INDUSTRIAL BANKS
A Quick Guide

NAIB National Association of Industrial Bankers

ILCs 101

For over a century, ILCs have provided reliable and safe financial services to consumers and businesses. They are heavily regulated state-chartered banks and have demonstrated a unique ability to be innovative and perform well.

QUICK FACTS:

- Started in **1910** by Arthur J. Morris.
- Weathered the great depression and **recent financial crises** well.

More info at Barth Report on ILCs

Superior Supervision

James Barth of Auburn University compared the supervision provided by the FDIC on industrial banks and that provided by the federal reserve on commercial banks. This exhaustive study determined that the FDIC and state regulators provide superior supervision.

QUICK FACTS:

- Industrial banks are **stronger** then banks supervised by the Federal Reserve because they enjoy substantial assets and greater capital.
- FDIC and state regulators use the **same supervisory tools** as the Federal Reserve to regulate a bank holding company.

More info at Barth Analysis on Strength and Consolidated Supervision

The Barth CIBFS Report

James R. Barth of Auburn University conducted a study for CIBFS on how ILCs have performed compared to other FDIC insured institutions. ILCs perform better than all other FDIC institutions.

QUICK FACTS:

- ILCs have **outpaced non-ILCs for 15 years** in key performance indicators.
- ILCs **actually grew** during the recent financial crisis.

More info: Industrial Bank Performance: A Summary of the Barth CIBFS Report

Strength and Stability

ILCs have been at the forefront of banking innovation while operating within the traditional rules of banking and have managed to outperform all other FDIC insured institutions.

QUICK FACTS:

- ILCs consistently enjoy a **better annual Return on Equity** than non-ILCs.
- ILCs have a **higher annual Return on Assets** than non-ILCs.
- ILCs are subject to **traditional banking regulations.**

More info at eccles.utah.edu/utah-center-for-financial-services/

No Mixing of Banking and Commerce

Potential conflicts of interest that may exist by diverse holding companies owning a bank are prevented by Sections 23A and 23B of the Federal Reserve Act, which applies to all banks including industrial banks.

QUICK FACTS:

- Industrial banks are subject to requirements, which apply to all banks, **designed to ensure competence and safety.**
- These **laws afford protections** and restrict ILC funding, affiliate activities, and, in limited cases permitted, ensure strict arm's length requirements.

Section 23A and 23B of the Federal Reserve Act, 12 U.S.C. 371c

Provide Services to Niche Audiences

ILCs target specific niche audiences that are only served through an affiliate or parent company relationship. Industrial banks have a history of providing safe, innovative credit solutions that expand access to credit.

QUICK FACTS:

- Serve a **wide range** of individuals and industries.
- Provide **reliable financial services** to consumers and businesses.

More info at industrialbankers.org/stories

All reports available at industrialbankers.org/resources

NAIB industrialbankers.org

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