverage Ratio
CDFI	Community Development Financial Institution
CEBA	Competitive Equality Banking Act
CECL	Current Expected Credit Losses
CEO	Chief Executive Officer
CRA	Community Reinvestment Act
CRE	Commercial Real Estate
DCP	Division of Depositor and Consumer Protection
DIF	Deposit Insurance Fund
DIR	Division of Insurance and Research
ESS	Executive Secretary Section
FBA	Federal Banking Agency
FBI	Federal Bureau of Investigation
FDI	Federal Deposit Insurance
FDI Act	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FIL	Financial Institution Letter
FIRREA	Financial Institution Reform, Recovery, and Enforcement Act of 1989
FO	Field Office
FRB	Federal Reserve Board
FRS	Federal Reserve System
FSA	Federal Savings Association
FSOC	Financial Stability Oversight Council
HOLA	Home Owners' Loan Act
IAP	Institution-Affiliated Party
IBFR	Interagency Biographical and Financial Report
ICE	Immigration and Customs Enforcement
ILC	Industrial Loan Company
IT	Information Technology
LLC	Limited Liability Company
LPO	Loan Production Office
MDI	Minority Depository Institution
NCUA	National Credit Union Administration
NEPA	National Environmental Policy Act
NHPA	National Historical Preservation Act
OCC	Office of the Comptroller of the Currency
PBO	Parallel-Owned Banking Organization
PFR	Primary Federal Regulator
RMS	Division of Risk Management Supervision
RO	Regional Office
ROI	Report of Investigation

Abbreviation	Description
S Corp	S Corporation
SHPO	State Historic Preservation Officer
SOI	Summary of Investigation
SOP-ADI	FDIC Statement of Policy on Applications for Deposit Insurance
SOP-QFBA	FDIC Statement of Policy on Qualifications for Failed Bank Acquisitions
THPO	Tribal Historic Preservation Officer
UFIRS	Uniform Financial Institutions Rating System
U.S. GAAP	U.S. Generally Accepted Accounting Principles
WO	Washington Office