

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 74-146
May 30, 1974

REPRINT OF RULES REGARDING DELEGATION OF AUTHORITY

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

Enclosed is a current reprint of the Board's "Rules Regarding Delegation of Authority" as amended effective April 4, 1974. All amendments to the regulation that have been issued and are effective through April 4 have been incorporated in the revised pamphlet.

The pamphlet should be filed in the ring binder of Regulations of the Board of Governors of the Federal Reserve System and Bulletins of the Federal Reserve Bank of Dallas which has been furnished all member banks. The pamphlet as amended effective July 4, 1967, and subsequent amendments should be destroyed.

Yours very truly,

P. E. Coldwell

President

Enclosure (1)

**BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM**

RULES REGARDING DELEGATION OF AUTHORITY

(12 CFR 265)

As amended effective April 4, 1974



Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the Federal Reserve District in which the inquiry arises.

CONTENTS

<p>SEC. 265.1—DELEGATION OF FUNCTIONS GENERALLY 3</p> <p>SEC. 265.1a—SPECIFIC FUNCTIONS DELE- GATED TO BOARD MEMBERS 3</p> <p> (a) Any Board Member designated by the Chairman 3</p> <p> (b) The Committee on Organization, Compensation, and Building Plans 3</p> <p>SEC. 265.2—SPECIFIC FUNCTIONS DELE- GATED TO BOARD EMPLOYEES AND TO FEDERAL RESERVE BANKS 4</p>	<p> (a) The Secretary of the Board 4</p> <p> (b) The General Counsel of the Board 4</p> <p> (c) The Director of the Division of Super- vision and Regulation 4</p> <p> (d) The Director of the Division of Fed- eral Reserve Bank Operations 6</p> <p> (e) The Director of the Division of Per- sonnel Administration 6</p> <p> (f) Each Federal Reserve Bank 6</p> <p> (g) The Director of the Division of Inter- national Finance 13</p> <p>SEC. 265.3—REVIEW OF ACTION AT DELE- GATED LEVEL 13</p>
--	---

STATUTORY AUTHORITY

This regulation is issued under authority of section 11(k) of the Federal Reserve Act (12 U.S.C. 248(k)), which reads as follows:

Sec. 11. The Board of Governors of the Federal Reserve System shall be authorized and empowered:

(k) To delegate, by published order or rule and subject to the Administrative Procedure Act,

any of its functions, other than those relating to rulemaking or pertaining principally to monetary and credit policies, to one or more hearing examiners, members or employees of the Board, or Federal Reserve Banks. The assignment of responsibility for the performance of any function that the Board determines to delegate shall be a function of the Chairman. The Board shall, upon the vote of one member, review action taken at a delegated level within such time and in such manner as the Board shall by rule prescribe.

RULES REGARDING DELEGATION OF AUTHORITY*

(12 CFR 265)

As amended effective April 4, 1974

SECTION 265.1—DELEGATION OF FUNCTIONS GENERALLY

Pursuant to the provisions of section 11(k) of the Federal Reserve Act (12 U.S.C. 248(k)), the Board of Governors of the Federal Reserve System delegates authority to exercise those of its functions described in this Part, subject to the limitations and guidelines herein prescribed. The Chairman of the Board of Governors assigns the responsibility for the performance of such delegated functions to the persons herein specified. A delegee may submit any matter to the Board for determination if he considers such submission appropriate because of the importance or complexity of the matter.

SECTION 265.1a—SPECIFIC FUNCTIONS DELEGATED TO BOARD MEMBERS

(a) **Any Board member designated by the Chairman** is authorized under sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M):

(1) To approve the establishment, directly or indirectly, of a foreign branch or agency by a member bank or corporation organized under section 25(a) (an "Edge" corporation) or operating under an agreement with the Board pursuant to section 25 (an "Agreement" corporation) which has already established, or has been authorized to establish, branches in two or more foreign countries.

