

Proposed Subpart C - Brief Description of Changes vs. Current Regulation (§ 303.13)

EQUITY INVESTMENTS	
Equity Investment	Change
Prohibition § 362.10(a)(1)	§ 362.10(a) replaces what is now § 303.13(d). Provisions concerning the activities of service corporations are now separately located in § 362.11.
Service Corporations § 362.10(a)(2)	The application procedures currently described in § 303.13(d)(2)(i) are now separately detailed in § 362.23 of subpart F. Language currently in § 303.13(d)(2)(ii) concerning retaining or divesting equity investments in which a federal savings association could not invest that were held as of August 9, 1989, is deleted from the proposal.

ACTIVITIES	
Activity	Change
Prohibition § 362.10(b)(1)	The prohibition currently stated in § 303.13(b)(1) is carried forward and restated in § 362.10(b)(1). The application procedures currently described in § 303.13(b)(1) are now separately detailed in § 362.23.
Corporate Debt Securities Not of Investment Grade § 362.10(b)(1)	The language currently in § 303.13(e) concerning the holding of corporate debt securities not of investment grade is carried forward in the proposal as part the prohibition stated in § 362.10(b)(1). Divestiture language for corporate debt securities not of investment grade contained in § 303.13(e) is deleted in the proposal.
Assets Acquired Prior to August 9, 1989 § 362.10(b)(1)	The language currently in § 303.13(b)(2) concerning assets acquired prior to August 9, 1989, is carried forward in the proposal as not being within the scope of the prohibition stated in § 362.10(b)(1).
Consent Obtained Through Application § 362.10(b)(2)(i)	Language currently directing institutions wishing to engage in activities otherwise impermissible for a federal savings association now in § 303.13(b)(1) is carried forward and restated in § 362.10(b)(2). The application procedures currently described in § 303.13(b)(1) are now separately detailed in § 362.23 of subpart F.
Nonresidential Realty Loans § 362.10(b)(2)(ii)	Proposed § 362.10(b)(2)(ii) separates and modifies the requirement of § 303.13(b)(1). Insured state savings associations seeking to make residential real estate loans in an amount exceeding that described in section 5(c)(2)(B) of HOLA must submit a notice to the FDIC. Previously, an application was required. The application procedures currently described in § 303.13(b)(1) have been converted to a notice and are now separately detailed in § 362.23 of subpart F.
Acquiring and Retaining Adjustable Rate & Money Market Preferred Stock § 362.10(b)(2)(iii)	An insured state savings association was previously required to file an application to engage in this activity. A regulatory exception is provided by § 362.10(b)(2)(iii) enabling insured state savings associations to engage without notice in this activity in amounts representing up to 15% of their tier one capital.

Activities Closely Related to Banking § 362.10(b)(2)(iv)	§ 362.10(b)(2)(iv) extends a regulatory exception that was not previously granted to insured state savings associations.
Activities Permissible for a Federal Savings Association Conducted in an Amount Not Permissible § 362.10(b)(3)	Proposed § 362.10(b)(3) modifies the requirement of § 303.13(c)(2) and changes the processing time from 60 to 30 days. Insured state savings associations seeking to engage in activities (other than making residential realty loans) in an amount exceeding that permissible for a federal savings association must continue to submit a notice to the FDIC. The notice procedures currently described in § 303.13(c)(2) have been modified and are now separately detailed in § 362.23 of subpart F.

