

NR 96-118
October 18, 1996

OCC Issues Final Rule on Insider Lending

WASHINGTON, DC -- The Office of the Comptroller of the Currency (OCC) will issue a final regulation that governs how a national bank lends to its executive officers, directors, and principal shareholders. The rule in Monday's Federal Register is part of the OCC's ongoing regulatory review program to reduce unnecessary burden and costs for national banks.

The rule contains exemptions that have been adopted by the other federal financial institution regulatory agencies and are consistent with exemptions previously adopted by the OCC to its loans-to-one-borrower limits. These include exemptions for loans to executive officers that are secured by U.S. obligations, guaranteed by a federal agency, or secured by a segregated deposit account. Because these loans are well secured, safety and soundness considerations do not require limits on the loans, the OCC noted.

The final rule also incorporates the terms of the Federal Reserve Board's Regulation O into Part 31 and, as a result, eliminates from Part 31 a redundant restatement of rules. This change simplifies the OCC's rule and addresses several commenters' concerns about confusion arising from rules that are intended to be substantively identical but which had stylistic differences.

In addition, today's rule includes an appendix that provides extensive guidance on the differences between the insider lending rule and the loans-to-one-borrower rule. In response to commenters' requests, the guidance clarifies the differences between the two regulations' combination and attribution rules. The guidance also points out differences between the definitions of "extension of credit" and the exceptions contained in the two rules.

#

The OCC charters, regulates and supervises approximately 2,800 national banks and 66 federal branches and agencies of foreign banks in the U.S., accounting for more than half the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.