(2) To grant specific consent to the acquisition, either directly or indirectly, by a member bank or an Edge or Agreement corporation of stock of (i) a company chartered under the laws of a foreign country or (ii) a company chartered under the laws of a State of the United States that is organized and operated for the purpose of financing exports from the United States: *Pro-*

vided, That such acquisition does not result, either directly or indirectly, in the acquisition by such bank or corporation of effective control of any such company (other than a company performing nominee, fiduciary, or other banking services incidental to the activities of a foreign branch or affiliate of such bank or corporation); and to approve any such acquisition that may exceed the limitations in section 25(a) of the Federal Reserve Act based on such a corporation's capital and surplus.

(3) To permit an Edge or Agreement corporation to exceed the limitations in § 211.9(b) and (c) of this chapter (Regulation K).¹

(4) Under § 211.4 of this chapter (Regulation K), to approve the issuance by an Edge or Agreement corporation or a subsidiary thereof of debentures, bonds, promissory notes (with a maturity of more than one year), or similar obligations: *Provided*, That such corporation is determined to be in satisfactory condition and the delegee is satisfied that the case involves no question of general policy.

(b) **The Committee on Organization, Compensation, and Building Plans**, consisting of three members of the Board designated by the Chairman, is authorized, pursuant to the twenty-second paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 307) and subject to such general guidelines as may be prescribed by the Board:

(1) To approve (i) changes in the salary structure for officers, other than the President and First Vice President, of each Federal Reserve Bank and branch thereof, and (ii) the salary of any officer of a Federal Reserve Bank holding a position below that of Senior Vice President, subject, however, to approval of such salaries by the Board in connection with year-end salary reviews and subject to guidelines approved by the Board under which each Reserve Bank makes salary recommendations.

*This text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 265, cited as 12 CFR 265. The words "this Part," as used herein, mean Rules Regarding Delegation of Authority.

¹ Subject, of course, to the limitations in section 25(a) relating to aggregate liabilities outstanding on debentures, bonds, and promissory notes.

(2) To approve (i) changes in maximum and minimum salaries for the respective grades of the salary structure for nonofficial employees of each Federal Reserve Bank and branch thereof, (ii) an increase in the special maximum salary for Grade 16 of such salary structure for each Reserve Bank or branch, and (iii) the payment of salary to any such employee in excess of the maximum or below the minimum for the grade in which the employee's position is classified.

(3) To approve (i) amendments to the authorization from the Board of Governors to the Federal Reserve Banks for the payment of separation allowances upon the involuntary termination of employment of any officer or employee of a Federal Reserve Bank or branch, and (ii) payment of such a separation allowance to any officer of a Reserve Bank or branch.

(4) To approve the payment of salary to any officer (other than the President or First Vice President) or employee of a Federal Reserve Bank whose services are retained for more than 90 days after attainment of normal retirement age.

(5) To approve amendments to the Guidelines and Objectives for Health Insurance prescribed by the Board of Governors for officers and employees of Federal Reserve Banks and their branches. In the exercise of any authority delegated under this paragraph (b), the Committee shall be guided by the objectives of promoting the efficiency of Reserve Bank operations and of maintaining the morale of Reserve Bank personnel and shall give appropriate attention to salary levels and employment practices in the relevant community but with due regard to the public character of the Federal Reserve System.

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

(a) **The Secretary of the Board** (or, in his absence, the Acting Secretary) is authorized, under the provisions of Part 261 of this chapter, to make available, upon request, information in the records of the Board.

(b) **The General Counsel of the Board** (or, in his absence, the Acting General Counsel) is authorized:

(1) Under the provisions of section 2(g) of

the Bank Holding Company Act (12 U.S.C. 1841(g)), to determine whether a company that transfers shares to any of the types of transferees specified therein is incapable of controlling the transferee.

(2) Under the provisions of section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)), to determine that a company engaged in activities of a financial, fiduciary, or insurance nature falls within the exemption described therein permitting retention or acquisition of control thereof by a bank holding company.

