

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105

June 26, 2002

**BANKING SUPERVISION AND REGULATION:
USING INTERSTATE BRANCHES
FOR DEPOSIT PRODUCTION**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Agencies Amend Rule On Prohibition Against Using Interstate Branches Primarily for Deposit Production (Docket R-1099)

The Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Office of the Comptroller of the Currency has issued final regulations amending their rules that currently prohibit interstate branches from being used primarily for deposit production. Please see our letter dated May 1, 2001, for information on the request for comment.

The Riegle-Neal Interstate Banking and Branching Efficiency Act prohibits any bank from establishing or acquiring a branch outside of its home state primarily for the purpose of deposit production. Section 106 of the Gramm-Leach-Bliley Act expands this prohibition to include any branch of a bank controlled by an out-of-state bank holding company. To conform their regulations to this statutory change, the agencies have amended their rules so that the prohibition against deposit production offices also applies to any bank or branch of a bank controlled by an out-of-state bank holding company.

The regulations are effective October 1, 2002.

E-Notification

The Federal Reserve Bank of San Francisco will notify you by e-mail of new Banking Supervision and Regulation circular letters recently posted on the Twelfth District Federal Reserve Bank web site. We will e-mail you a summary of the letter as well as a link to the full text of the letter and its attachments for you to view and print. To subscribe to this free service, simply visit our web site at <http://www.frbsf.org/banking/> and click on the E-Notification logo.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>. Paper copies of the Docket R-1099 are available from our Corporate Services Department. To request copies to be sent by mail, please call (415) 974-2060.

For additional information about the amended rule, please contact our Banking Supervision and Regulation Department at (415) 974-3329.