



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 11-3

February 14, 2011

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

SUBJECT: De Novo Interstate Branching by State Member Banks

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) modified the federal statute governing de novo interstate branching by state member banks. As a result, as of July 22, 2010, a state member bank is authorized to open its initial branch in a host state¹ by establishing a de novo branch at any location at which a bank chartered by the host state could establish a branch.²

Just as it must do in establishing any domestic branch, a state member bank seeking to open a de novo interstate branch must file an application with the Federal Reserve pursuant to the procedures and standards set forth in section 208.6 of the Board’s Regulation H.³ In addition, applications for de novo interstate branches are subject to state filing requirements and to capital, management, and community reinvestment standards.⁴

In processing an application to enter a host state through de novo interstate branching, a Reserve Bank must verify that the host state’s banks could establish a branch at the same location. In addition, the Reserve Bank should consult with the host state banking supervisor to confirm that the applicant has provided the supervisor with a copy of the branch application (as is required under the federal statute) and to answer any questions the supervisor may have about the new interstate branching statute.

¹ “Host state” means a state, other than a bank’s home state, in which the bank seeks to establish and maintain a branch. 12 USC 36(g)(3)(C).

² 12 USC 36(g)(1)(A), as amended by section 613(a) of the Dodd-Frank Act; 12 USC 321. Initial entry into a host state by way of an interstate bank merger is governed by 12 USC 1831u.

³ 12 CFR 208.6.

⁴ 12 USC 36(g)(2)(A), 1831u(b)(1), (3), and (4).

For more information contact Paul Hannah, Counsel, Legal Division, at (202) 452-2810, or Lisa DeFerrari, Assistant Director, Division of Banking Supervision and Regulation, at (202) 452-3893. In addition, questions may be sent via the Board's public website.⁵

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Director

⁵ See <http://www.federalreserve.gov/feedback.cfm>.