

Facts

Regulation of Industrial Banks

Industrial banks are fully regulated in the same manner as any other state chartered, FDIC-insured, bank. Unlike conventional banks, they often have diversified parent companies that can provide private capital to help these banks weather an economic downturn.

Industrial banks:

- are state chartered banks regulated to the same extent, and under the same standards, as all other banks by the FDIC and state regulators and are among the safest and soundest banks in the nation – even when parent companies have financial problems.
- have the highest capital ratios and profit margins.
- are an important source of credit and banking services to diverse customer groups across the nation – often highly specialized – some serve severely underserved groups such as interstate truckers.
- have not contributed to the economic downturn.
- are subject to Community Reinvestment Act.
- are subject to Sections 23A and 23B of the Federal Reserve Act and engage in affiliate transactions only when there is no risk to the bank.

Industrial bank parent companies:

- are regulated by the bank’s state and federal regulators – regulators can examine, obtain information, issue supervisory orders including cease and desist orders, assess civil money penalties, remove officers and directors – this is comparable to oversight authority of any other holding company regulator.
- can engage in any lawful activity
- can typically provide more support to the banks than traditional bank holding company – this is a true source of strength to the bank unlike the case of many traditional bank holding companies where the parent is merely a shell entity with no other assets except the bank subsidiary.

Federal and state banking agencies ensure the safety and soundness of industrial banks.

Industrial banks, and their parent companies, are regulated in the same manner as any other state chartered bank by the FDIC and the state regulators in California, Colorado, Nevada, Hawaii, Indiana, Minnesota and Utah.