

Press Releases

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OTS 02-22 - Agencies Outline Risks of Parallel-Owned Banking Organizations

Office of Thrift Supervision

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For further information

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Agencies Outline Risks of Parallel-Owned Banking Organizations

Joint Release

**Office of the Comptroller of the Currency
Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of Thrift Supervision**

The federal bank and thrift regulatory agencies today issued guidance that reviews the risks of parallel-owned banking organizations. The guidance sets forth an approach for supervising those risks.

A parallel-owned banking organization consists of a U.S. depository institution and a foreign bank that are both controlled directly or indirectly by one person or group of persons who are closely associated in their business dealings or act in concert. It does not include an organization controlled by a company subject to the Bank Holding Company Act or the Savings and Loan Holding Company Act or where one institution is a subsidiary of the other. Control may exist if a person or group of persons control 10 percent or more of any class of voting shares of the depository institutions.

Today's guidance describes various risks that may be increased because of the structure of parallel-owned banking organizations, including engaging in transactions that prefer the foreign bank member of the group over the U.S. depository institution. The agencies will address these risks by coordinating their supervision of the U.S. operations of parallel-owned banking organizations. Enhanced communication and cooperation with foreign bank supervisors is also important to this process.

When an applicant proposes to acquire or establish a U.S. depository institution that will be part of a parallel-owned banking organization, the application will be reviewed on a case-by-case basis. In appropriate circumstances, special conditions may be imposed in a regulatory decision, including restrictions on the ability of the U.S. depository institution to engage in transactions with its foreign affiliates. In cases where a parallel-owned banking organization is

formed in a way that does not require review by the banking agencies, today's guidance recommends that a U.S. depository institution inform the appropriate federal banking agency prior to becoming part of a parallel-owned banking organization.

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Joint Agency Statement - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2002-22a.pdf>

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.