

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

March 24, 2004

**BANKING SUPERVISION AND REGULATION:
UNFAIR OR DECEPTIVE PRACTICES**

To State Member Banks
and Others Concerned,
in the Twelfth Federal Reserve District

The Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation have issued a guidance outlining standards they will apply to determine when acts or practices by state-chartered banks are unfair or deceptive. Such practices are illegal under section five of the Federal Trade Commission (FTC) Act.

In order to respond to questions raised by institutions under the agencies' supervision, the statement also provides guidance on steps that state-chartered banks can take to avoid engaging in unfair or deceptive acts or practices. The approach outlined in the statement is based on long-established standards used by the FTC to enforce section five of the FTC Act against non-bank entities.

In 2002, the Board and the FDIC affirmed their authority to apply the prohibition against unfair or deceptive acts or practices to the activities of state-chartered banks. At that time, the agencies also announced their intention to issue further guidance for state-chartered banks with respect to the prohibition.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>.

For additional information about the guidance, please contact our Banking Supervision and Regulation Department at (415) 974-3028.

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[Attachment: Unfair or Deceptive Acts or Practices by State-Chartered Banks](#)