FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 71-157
July 8, 1971

AMENDMENT TO REGULATION Y
(Clarification of intent of requirement to divest)

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

The Board of Governors of the Federal Reserve System announced on July 1, 1971, an amendment to §222.4 of Regulation Y (Bank Holding Companies) designed to clarify the intent of the divestiture requirement contained in irrevocable declarations which are filed under §4(c)(12) of the Bank Holding Company Act. The amendment consists of a footnote to ¶(d) indicating that a company will be in compliance if it furnishes clear evidence that it does not exercise a controlling influence over management or policies of a bank, despite retention of a partial interest.

A copy of the amendment, which is effective June 30, 1971, is enclosed for filing 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, the amendment to §222.4(a), (b) and (c), effective June 15, 1971, the amendments to §222.4(a)(8) and §222.4(e), effective July 1, 1971, and the enclosed amendment.

Yours very truly,

P. E. Coldwell,

President

Enclosures

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y

Effective June 30, 1971, section 222.4(d) of Regulation Y is amended to read as follows:

SECTION 222.4—NONBANKING ACTIVITIES

* * * * *

(d) **Certain acquisitions by companies that became bank holding companies on December 31, 1970, as a result of the 1970 amendments.**—Except as provided in this paragraph, no bank holding company may acquire, directly or indirectly, any shares or commence to engage in any activities on the basis of § 4(c)(12) of the Act. A company may file with the Board an irrevocable declaration, in the form approved by the Board,[2] that it will cease to be a bank holding company by January 1, 1981, unless it is granted an exemption under § 4(d) of the Act. A company that has filed such a declaration may (1) commence new activities *de novo,* either directly or through a subsidiary, without further action under this paragaph, until such time as the Board notifies the company to the contrary, and (2) make an acquisition of a going concern 45 days after the company has informed its Reserve Bank of the proposed acquisition, unless the company is notified to the contrary within that time or unless it is permitted to make the acquisition at an earlier date, based on exigent circumstances of a particular case. If the company has not filed such a declaration, no acquisition may be made, or activity commenced, on the basis of § 4(c)(12) except with prior approval of the Board. Normally only requests with respect to acquisitions or expansion of activities that the company demonstrates to the satisfaction of the Board are necessary to enable it more efficiently to market its assets subject to divestiture will be approved. This paragraph does not apply to acquisitions made pursuant to a binding commitment entered into before March 23, 1971.

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[2] Although the form of declaration is in terms of a company divesting itself of whatever interest it has in the bank, a company is regarded by the Board as complying with this condition if it furnishes the Board with convincing evidence that it does not exercise a controlling influence over the management or policies of the bank despite retention of some interest in the bank.