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 state by establishing a de novo branch at any location at which a bank chartered by the host state could establish a branch.

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. In addition, applications for de novo interstate branches are subject to state filing requirements and to capital, management, and community reinvestment standards.

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.

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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.\textsuperscript{5}

Patrick M. Parkinson
Director

\textsuperscript{5} See http://www.federalreserve.gov/feedback.cfm.