



## Foreign Banks

FIL- 7-96  
February 22, 1996

TO: CHIEF EXECUTIVE OFFICER  
SUBJECT: *Final Rule Concerning Domestic  
Retail Deposit Activities of Foreign Banks  
(Part 346 of the FDIC Rules and Regulations)*

The FDIC's Board of Directors on February 6, 1996, adopted a final rule amending Part 346 of the agency's regulations governing the operation of state-licensed U.S. branches of foreign banks. The amendments, which were required by Section 107 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, are intended to ensure that foreign banks do not receive an unfair competitive advantage over U.S. banks in domestic retail deposit-taking. A copy of the FDIC's final rule is attached.

Part 346 requires any state-licensed branch engaged in "domestic retail deposit activity" (defined as the acceptance of any initial deposit of less than \$100,000) to be an insured branch unless all initial deposits of less than \$100,000 are derived solely from certain specified categories of depositors or fall within a *de minimis* exemption. The amendments specify new exemptions that are similar to, but somewhat narrower than, those in effect previously. The principal difference concerns the types of businesses from which an uninsured state-licensed branch may accept initial deposits of less than \$100,000. As required by the law, the amendments also reduce the *de minimis* exemption from five percent of the average of the branch's deposits to one percent.

The final rule provides a transition period allowing uninsured state-licensed branches to conform existing deposits to the new requirements. Non-time deposits have a five-year transition period. Time deposits must be reclassified or divested on their first maturity date after the effective date of the final rule, but no sooner than 90 days after such date. Initial deposits received after the effective date of the final rule are governed by the new requirements immediately. The effective date of the final rule is April 1, 1996.

For more information, please contact Charles V. Collier, Assistant Director in the Division of Supervision (202-898-6850), or Jeffrey M. Kopchik, Counsel in the Legal Division (202-898-3872).

Nicholas J. Ketcha Jr.  
Director

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