



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

DIVISION OF CONSUMER AND
COMMUNITY AFFAIRS

SR 12-16

CA 12-12

November 26, 2012

**TO THE OFFICER IN CHARGE OF SUPERVISION
AT EACH FEDERAL RESERVE BANK**

SUBJECT: Interagency Statement on Restrictions on Conversions of Troubled Banks

Applicability to Community Banking Organizations: This guidance applies to all state member banks, including those with \$10 billion or less in consolidated assets.

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, the agencies), in conjunction with the Conference of State Bank Supervisors, have issued the attached guidance to explain the procedures that the agencies will follow to implement section 612 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), concerning certain charter conversions.¹

Section 612 of the Dodd-Frank Act (section 612) places restrictions on certain charter conversions. As explained in the attached statement, section 612 generally prohibits charter conversions by a national bank, state bank, or federal or state savings bank or savings association while the institution is subject to a cease and desist order (or other formal enforcement order) issued by, or a memorandum of understanding entered into with, its current federal banking agency or state bank supervisor with respect to a “significant supervisory matter” (collectively referred to as a “significant enforcement action”).² The statute contains an exception to the prohibition that permits approval of a charter conversion if certain conditions are met, including that the federal banking agency or state banking supervisor that issued the significant enforcement action does not object to the conversion.

¹ The various state banking supervisors may implement this policy statement through their individual licensing processes.

² For state banks and state savings associations that wish to convert to a national bank, the charter conversion is also prohibited if the state bank or state savings association is subject to a final enforcement action by a State Attorney General.

The attached statement on conversions discusses section 612 mandates on notice and information-sharing requirements between the institution's current and post-conversion federal banking regulators. Section 612(e)(1) of the Dodd-Frank Act provides that, at the time an insured depository institution files a conversion application with the prospective chartering authority, the institution must also send a copy of the conversion application to both its current federal banking agency and its prospective federal banking agency.

Insured depository institutions should consider the attached policy statement in connection with the guidance provided in the 2009 Federal Financial Institutions Examination Council (FFIEC) *Statement on Regulatory Conversions* (2009 interagency statement). The 2009 interagency statement also highlights the importance of information sharing among agencies and state banking supervisors in their approach to regulatory conversion proposals.³

Questions regarding this guidance may be directed to Michael Sexton, Assistant Director, Domestic Banking Acquisitions and Activities, at (202) 452-3009, in the Division of Banking Supervision and Regulation. Questions may also be directed to Phyllis Harwell, Assistant Director, at (202) 452-3658, or Charles Fleet, Senior Supervisory Consumer Financial Services Analyst, at (202) 452-2776, in the Division of Consumer and Community Affairs. In addition, questions may be sent via the Board's public website.⁴

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Director
Division of Banking Supervision
and Regulation

Sandra F. Braunstein
Director
Division of Consumer
and Community Affairs

Attachment:

- [*Interagency Statement on Section 612 of the Dodd-Frank Act: Restrictions on Conversions of Troubled Banks*](#)

Cross-reference:

- [*2009 FFIEC Statement on Regulatory Conversions*](#)

³ The 2009 interagency statement focuses on institutions with less-than-satisfactory ratings. See the FFIEC [press release](#) dated July 1, 2009, for more information.

⁴ See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.