

# FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 72-114  
June 15, 1972

## NOTICE OF ORAL PRESENTATION REGARDING GUIDELINES USED IN APPROVING FORMATION OF ONE-BANK HOLDING COMPANIES

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

The Board of Governors of the Federal Reserve System announced May 26, 1972, that an Oral Presentation will be conducted on June 28, 1972 on the guidelines used by the Federal Reserve Banks when approving formations of one-bank holding companies.

The presentation will be held in the Federal Reserve Building in Washington, D. C. Interested persons are invited to participate through presenting material orally at the proceeding or through the submission of written comments. Persons interested in participating by presenting material orally should inform the Secretary of the Board in writing not later than June 21, 1972. Otherwise, comments on this matter should be submitted to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than July 12, 1972.

Notice of the Oral Presentation is printed on the following pages.

Very truly yours,

P. E. Coldwell,

President

FEDERAL RESERVE SYSTEM

[12 CFR Part 225]

[Reg. Y]

BANK HOLDING COMPANIES

Notice of Oral Presentation Regarding Guidelines Used by  
Federal Reserve Banks in Approving Formation of One-bank  
Holding Companies Under Delegated Authority

On August 20, 1971, effective September 1, 1971, the Board delegated to the individual Federal Reserve Banks certain of its authority to approve the formation of one-bank holding companies pursuant to section 3(a)(1) of the Bank Holding Company Act.

(12 CFR 265.2(f)(22)) Simultaneously, the Board provided those Banks with certain general guidelines to aid them in the exercise of that delegated authority. Those guidelines provide in pertinent part:

. . . The Board expects that the Reserve Banks will use their influence in exercising their authority to approve the formation of one-bank holding companies to assure that:

(i) if any offer to acquire shares is extended to shareholders of the bank, the offer is extended to all shareholders of the same class on an equal basis;

(ii) the amount borrowed by the holding company to purchase the voting shares of the bank does not exceed either 50 per cent of the purchase price of the shares of the bank or 50 per cent of the equity capital of the holding company, the loan will be repaid within a reasonable period of time (not to exceed 10 years), the interest rate on the loan is comparable with other stock collateral loans by the

lender to persons of comparable credit standing, and the loan is not conditioned upon maintenance of a correspondent bank balance with the lender that exceeds the usual needs of the bank whose shares are being purchased; and

(iii) interest on and amortization of the holding company's indebtedness will not exceed, in any year, 50 per cent of the holding company's proportionate share of the bank's anticipated net income (after taxes) for that year, unless a higher percentage is specifically approved by the Reserve Bank at the time of the formation of the holding company.

The Board has received comments to the effect that these guidelines have been applied in a more restrictive manner than is desirable and that the guidelines result in undue adverse effects upon the transferability of bank stock. One such commenting party has requested the opportunity to present its views to the Board orally.

The Board has decided to explore these questions at an Oral Presentation before available members of the Board in the Board Room of the Federal Reserve Building at 20th Street and Constitution Avenue, N. W., Washington, D. C., on June 28, 1972, commencing at 10:00 a.m. Interested persons are invited to participate through presenting material orally at the proceeding or through the submission of written comments.

Persons interested in participating in the proceeding by presenting material orally should inform the Secretary of the Board in writing not later than June 21, 1972. Written material should be submitted by July 12, 1972. All material submitted will be made

available for inspection and copying, upon request, except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information.

By order of the Board of Governors, effective May 26, 1972.

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Michael A. Greenspan  
Assistant Secretary