

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 74-48
February 19, 1974

PROPOSED AMENDMENT TO REGULATION L
(To Assist Development of Banks in Depressed Areas)

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

The Board of Governors of the Federal Reserve System announced February 11, 1974, a proposed amendment to its Regulation L, "Interlocking Bank Relationships Under the Clayton Act." The proposal would permit certain interlocking relationships by a director, officer or employee of a member bank with a bank located in a low income or economically depressed area, to assist in the development of such bank.

A copy of the proposal is attached. Interested persons are invited to submit their views to the Secretary of the Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than March 15, 1974.

Yours very truly,

P. E. Coldwell

President

Enclosure (1)

FEDERAL RESERVE SYSTEM

[Reg. L)

INTERLOCKING RELATIONSHIPS UNDER
THE CLAYTON ACT

Notice of Proposed Amendment

The Board of Governors is inviting comment on a proposed amendment to Federal Reserve Regulation L (12 CFR 212) that would, under certain circumstances, permit interlocking service by a director, officer or employee of a member bank with another bank, banking association, savings bank or trust company located in a low income or other economically depressed area.

Interlocking relationships between member banks and other banking institutions are generally subject to the prohibitions of section 8 of the Clayton Act (15 U.S.C. 19). In addition to the exceptions expressly provided in the statute, the Board is empowered to permit by regulation interlocking relationships between a member bank and not more than one other institution. Minority-owned and other banks in low income or other economically depressed areas are often in need of managerial assistance; such assistance may sometimes be provided by banks and other institutions but for the prohibitions of section 8. Accordingly, the Board believes that public benefits may result from the amendment under consideration and that such amendment, in the form proposed, would not be inconsistent with the purposes of section 8 of the Clayton Act or other statutes administered by the Board.

To implement the proposal, § 212.3 of Regulation L would be amended by adding a new subparagraph (g) to read as follows:

§ 212.3 Relationships permitted by Board.

In addition to any relationships covered by the foregoing exception, not more than one of the following relationships is hereby permitted by the Board of Governors of the Federal Reserve System in the case of any one individual.

* * * * *

(g) Bank in low income area. Any director, officer or employee of a member bank of the Federal Reserve System may be at the same time a director, officer or employee of not more than one other bank located, or to be located, in a low income or other economically depressed area, subject to the following conditions: (1) the other bank's federal supervisory agency determines that such relationship is necessary to provide management or operating expertise to such other bank; (2) not more than three interlocking relationships between any two banks shall be permitted by this paragraph, except that persons serving in interlocking relationships pursuant to this paragraph shall in no instance constitute a majority of the board of directors of the other bank; (3) no interlocking relationship permitted by this paragraph shall continue for more than a five-year period, or (4) upon such other terms and conditions in addition to or in lieu of the foregoing, as may be determined by the Board in any specific case.

To aid in consideration of this matter by the Board, interested persons are invited to submit relevant views, data and argument. Any such material should be submitted to the Secretary of the Board of Governors of the Federal Reserve System, Washington, D. C. 20551 to be received not later than March 15, 1974. Such material 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.

(Signed) Chester B. Feldberg

Chester B. Feldberg
Secretary of the Board

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