



State of Michigan
John Engler, Governor

Department of Consumer & Industry Services
Kathleen M. Wilbur, Director

Financial Institutions Bureau
Gary K. Mielock, Acting Commissioner

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[REDACTED]

Dear Mr. [REDACTED]:

You asked if the Financial Institutions Bureau (Bureau) applies the lending limits in Section 487.496 of the Michigan Banking Code of 1969 (Code), as amended, to an extension of credit to a bank's wholly-owned subsidiary. The Bureau previously addressed this issue when a state-chartered bank asked if its wholly-owned subsidiary, a leasing corporation, would be subject to the loan to one borrower limitations expressed in section 196 of the Code.

The Bureau summarized its position in that letter by stating,

"...it is the Bureau's interpretation that section 196 does not apply to funds advanced to a subsidiary by its parent because the parties are indistinguishable. The bank and its wholly owned subsidiary cannot be separated. Furthermore, normal accounting treatment would require the elimination of the intercompany transaction when the bank's books were consolidated for financial statement presentation. Finally, the Bureau's understanding of the relevant federal regulation also supports the Bureau's interpretation."

If you have further questions or need additional clarification, please call me at (517) 373-7210.

Sincerely,

Donald P. Mann
Deputy Commissioner

[REDACTED]