(3) Under the provisions of sections 1101–1103 of the Internal Revenue Code (26 U.S.C. 1101–1103), to make certifications (prior and final) for Federal tax purposes with respect to distributions pursuant to the Bank Holding Company Act.

(4) Under the provisions of section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) and § 222.4(a) of this chapter (Regulation Y), to issue an order for a hearing to be conducted for the purpose of determining whether a company engaged in activities of a financial, fiduciary, or insurance nature falls within the exemption described therein permitting retention or acquisition of control thereof by a bank holding company.

(5) Pursuant to the provisions of Part 261 of this chapter, to make available information of the Board of the nature and in the circumstances described in § 261.6(b) and § 261.7 of that Part.

(c) **The Director of the Division of Supervision and Regulation** (or, in his absence, the Acting Director) is authorized:

(1) Under the provisions of the seventh paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 325), to select or to approve the appointment of Federal Reserve Bank examiners, assistant examiners, and special examiners.

(2) Under the provisions of the nineteenth paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 625) and § 211.9(e) of this chapter (Regulation K), to require submission and publication of reports by an "Edge Act" corporation.

(3) Under the provisions of section 5 of the Bank Holding Company Act (12 U.S.C. 1844), after having received clearance from the Bureau of the Budget (where necessary) and in accordance with the law of Administrative Procedure (5

U.S.C. 553), to promulgate registration, annual report, and other forms for use in connection with the administration of such Act.

(4) Under the provisions of section 12(g) of the Securities Exchange Act (15 U.S.C. 78l(g)):

(i) to accelerate the effective date of a registration statement filed by a member State bank with respect to its securities;

(ii) to accelerate termination of the registration of such a security that is no longer held of record by 300 persons; and

(iii) to extend the time for filing a registration statement by a member State bank.

(5) Under the provisions of section 12(d) of the Securities Exchange Act (15 U.S.C. 78l(d)), to accelerate the effective date of an application by a member State bank for registration of a security on a national securities exchange.

(6) Under the provisions of section 12(f) of the Securities Exchange Act (15 U.S.C. 78l(f)), to issue notices with respect to an application by a national securities exchange for unlisted trading privileges in a security of a member State bank.

(7) Under the provisions of section 12(h) of the Securities Exchange Act (15 U.S.C. 78l(h)), to issue notices with respect to an application by a member State bank for exemption from registration.

(8) Under the provisions of § 206.5(f) and (i) of this chapter (Regulation F), to permit the mailing of proxy and other soliciting materials by a member State bank before the expiration of the time prescribed therein.

(9) Under the provisions of §§ 206.41, 206.42, and 206.43 (Instructions as to Financial Statements 9, 4, and 3, respectively) of this chapter (Regulation F), to permit the omission of financial statements from reports by a member State bank and/or to require other financial statements in addition to, or in substitution for, the statements required therein.

(10) To exercise the functions described in subparagraph (4) of paragraph (f) of this section in cases in which the conditions specified therein as prerequisites to exercise of such functions by the Federal Reserve Banks are not present or in which, even though such conditions are present, the appropriate Federal Reserve Bank considers that nevertheless it should not take action on the member bank's request, and to exercise the functions described in subparagraphs

(1), (2), and (7) of paragraph (f) of this section in cases in which the appropriate Federal Reserve Bank considers that it should not take action to approve the member bank's request.

(11) Under sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M), to approve increases and reductions in the capital stock and amendments to the articles of association of a corporation organized under section 25(a) and *additional* investments by a member bank in the stock of a corporation operating under an agreement with the Board pursuant to section 25.

(12) To exercise the functions described in subparagraphs (15)(i) and (ii) of paragraph (f); and to exercise the functions described in subparagraph (15)(iii) of paragraph (f) in those cases in which the appropriate Federal Reserve Bank concludes that, because of unusual considerations, or for other good cause, it should not take action.

