

# FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 71-139  
June 16, 1971

## AMENDMENT TO REGULATION Y (Data Processing Activities)

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

The Board of Governors of the Federal Reserve System announced on June 15, 1971, an additional amendment to Regulation Y (Bank Holding Companies), outlining the type of data processing activities permissible for bank holding companies under the 1970 Amendments to the Bank Holding Company Act.

The amendment, effective July 1, adds an eighth activity to the list announced by the Board last month, and will permit bank holding companies, subject to Board approval in individual cases, to process banking, financial, or related economic data for any type of customer. Two other proposals, both relating to insurance activities, are still under consideration.

The data processing amendment and an interpretation relating to this activity are enclosed. The amendment should be inserted in the binder of Federal Reserve Regulations furnished to all member banks.

A current version of Regulation Y now consists of the pamphlet, effective March 15, 1968; amendments to §222.4(a) through (c), effective June 15, 1971; an amendment adding paragraph (d) to that section, effective March 18, 1971; an amendment adding paragraph (e), effective July 1, 1971; and the enclosed 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(a) of Regulation Y is amended by changing the period at the end thereof to a semicolon and adding subparagraph (8) as follows:

SECTION 222.4—NONBANKING ACTIVITIES

(a) **Activities closely related to banking or managing or controlling banks.** \*\*\*The following activities have been determined by the Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto:

\* \* \* \* \*

(8) (i) providing bookkeeping or data processing services for the internal operations of the holding company and its subsidiaries and (ii) storing and processing other banking, financial, or related economic data, such as performing payroll, accounts receivable or payable, or billing services.

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INTERPRETATION OF REGULATION Y

SECTION 222.123—ACTIVITIES CLOSELY RELATED TO BANKING

To clarify the Board's views on this matter, it has added a paragraph to this interpretation as follows:

\* \* \* \* \*

(g) **Data processing.** The authority of holding companies under § 222.4(a) to engage in data processing activities is intended to permit holding companies to process, by means of a computer or otherwise, data for others of the kinds banks have processed, by one means or another, in conducting their internal operations and accommodating their customers. It is not intended to permit holding companies to engage in automated data processing activities by developing programs either upon their own initiative or upon request, unless the data involved are financially oriented. The Board regards as incidental activities necessary to carry on the permissible activities in this area the following: (i) making excess computer time available to anyone so long as the only involvement by the holding company system is furnishing the facility and necessary operating personnel; (ii) selling a byproduct of the development of a program for a permissible data processing activity; and (iii) furnishing any data processing service upon request of a customer if such data processing service is not otherwise reasonably available in the relevant market area.