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OCC Announces Final International Banking Rule;
Provisions Are Clarified, Streamlined and Updated

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency (OCC) sent its final rule governing both the international operations of U.S. national banks and the operations of federal branches and agencies of foreign banks in the United States to the Federal Register today. The rule will take effect on July 1, 1996.

The rule clarifies and streamlines provisions in the OCC's international banking regulations (parts 20 and 28) and consolidates them into one new part 28. These changes were made as part of the OCC's Regulation Review Program, which seeks to simplify OCC regulations and reduce unnecessary compliance costs, consistent with maintaining safety and soundness.

The rule streamlines and clarifies the standards and procedures for a number of transactions for federal branches and agencies, and national banks' international operations, such as opening, closing or relocating branch offices. Examples of this streamlining include allowing the OCC to accept a copy of an application or notice filed with another federal banking agency, and providing expedited review for certain filings by eligible foreign banks.

The OCC also updated its international banking rule by implementing provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act), including restricting the amount of initial deposits of less than \$100,000 that an uninsured federal branch may accept.

The final rule allows uninsured federal branches to accept initial deposits under \$100,000 only from:

- individuals who are neither U.S. citizens nor residents;
- individuals who are residents, but not citizens of the U.S., who are employed by a foreign bank, business or government, or a recognized international organization;
- persons (and their immediate family members) to whom the branch or the foreign bank or its affiliate had extended credit or provided other non-deposit banking services in the past year, or with whom the branch or foreign bank has a written agreement to extend credit or provide such services within 12 months after the date of the initial deposit;
- persons who deposit funds in connection with the transmission of funds;
- persons who may deposit funds with Edge corporations, such

as persons engaged in certain international business activities;

- foreign businesses and large U.S. businesses; and
- foreign governmental units and recognized international organizations.

With some limited exceptions, the OCC adopted the list of exemptions suggested in the Interstate Act. In adopting these exemptions, the OCC considered equal competitive opportunities between foreign banks and United States banks and the availability of credit to all sectors of the United States economy, including international trade finance.

In accordance with the Interstate Act, the final rule also reduces the amount of initial deposits of less than \$100,000 not otherwise permissible that an uninsured federal branch may accept, the so-called de minimis deposits, from five percent to one percent of the branch's average deposits. The final rule provides a transition period of up to five years to phase out deposits held under existing exemptions, including the de minimis exemption.

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The OCC charters, regulates and examines approximately 2,800 national banks and 70 federal branches and agencies of foreign banks in the U.S., accounting for more than half the nation's banking assets. Its mission is to ensure the safety and soundness of the national banking system.