



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-57-2011**  
**August 8, 2011**

## Clarifications to the FDIC's Statement of Policy for Section 19 of the FDI Act

**Summary:** Section 19 of the Federal Deposit Insurance (FDI) Act prohibits, without the prior written consent of the Federal Deposit Insurance Corporation (FDIC), a person convicted of criminal offense involving dishonesty, breach of trust, money laundering, or drugs from participating in the affairs of an FDIC-insured institution. On May 10, 2011, the FDIC Board of Directors clarified certain criteria in the FDIC's Statement of Policy (SOP) for Section 19 of the FDI Act, including complete expungement, de minimis factors, and de minimis factors for "bad checks." Clarification of the criteria is expected to reduce the number of Section 19 applications and regulatory burden. The updated SOP is available on the FDIC's Web site and was published in the *Federal Register* on May 13, 2011.

**Statement of Applicability to Institutions under \$1 Billion in Total Assets:** This guidance applies to all FDIC-insured depository institutions including community banks.

### Distribution:

FDIC-Insured Institutions

### Suggested Routing:

Chief Executive Officer  
Legal Counsel

### Related Guidance:

Statement of Policy for Section 19 of the FDI Act

### Contact:

For questions related to the SOP, please contact Larisa Collado, Section Chief, at (202) 898-8509 or [lcollado@fdic.gov](mailto:lcollado@fdic.gov), or Martin Thompson, Senior Review Examiner, at (202) 898-6767 or [marthompson@fdic.gov](mailto:marthompson@fdic.gov).

### Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at [www.fdic.gov/news/news/financial/2011/index.html](http://www.fdic.gov/news/news/financial/2011/index.html).

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226.

### Highlights:

A Section 19 application is not required for

- **Complete Expungement:** a record of conviction that is not accessible by any party, including law enforcement, even by court order;
- **De minimis Criteria:** Offenses punishable by imprisonment for a term of one year or less and/or a fine of \$1,000 or less; or
- **De minimis Criteria for "Bad Checks":** If there is one conviction for issuing a bad check based on one or more checks with an aggregate face value of \$1,000 or less, and no insured financial institution or insured credit union was a payee on any of the checks, the conviction will qualify under the *de minimis* offense exception.

Insured institutions should become familiar with these approved SOP clarifications when reviewing the applicability of Section 19 to current and potential institution-affiliated parties.

There is no statute of limitations for offenses covered by Section 19.

The updated SOP is available at:

<http://www.fdic.gov/regulations/laws/rules/5000-1300.html#fdic5000applicationsus>