

NR 2000-16
FOR IMMEDIATE RELEASE Contact: Robert M. Garsson
March 9, 2000
(202)874-5770

OCC Approves Streamlined Approach for National Banks
To Engage in New Activities through Financial Subsidiaries

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency will publish in tomorrow's Federal Register the final rule implementing the financial subsidiary provisions of the Gramm-Leach-Bliley Act (GLBA).

"The rule implements the structural opportunities presented to national banks under GLBA by providing a streamlined approval process for national banks that undertake new activities in a financial subsidiary," said Comptroller of the Currency John D. Hawke, Jr.

"As promised, we have ensured that the final rule is in place as the new law becomes effective. OCC has already received a number of notices from national banks interested in using the financial subsidiary alternative," the Comptroller added. The effective date of the financial subsidiary provisions of the GLBA is March 11, 2000.

Under the Gramm-Leach-Bliley Act, national banks are permitted to own a new type of entity -- a financial subsidiary -- that may engage in a variety of expanded financial activities, including securities underwriting, that are not permissible for the parent bank.

The OCC's final rule establishes an expedited filing process for national banks that seek to acquire, or engage in expanded activities through, a financial subsidiary. The rule would give national banks two options.

Under the first option, a national bank could certify in advance that both it and its depository institution affiliates are well capitalized and managed. Thereafter, the bank would file a notice with the OCC when it acquires a financial subsidiary, or begins a type of expanded financial activity permitted in a financial subsidiary. The notice would describe the activities of the financial subsidiary, assert that the bank's certification remains valid and that the conditions set forth in the Gramm-Leach-Bliley Act for a financial subsidiary are met.

The second option would permit national banks to file a combined certification and notice for a financial subsidiary, at least five days prior to acquiring a financial subsidiary or beginning an expanded financial activity in a financial subsidiary. The information required would be the same as under the first option.

In addition to financial subsidiaries, national banks will continue to have the option of using operating subsidiaries to conduct bank-permissible activities.

The rule also streamlines processes for national banks to establish operating subsidiaries by significantly expanding the list of activities eligible to be conducted pursuant to a simple notice filing. The expanded list includes activities that the OCC has in recent years routinely found to be part of, or incidental to, the business of banking. This new streamlined process is available for well-capitalized, well-managed national banks.

Finally, the new rule establishes a new streamlined process for national banks to make certain non-controlling investments, directly or through an operating subsidiary, in enterprises engaged in the types of activities eligible for the new streamlined operating subsidiary notice process. The term "enterprise" includes any corporation, limited liability company, partnership, trust, or similar business entity.

The OCC published in the Federal Register the proposed rule on January 20, 2000 and requested comments. The final rule reflects the OCC review and consideration of the comments received.

The OCC charters, regulates and examines approximately 2,400 national banks and 59 federal branches and agencies of foreign banks in the United States, accounting for 59 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.