

**FEDERAL RESERVE BANK  
OF NEW YORK**

January 7, 1992

**Joint Statement Regarding the Acquisition of Federal Deposit Insurance for  
Foreign Banks in the U.S. that Maintain Certain Types of Deposit Accounts**

*To Officers in Charge of U.S. Branches and Agencies  
of Foreign Banks in the Second Federal Reserve District:*

Printed on the reverse side is the text of a statement issued on December 19, 1991 by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency regarding the circumstances in which a foreign bank is required to obtain Federal deposit insurance for its deposit-taking activities in the United States.

Questions concerning this matter may be directed to the following:

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Additional copies of this circular will be furnished upon request directed to the Circulars Division of this Bank (Tel. No. 212-720-5215 or 5216).

E. GERALD CORRIGAN,  
*President.*

(OVER)

**STATEMENT BY  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("Act") was adopted by the Congress on November 27, 1991, and was enacted into law today. Section 214(a) of the Act places limits on the ability of foreign banks in the United States to take certain types of deposits. This statement is intended to provide guidance to foreign banks in complying with this provision pending adoption of implementing rules or clarifying interpretations.

Section 214(a) of the Act amends section 6 of the International Banking Act of 1978 ("IBA") (12 U.S.C. 3104), which deals with the circumstances in which a foreign bank is required to obtain Federal deposit insurance for its deposit-taking activities. Section 214(a) adds a new subsection (c) to section 6, entitled "Retail Deposit-Taking by Foreign Banks." The new subsection (c) provides that, after the date of enactment of subsection (c), a foreign bank may accept or maintain deposit accounts having balances of less than \$100,000 only through an insured U.S. subsidiary bank. A grandfather provision permits insured branches of foreign banks in existence on the date of enactment to continue their operations.

During Congressional consideration of the Act, new subsection (c) was described as ensuring that foreign banks that wish to accept or maintain insured deposit accounts do so only in insured subsidiary banks incorporated in the United States. Therefore, in accordance with the terms and intent of section 214(a), foreign banks may not establish new insured branches after the date of enactment.

There are, however, a number of other questions raised concerning the scope of new subsection (c), which are currently being reviewed by the Federal banking agencies. For example, questions have been raised as to the manner in which the provision affects certain types of deposits currently permissible for uninsured branches and agencies. Until the banking agencies adopt rules or interpretations to resolve these questions, the agencies will not consider a foreign bank to be in violation of section 6 of the IBA so long as it abides by the rules and regulations that have been issued thereunder.<sup>1</sup> As noted above, a foreign bank must comply with the requirement that deposits requiring insurance under sections 6(a) and (b) of the IBA and the implementing rules and regulations be accepted only in an insured subsidiary bank or in a grandfathered insured branch.

December 19, 1991

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<sup>1</sup> 12 CFR 28.8; and 12 CFR 346.6.