



1120 Connecticut Avenue, NW
Washington, DC 20036

1-800-BANKERS
www.aba.com

Memo

*World-Class Solutions,
Leadership & Advocacy
Since 1875*

Date: May 21, 2007
To: Members of the U.S. House of Representatives
From: Floyd Stoner, Executive Director, Congressional Relations and Public Policy
RE: Support for H.R. 698, the Industrial Bank Holding Company Act of 2007

On behalf of the members of the American Bankers Association (ABA), I am writing to express strong support for H.R. 698, the Industrial Bank Holding Company Act of 2007. The bill, introduced by Financial Services Committee Chairman Barney Frank and Rep. Paul Gillmor, is scheduled to be considered in the House today, May 21, under suspension of the rules.

The most important aspect of H.R. 698 is the elimination of the authority in current law that allows a commercial company to acquire an industrial loan company (ILC). ABA opposes the acquisition or chartering of banks by non-financial commercial firms. By prohibiting non-financial commercial companies from obtaining ILCs, H.R. 698 would eliminate this mechanism for the mixing of banking and commerce.

H.R. 698 also reflects changes worked out between the bill's sponsors and the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (FRB), the Office of Thrift Supervision, and the Securities and Exchange Commission. These changes would provide the FDIC with the regulatory tools to effectively supervise industrial bank holding companies (IBHC) in a manner substantially similar to the powers of the FRB over bank holding companies. These changes are important clarifications and are consistent with previous Congressional actions separating banking and commerce. Therefore, H.R. 698 would appropriately resolve regulatory concerns while recognizing the interests of those who are currently lawfully engaged in ILC operations.

It is important that Congress act quickly to address the ILC issue, as several ILC applications by commercial firms are currently pending before the FDIC. In the absence of Congressional action, these applications could be approved once the FDIC's moratorium on approvals of ILC deposit insurance applications and notices in change of control expires in early 2008.

In conclusion, H.R. 698 would maintain the historic separation of banking and commerce by preventing commercial firms from acquiring or establishing ILCs, and would also strengthen the regulation and supervision of ILC holding companies by the FDIC. In doing so, the bill would help to ensure equitable financial regulation, protect consumers and small businesses from conflicts of interest, and maintain the safety and soundness of the nation's financial system.

ABA strongly supports H.R. 698 and we urge you to vote for this important legislation. Thank you for your consideration of our views.