

Comment on FDIC Proposed Rule:

**Parent Companies of Industrial Banks and Industrial Loan Companies**

**Docket Number RIN 3064-AF88**

I support the FDIC's proposed amendments to the Part 354 regulation governing parent companies of industrial banks and industrial loan companies. The proposed rule represents a meaningful step towards enhancing the regulatory framework and ensuring the stability and independence of industrial banks. By expanding the definition of "Covered Company" and setting additional criteria for risk assessment, the FDIC aims to mitigate potential risks and promote a safer financial environment.

The proposed rule could play a crucial role in preventing a financial crisis by ensuring that parent companies of industrial banks are subject to appropriate regulatory oversight. Enhanced oversight and clearer guidelines will help identify and mitigate risks, thereby contributing to the overall stability of the financial system.

I wish to note that from a public interest and consumer perspective, the proposed rule offers several benefits:

Consumer Protection: Enhanced oversight of parent companies can protect consumers by ensuring that industrial banks operate safely and soundly. This can help prevent financial mismanagement that could negatively impact consumers.

Addressing a Vulnerability to Help Prevent Financial Crises: The proposed rule could help prevent financial crises by ensuring that parent companies of industrial banks are subject to appropriate regulatory oversight. This contributes to the overall stability of the financial system, which benefits consumers by maintaining trust in financial institutions.

Transparency and Accountability: Clearer guidelines on the definition of "Covered Company" and the evaluation criteria can help consumers understand how industrial banks are being regulated and ensure that these institutions are held accountable. Transparency in regulatory expectations can enhance public confidence in the financial system.

However, I would like to highlight two areas where the proposed rule may be improved:

**Definition of “Covered Company”:** The revised definition includes conversions involving a proposed industrial bank or industrial loan company under section 5 of the Home Owners’ Loan Act, as well as other transactions as determined by the FDIC. The phrase “other transactions as determined by the FDIC” is vague and could lead to uncertainty among stakeholders. Ideally, the regulation itself should specify the criteria for such FDIC determinations. To enhance clarity and predictability, I recommend providing more specific guidelines on what constitutes “other transactions”, and under what circumstances the FDIC will apply this regulation.

**Evaluation Criteria:** The additional criteria for risk assessment are a positive step towards identifying and mitigating potential risks. However, the criteria are not fully detailed, which could lead to varying interpretations and applications by different institutions. The FDIC mentions specific factors such as the shell or captive nature of an industrial bank and its ability to meet the convenience and needs of the communities in which it does business. Additionally, the proposed rule includes a rebuttable presumption that the shell or captive nature of an industrial bank weighs heavily against favorably resolving one or more applicable statutory factors. To ensure consistency and transparency, I suggest identifying the specific risk factors that the FDIC will consider, such as financial stability, operational independence, governance practices, and cybersecurity rules, factors commonly considered in regulatory frameworks and risk assessments for financial institutions. Providing clear guidelines on how these factors will be evaluated, such as through quantitative metrics or qualitative assessments, will help ensure that all institutions are held to the same standards. In general, it would be most productive to adopt metrics or assessments that are already used by FDIC or other banking regulators. This will also enhance the predictability of the regulatory process, allowing institutions to better understand and comply with the requirements.

While I strongly support the proposed rule and its objectives, addressing the two areas I mention could enhance its effectiveness and provide greater clarity for all stakeholders.

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