SERVICE CORPORATIONS	
Activity	Change
Prohibition § 362.11(a)	The prohibition currently stated in § 303.13(d)(2) is carried forward and restated in § 362.11(b)(1) as it pertains to service corporations. Provisions concerning the activities, including equity investments, of insured state savings associations are now separately located in § 362.10.
Consent Obtained Through Application § 362.11(b)(1)	Language currently directing institutions wishing to engage in activities otherwise impermissible for a service corporation of a federal savings association now in § 303.13(d)(2) is carried forward and restated in § 362.11(b)(1). The application procedures currently described in § 303.13(b)(1) are now separately detailed in § 362.23.
Owning a Control Interest in a Lower-level Subsidiary § 362.11(b)(2)(i)	§ 362.11(b)(2)(i)(A) and (B) extend the modified versions of regulatory exceptions that are granted to majority-owned subsidiaries of insured state banks. Currently, these exceptions are not granted to insured state savings associations.
Activities that are Not Conducted “As Principal” § 362.11(b)(2)(ii)	§ 362.11(b)(2)(ii) extends to service corporations the regulatory exception that is granted to majority-owned subsidiaries of insured state banks. This exception effectively enables a service corporation to engage in activities which are not conducted “as principal.” Currently, this exception is not granted to service corporations of insured state savings associations.
Authorized Activities § 362.11(b)(2)(iii)	§ 362.11(b)(2)(ii) extends to service corporations the regulatory exceptions provided to the parent insured state savings association by § 362.10(b)(2)(iii) and § 362.10(b)(2)(iv).
Owning Equity Securities that do Not Represent a Control Interest § 362.11(b)(3)	This provision extends the same regulatory exception that is granted to majority-owned subsidiaries of insured state banks. This exception enables a service corporation to own non-controlling equity investment interests in nationally listed stocks and stocks of insured depository institutions, bank holding companies, and savings and loan holding companies. The state savings association can have only one such service corporation engaging in this activity, the service corporation’s investments must be limited to equity securities listed on national exchanges, the state savings association and its service corporation cannot control any issuer of purchased securities, and the service corporation cannot own more than 10% of any issuer’s outstanding voting stock.

	<p>The state savings association and any of its subsidiaries may not extend credit to the service corporation engaging in this activity, purchase any debt securities issued by the subject service corporation, or originate any other transaction that is used to benefit the subject service corporation.</p> <p>The insured state savings association must be well-capitalized after deducting any equity or debt investment in the service corporation.</p>
<p>Securities Underwriting</p> <p>§ 362.11(b)(4)</p>	<p>This provision extends the same regulatory exception that is granted to majority-owned subsidiaries of insured state banks, and enables a service corporation to engage in the sale, distribution, and underwriting of securities.</p> <p>The insured state savings association must be an “eligible depository institution” and the service corporation must be an “eligible service corporation.”</p> <p>The insured state savings association and the service corporation must comply with the additional requirements of § 362.4(b)(5)(ii).</p> <p>The savings association must comply with the investment and transaction limitations of § 362.11(c).</p> <p>The insured state savings association must be well-capitalized after deducting any equity or debt investment in the service corporation.</p>
<p>Investment and Transaction Limits</p> <p>§ 362.11(c)</p>	<p>Individual and aggregate limits restricting the depository institution’s ability to make investments in a subsidiary are applicable if required by regulation or FDIC order. While these requirements are similar to § 23A and § 23B which apply to all affiliates, they differ because they do not apply to subsidiaries unless specifically imposed.</p> <p>This requirement references and imposes the same investment and transaction limits imposed on insured state banks in § 362.4(d). However, for purposes of applying the investment limits, the term “investments” excludes the following two items:</p> <ol style="list-style-type: none"> 1. Extensions of credit by the depository institution to the subsidiary; and 2. Debt securities issued by the subsidiary and owned by the depository institution.
<p>Capital Requirements</p> <p>§ 362.11(d)</p>	<p>The insured state savings association must be well-capitalized after deducting any amounts required by section 5(t) of HOLA. The net regulatory capital is used for purposes of the insured state savings association’s assessment risk classification under Part 327 of this chapter.</p>

Proposed Subpart D - Brief Description of Changes vs. Current Regulation (§ 303.13)

<p>Acquiring, Establishing, or Conducting New Activities</p> <p>§ 362.14</p>	<p>The notice requirement currently described in § 303.13(f) is carried forward in this proposal in a separate subpart D, and the notice content was changed.</p>
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