FDIC’s De Novo Handbook Part III: Preopening Activities

Thursday, June 8, 2017

On May 1, 2017, the FDIC released its "Applying for Deposit Insurance – A Handbook for Organizers of De Novo Institutions" (the handbook) to assist potential organizers of new, or "de novo," institutions with the deposit insurance application process and the path to obtaining deposit insurance for newly chartered banks. The Handbook highlights three primary activities: (1) Prefiling Activities, (2) the Application Process, and (3) Preopening Activities. Our prior posts addressed Part I - Pre-Filing Activities and Part II - The Application Process. This week’s newsletter provides an overview of Part III – Preopening Activities.

Once conditional approval is received, organizers must ensure that certain final steps are completed prior to the opening of the institution and deposit insurance becoming effective.

Satisfying Preopening Conditions

The FDIC’s approval as well as the chartering authority’s approval will include certain conditions that must be satisfied before the institution’s opening. These conditions may require the organizers to submit certain material to the FDIC and the chartering authority demonstrating compliance.

Completing the Capital Raise
As a preopening condition, organizers will need to demonstrate that sufficient funds (net of preopening expenses) are in escrow to meet the initial capital requirement of the FDIC approval. The institution may have received commitments from investors in the form of subscription agreements but have not yet received all of the committed funds. The organizers will need to coordinate with their legal counsel and financial advisors to ensure the capital closing is completed accurately and in accordance with the terms and conditions stated in their application materials.

**Other Preopening Considerations**

Various other operational matters will need to be addressed to ensure the institution is ready to open for business, including:

- Finalize policies and procedures for key areas (e.g., loans, investments, BSA/AML)
- Develop documentation for closing loans, opening deposit accounts, and various other products and services
- Hire and train staff
- Formalize vendor relationships
- Ensure IT systems are ready to operate
- Develop strategies to remain aware of physical and cyber threats
- Institute appropriate security procedures, and meet with local law enforcement

Once all FDIC and chartering authority approval conditions are satisfied and an opening date is selected, the case manager will notify the FDIC’s Executive Secretary, who will prepare the institution’s insurance certificate and forward it to the institution with membership materials.

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