

FEDERAL RESERVE BANK OF DALLAS  
DALLAS, TEXAS 75222

Circular No. 74-142  
May 29, 1974

AMENDMENTS TO REGULATIONS L AND Y  
(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 on May 20, 1974, regulatory changes which will aid the development of banks in low income or other economically depressed areas.

An amendment to Regulation L, "Interlocking Bank Relationships Under the Clayton Act", would permit interlocking personnel relationships between banks under certain conditions. An interpretation to this regulation sets forth the criteria which may be used in designating a low income or other depressed area.

An amendment to Regulation Y, "Bank Holding Companies", makes an exception under that regulation to permit a bank holding company which provides bank management consulting advice to certain banks to have interlocking personnel relationships with such banks.

A copy of the Board's press release announcing details of the changes is attached. Copies of the amendments and interpretation, which become effective June 20, 1974, are enclosed for insertion in the ring binder containing Regulations of the Board of Governors and the Bulletins of the Federal Reserve Bank of Dallas.

Yours very truly,

P. E. Coldwell

President

Enclosures (2)



# FEDERAL RESERVE

## press release

For Immediate Release

May 20, 1974

The Board of Governors of the Federal Reserve System today announced two regulatory changes designed to aid the development of banks in low income or other economically depressed areas.

One of the regulatory amendments makes an exception under Regulation L to permit interlocking personnel relationships, under certain conditions, in low income or depressed areas. Generally, directors, officers and employees of member banks are prohibited from holding similar positions in another bank, savings institution or trust company in the same, or adjacent, communities.

The second makes an exception under Regulation Y to permit a bank holding company which provides bank management consulting advice to an unaffiliated bank in a depressed or low income area, to have interlocking personnel relationships with the nonaffiliated bank. In general, Regulation Y does not permit a bank holding company to give management consulting advice to a non-affiliated bank if there are interlocking personnel relationships.

The amendments are to be effective June 20, 1974.

Interlocking personnel will be permitted only upon the following conditions:

- Any director, officer or employee of a member bank may be a director, officer or employee of not more than one other bank, located or to be located, in a low income or economically depressed area;
- The interlocking relationship is necessary to provide management or operating expertise;

- There are no more than three interlocking relationships between any two banks, and interlocking personnel do not constitute a majority of the board of directors of the bank being assisted;
- Interlocking relationships are not to last more than five years; and
- The Board may determine other terms and conditions in specific cases in addition to, or in lieu of, the above.

The Board also adopted an interpretation of its amendment to Regulation L setting forth criteria that may be used in designating a "low income or other economically depressed area". The Board said such an area is one, without regard to political or other subdivisions or boundaries, that has some or all of the following characteristics:

- A rate of unemployment substantially above the national average.
- A median level of family income significantly below the national median.
- The economy of the area has traditionally been dominated by one or two industries and these are in a state of long-term decline.
- Labor and capital are leaving the area to a substantial degree.
- The area is adversely affected by changing industrial technology.
- The area is adversely affected by changes in national defense production or facilities.

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## INTERLOCKING BANK RELATIONSHIPS UNDER THE CLAYTON ACT

### AMENDMENT TO REGULATION L†

Effective June 20, 1974 section 212.3(g) is added as follows:

#### SECTION 212.3—RELATIONSHIPS PERMITTED BY BOARD

In addition to any relationships covered by the foregoing exceptions, 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) such relationship is determined by the Board to be 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, and (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.

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†For this Regulation to be complete as amended effective June 20, 1974 retain:

- 1) Printed Regulation pamphlet as amended effective August 21, 1959.
- 2) This slip sheet.

(see reverse side for applicable interpretation)

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

**INTERLOCKING BANK RELATIONSHIPS  
UNDER THE CLAYTON ACT**

**INTERPRETATION TO REGULATION L**

**§212.103 Exemption from section 8 of the Clayton Act for Banks in low income areas.**

(a) Effective June 20, 1974, the Board of Governors amended section 212.3 of Regulation L to exempt under certain circumstances from the prohibitions of section 8 of the Clayton Act (15 U.S.C. § 19) interlocking relationships between a member bank and a bank in a "low income or other economically depressed area." (12 CFR 212.3(g)). This interpretation is intended to set forth some of the criteria that may be used in the designation of such an area.

(b) A "low income or other economically depressed area" is any area, without regard to political or other subdivisions or boundaries, which have some or all of the following characteristics:

- (1) the rate of unemployment is substantially above the national rate;
- (2) the median level of family income is significantly below the national median;
- (3) the economy of the area has traditionally been dominated by only one or two industries, which are in a state of long-term decline;
- (4) the rate of outmigration of labor or capital is substantial;
- (5) the area is adversely affected by changing industrial technology;
- (6) the area is adversely affected by changes in national defense facilities or production.

5/17/74

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## BANK HOLDING COMPANIES

### AMENDMENT TO REGULATION Y†

Effective June 20, 1974 Section 225.4(a)(12)(ii) has been amended to read as follows:

#### SECTION 225.4—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:

(12) providing management consulting advice\* to nonaffiliated banks provided that, \* \* \* (ii) no officer, director or employee of the bank holding

company or any of its subsidiaries serves as an officer, director or employee of the client bank, except where such interlocking relationships are or would be permitted by section 212.3(g) of Regulation L; \* \* \*

\* \* \* \* \*

\* In performing this activity bank holding companies are not authorized to perform tasks or operations or provide services to client banks either on a daily or continuing basis, except as shall be necessary to instruct the client bank on how to perform such services for itself. See also the Board's interpretation of bank management consulting advice (12 CFR 225.131).

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†For this Regulation to be complete as amended effective June 20, 1974, retain:

- 1) Printed Regulation pamphlet as amended effective December 1, 1971.
- 2) Amendment effective June 6, 1972.
- 3) Amendment effective December 11, 1972.
- 4) Amendment effective November 15, 1973.
- 5) Amendment effective February 26, 1974.
- 6) Amendment effective March 14, 1974.
- 7) Amendment effective April 17, 1974.
- 8) This slip sheet.