FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 72-254
November 7, 1972

AMENDMENT TO

RULES REGARDING DELEGATION OF AUTHORITY

To All Member Banks in the
Eleventh Federal Reserve District:

The Board of Governors has amended section 265.2(f)(22) of its "Rules Regarding Delegation of Authority" in order to clarify its intention with respect to the delegation to the Reserve Banks of authority to approve applications for the formation of one-bank holding companies. The amendment is effective with respect to applications received by the Reserve Banks after October 30, 1972.

A copy of the amendment is enclosed for insertion in the ring binder containing the Regulations of the Board of Governors and the Bulletins of this Bank. Also enclosed is a copy of the Board's press release.

Yours very truly,

P. E. Coldwell

President

Enclosures (2)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RULES REGARDING DELEGATION OF AUTHORITY

AMENDMENTS REGARDING BANK ACQUISITIONS BY HOLDING COMPANIES

Effective with respect to applications received by the Federal Reserve Banks after October 30, 1972, § 265.2(f) (22) is amended to read as follows:

SECTION 265.2 — SPECIFIC FUNCTIONS DELEGATED TO BOARD EMPLOYEES AND FEDERAL RESERVE BANKS.

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(f) **Each Federal Reserve Bank** is authorized, as to member banks or other indicated organizations headquartered in its district:

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(22) Under the provisions of section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the acquisition by a company of a controlling interest in the voting shares of one bank, if all of the following conditions are met:

(i) no objection to the proposed acquisition has been made by the bank's supervisory authority,

(ii) no significant policy issue is raised by the proposal as to which the Board has not expressed its views,

(iii) neither the holding company nor any of its subsidiaries or affiliates is engaged in any activities other than those specifically permissible for bank holding companies by either the Act or Part 225 of this chapter (Regulation Y),

(iv) any offer to acquire shares of the bank will be extended to all shareholders of the same class on a substantially equal basis,[2]

(v) in the event any debt is incurred by the holding company to purchase shares of the bank: **(a)** the amount of the loan does not exceed 75 per cent of the purchase price of the shares of the proposed subsidiary bank; **(b)** an agreed plan for amortization of the debt within a reasonable time exists, such period normally not exceeding 12 years; **(c)** the interest rate on any loan to purchase the bank shares will be comparable with other stock collateral loans by the lender to persons of comparable credit standing; **(d)** no compensating balances, specifically attributable to the loan, will be deposited in the lending institution and the amount of any correspondent account which the proposed subsidiary bank will maintain with the lending institution should not exceed the amount necessary to compensate the lending bank for correspondent services rendered by it to the proposed subsidiary bank; **(e)** the Reserve Bank determines that the managerial and financial resources including the equity capital accounts[3] of the proposed subsidiary bank are adequate, or will be adequate within a reasonable period of time after the bank is acquired, and any debt service requirements to which the proposed holding company may be subject are such as to enable it to maintain the capital adequacy of the proposed subsidiary bank in the foreseeable future.[4]

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[2] Less than all of the outstanding shares of the bank may be acquired provided that where a greater number of shares are tendered than are proposed to be purchased, the offeror will purchase the shares tendered on a *pro rata* basis (except for fractional interests) according to the number of shares tendered by each shareholder. Where an offer is not identical to all shareholders, the burden is on the applicant to demonstrate the substantial equivalence of the offers extended.

[3] The term "equity capital accounts" means capital stock, surplus, undivided profits, and reserves for contingencies, and other capital reserves.

[4] This delegation includes authority to approve (a) a merger transaction under the provisions of section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)) and (b) an application, under section 9 of the Federal Reserve Act (12 U.S.C. 321), for membership in the Federal Reserve System that are incidental to an application to become a one-bank holding company.

FEDERAL RESERVE
press release

For immediate release October 30, 1972

The Board of Governors of the Federal Reserve System today announced a revised procedure designed to expedite the handling of applications to form one-bank holding companies.

The Board issued revised guidelines for the use of the Federal Reserve Banks under delegated authority in processing applications to form holding companies controlling one bank. Applications which meet the standards set forth in the guidelines may be approved by the Reserve Banks. Applications that do not meet the guideline standards must be forwarded to the Board for action. The Board retains exclusive authority to deny applications of this type.

Effective September 1, 1971, the Board delegated to the Reserve Banks certain authority to approve formations of one-bank holding companies and issued guidelines for the Reserve Banks to follow in processing applications of this type. The revised guidelines now issued take the place of the previous guidelines. The Board held an oral presentation in this matter on June 28, 1971.

After considering all material submitted, the Board authorized the attached new guidelines for the use of Reserve Banks in approving the formation of one-bank holding companies.

Attachment