



March 15, 2020

Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Deposit Insurance Applications by Industrial Banks and ILCs

Dear Chairman McWilliams:

We noted with interest the announcement of the FDIC's March 17th meeting agenda item on the notice of proposed rulemaking on parent companies of industrial banks and industrial loan companies (ILCs). Given the importance of this rulemaking and the attendant need for public comment, and for the reasons set forth below:

- we think it is critical that the FDIC refrain from approving any applications submitted by industrial banks or ILCs for deposit insurance until the proposed rulemaking is finalized; and
- we call upon the FDIC to hold public hearings on each of the pending ILC deposit insurance applications.

We believe such a rulemaking is necessary to provide much-needed clarity to this thus-far opaque part of the U.S. financial system – that is, the manner in which parent companies and affiliates of ILCs are subject to any kind of federal regulatory or supervisory oversight. By contrast, the federal statutory, regulatory and supervisory framework for parent companies and affiliates of ordinary banks is fully transparent and quite clear. We congratulate you and the FDIC staff for doing this important work, and for soliciting public comment on it. It is our hope that this rulemaking will resolve some of the significant, unaddressed policy issues related to ILCs, including, among other things:

- The extent which capital & liquidity requirements will apply to the parent companies;
- Expectations for parent companies to act as a source of financial and managerial strength to the ILCs;
- Whether federal privacy and data security standards and requirements will apply to parent companies and affiliates;
- Whether the parent companies and affiliates will be subject to any limits or restrictions on their ability to engage in nonfinancial activities;

- Whether any quantitative or qualitative limits will apply to transactions between the ILCs and their parent companies and affiliates, and any attendant limits on the expansion of the federal safety to the parent companies and affiliates;
- Clarity about the degree to which the FDIC will conduct on- or off-site monitoring and supervision of the parent companies and affiliates;
- The degree of transparency and enforceability associated with the contractual operating and other agreements between the FDIC and the parent companies and affiliates, and how the enforceability compares to the statutory authority that applies to parent companies and affiliates of ordinary banks under the federal Bank Holding Company Act; and
- How the FDIC will ensure the ILCs, parent companies and affiliates comply with consumer protection and fair lending laws

Given the number and variety of significant outstanding policy issues, we believe it would be imprudent for the FDIC to approve applications from ILCs or industrial banks until the final rulemaking is promulgated.

Moreover, given the significant policy issues raised by ILC applications for deposit insurance, and the FDIC's here-to-date entirely bespoke approach to setting supervisory expectations for parent companies of ILCs, we call on the FDIC to hold public hearings on each of the pending deposit insurance applications before the FDIC takes any action to approve them.

Thank you for your consideration, and we would be pleased to discuss with you or your staff.

Respectfully submitted,

The Leadership Conference on Civil and Human Rights

Independent Community Bankers of America

National Association for the Advancement of Colored People

Center for Responsible Lending

Bank Policy Institute