

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 71-118
May 19, 1971

AMENDMENT TO REGULATION Y
Activities of subsidiaries under §4(c)(5)

To All Member Banks and Others Concerned
in the Eleventh Federal Reserve District:

The Board of Governors of the Federal Reserve System on May 14, 1971, announced an amendment to Regulation Y (Bank Holding Companies) specifying the kinds of activities in which subsidiaries of bank holding companies may engage on the basis of §4(c)(5) of the Bank Holding Company Act. The amendment is effective July 1, 1971. Quoted below is the pertinent portion of the Board's press release:

"Under the amendment, bank holding companies may acquire shares that are explicitly eligible for investment by a national bank under Federal statute law, such as shares of a small business investment company. Banks in a holding company are not so restricted. National banks in a holding company may acquire shares in accordance with the rules of the Comptroller of the Currency. So far as Federal law is concerned, state-chartered banks in a holding company may acquire shares in accordance with the rules of the Board."

A copy of the amendment is enclosed. It should be filed in the binder of Federal Reserve Regulations furnished to all member banks. A current version of Regulation Y consists of the pamphlet, as amended, effective March 15, 1968, an amendment effective March 18, 1971, and the current amendment.

Yours very truly,

P. E. Coldwell
President

Enclosure

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y

Effective July 1, 1971, section 222.4 of Regulation Y is amended by adding a new paragraph as follows:

SECTION 222.4—INTERESTS IN NONBANKING ORGANIZATIONS

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(e) **Activities of companies in which national banks may invest.**—No bank holding company or subsidiary thereof that is not a bank or subsidiary of a bank may, after June 30, 1971, acquire shares on the basis of § 4(c)(5) of the Act unless such shares are of the kinds and amounts explicitly eligible by Federal statute for investment by a national bank. A national bank or a subsidiary thereof may acquire or retain shares on the basis of § 4(c)(5) in accordance with the rules and regulations of the Comptroller of the Currency. So far as Federal law is concerned, a State-chartered bank or a subsidiary thereof may (1) acquire or retain shares on the basis of § 4(c)(5) if such shares are of the kinds and amounts explicitly eligible by Federal statute for investment by a national bank and (2) acquire or retain all (but, except for directors' qualifying shares, not less than all) of the shares of a company that engages solely in activities in which the parent bank may engage, at locations at which the bank may engage in the activity, and subject to the same limitations as if the bank were engaged in the activity directly.

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