
Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

August 17, 2000

**Corporate Decision #2000-14
September 2000**

Mr. Stanley J. Koreyva, Jr.
Senior Vice President and Chief Financial Officer
Amboy National Bank
3590 U.S. Highway 9
Old Bridge, New Jersey 08857

Re: Amboy National Bank, Old Bridge, New Jersey ("Bank")
Approval of Financial Subsidiary Certification and Notice ("Notice")
Control Number: 2000 NE 08 041; Charter Number: 3878

Dear Mr. Koreyva:

This acknowledges our receipt of the Bank's Notice on July 28, 2000, submitted in connection with its proposal to sell title insurance, as agent, in a financial subsidiary in the State of New Jersey. The Notice contains the information required by 12 C.F.R. § 5.39(i)(2). Accordingly, pursuant to 12 C.F.R. § 5.39(i), the Bank's Notice is approved.

I. Background

The Bank and 8 Broad Street, LLC ("Broad"), a title insurance agent, have agreed to enter into a joint venture to offer title insurance in the State of New Jersey. Under the joint venture, the Bank and Broad will form Amboy Title L.L.C. ("Amboy"), a New Jersey limited liability company, and own 49 and 51 percent interests, respectively, in Amboy.¹ The Bank meets the

¹ The Bank represents that it meets the qualification standards for owning a financial subsidiary under 12 U.S.C. §§ 24a(a)(2)(C)(D) and (E), and 12 C.F.R. § 5.39(g):

- (1) The Bank will remain well capitalized after making the adjustments required by 12 C.F.R. § 5.39(h)(1).
- (2) The Bank does not currently have any financial subsidiaries. Therefore, the aggregate consolidated total assets of all financial subsidiaries do not exceed 45 percent of the Bank's consolidated total assets or \$50 billion.
- (3) The Bank is not currently one of the 100 largest insured banks. Further, Amboy will only be engaging in activities in an agency capacity. Therefore, pursuant to 12 U.S.C § 24a(a)(4) and 12 C.F.R. § 5.39(g)(3), the Bank is not required to comply with 12 U.S.C § 24a(a)(2)(E) and 12 C.F.R. § 5.39(g)(3).

qualification standards for owning a financial subsidiary, and filed a Notice for approval to acquire Amboy as a financial subsidiary.²

II. Discussion

Financial subsidiaries are authorized to act as an insurance agent for all types of insurance, including title insurance,³ in any State. Financial subsidiaries may engage in activities that are "financial in nature."⁴ Activities that are financial in nature are defined, under 12 U.S.C. § 24a(b)(1)(A)(i), to include "insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death. . .and acting as. . .agent or broker. . .in any State." The OCC's regulations governing financial subsidiary activities further provide that financial subsidiaries may "[e]ngag[e] as agent or broker in any state for purposes of insuring, guaranteeing, or indemnifying against. . .*defects in title*."⁵ Thus, financial subsidiaries are expressly authorized to sell title insurance, as agent.

Insurance agency activities authorized for financial subsidiaries are not subject to the restrictions that apply to *national banks* under 15 U.S.C. § 6713(a). Section 6713(a) of 15 U.S.C. states that generally no *national bank* may engage in any activity involving the underwriting or sale of title insurance.⁶ The plain language of 15 U.S.C. § 6713(a) applies the prohibition on title insurance activities only to a "national bank." Other provisions in the Gramm-Leach-Bliley Act ("GLBA") specifically reference subsidiaries when they are subject to the provisions. For example, section 6712(a) of 15 U.S.C. restricts insurance underwriting by "a national bank and the subsidiaries of a national bank," and section 6713(c) of 15 U.S.C. permits "a national bank, and a subsidiary of a national bank," to conduct title insurance activities, if the bank or the subsidiary was lawfully and actively conducting title insurance activities before the effective date of the GLBA. In contrast, the general restriction on title insurance activities by national banks does not reference and does not apply to a "financial subsidiary," which is expressly authorized to conduct activities that are not permissible for a national bank.⁷

III. Conclusion

² Amboy will qualify as a financial subsidiary under 12 U.S.C. § 24a(g)(3) and 12 C.F.R. 5.39(d)(6).

³ Financial subsidiaries must obtain appropriate licenses and comply with applicable State laws in conducting insurance activities.

⁴ 12 U.S.C. § 24a(a).

⁵ 12 C.F.R. § 5.39(e)(1)(ii) (emphasis added).

⁶ Section 6713(b)(1) of 15 U.S.C. contains an exception to the general rule prohibiting title insurance activities by national banks and operating subsidiaries. The exception provides that a national bank may sell title insurance, as agent, in a state to the extent that state banks may sell title insurance in the state. This exception is not relevant, however, for a financial subsidiary, which is not subject to the general restriction.

⁷ 12 U.S.C. § 24a(g)(3)(A).

The Bank may own an interest in a financial subsidiary that engages in title insurance activities authorized under 12 U.S.C. § 24a and 12 C.F.R. 5.39(e)(1)(ii). The Bank's Notice is therefore approved. If you have any questions, please contact Nina Lipscomb, Analysis Specialist, at (212) 790-4055. Please include the CAIS control number on any correspondence related to this filing.

Sincerely,

~~-signed-~~

Julie L. Williams
First Senior Deputy Comptroller and Chief Counsel