(13) Under the provisions of §§ 207.2(f), 220.2(e), and 221.3(d) of this chapter (Regulations G, T, and U, respectively), to approve issuance of the list of OTC margin stocks and to add, omit, or remove any stock in circumstances indicating that such change is necessary or appropriate in the public interest.

(14) Under the provisions of the seventh paragraph of section 25 of the Federal Reserve Act (12 U.S.C. 602), to require submission of a report of condition respecting any foreign bank in which a member bank holds stock acquired under the provisions of § 213.4 of this chapter (Regulation M).

(15) Under the twelfth paragraph of section 13 of the Federal Reserve Act (39 Stat. 754) and § 203.2 of this chapter (Regulation C), to permit any member bank to accept drafts or bills of exchange drawn upon it for the purpose of furnishing dollar exchange.

(16) Under the provisions of section 4(b) of the Federal Deposit Insurance Act (12 U.S.C. 1814(b), to certify to the Federal Deposit Insurance Corporation that, with respect to the admission of a State-chartered bank to Federal Reserve membership, the factors specified in section 6 of that Act (12 U.S.C. 1816) were considered.

(17) Under section 18(c)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)(4)), to furnish to the Comptroller of the Currency

and the Federal Deposit Insurance Corporation reports on competitive factors involved in a bank merger required to be approved by one of those agencies if each of the appropriate departments or divisions of the appropriate Federal Reserve Bank and the Board of Governors is of the view that the proposed merger either would have no adverse competitive effects or would have only slightly adverse competitive effects, and if no member of the Board has indicated an objection prior to the forwarding of the report to the appropriate agency.

(18) Under the provisions of § 207.4(a) (2) (ii) of this chapter (Regulation G) to approve repayments of the 'deficiency' on stock option loans in lower amounts and over longer periods of time than those specified in the regulation.

(19) Pursuant to the provisions of Part 261 of this chapter to make available reports and other information of the Board acquired pursuant to Part 207, 220, 221, and 224 (Regulations G, T, U, and X) of the nature and in the circumstances described in § 261.6(a)(2) and (3) of Part 261.

(d) **The Director of the Division of Federal Reserve Bank Operations** (or, in his absence, the Acting Director) is authorized:

(1) Under the provisions of the sixteenth paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 304), to classify member banks for the purposes of electing Federal Reserve Bank class A and class B directors, giving consideration to (i) the statutory requirement that each of the three groups shall consist as nearly as may be of banks of similar capitalization and (ii) the desirability that every member bank have the opportunity to vote for a class A or a class B director at least once every three years.

(2) Under the provisions of the third paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 413), to apportion credit among the Reserve Banks for unfit notes that are destroyed, giving consideration to the net number of notes of each denomination that were issued by each Reserve Bank during the preceding calendar year.

(3) Under the provisions of section 19(b) of the Federal Reserve Act (12 U.S.C. 461) and § 204.2(a) (2) of this chapter (Regulation D), to permit a member bank in a reserve city to maintain reserves at the ratios prescribed for banks

not in reserve cities, provided such bank holds demand deposits of not more than \$25 million, or, demand deposits less than the amount of demand deposits of the largest bank in the city that is permitted to maintain reserves at such lower ratio, whichever is larger, giving consideration to factors such as the amount of the bank's resources, total deposits, demand deposits, demand deposits owing to banks, types of depositors and borrowers, turnover of demand deposits, geographical location within the city, and competitive position with relation to other banks in the city.

(4) Under the provisions of §§ 216.5(b), 216.5(d), and 216.6 of this chapter (Regulation P), with respect to Federal Reserve Banks and branches: (i) to require reports on security devices; (ii) to require special reports; and (iii) to determine, in view of the provisions of §§ 216.3 and 216.4, whether security devices and procedures are deficient in meeting the requirements of Part 216, to determine whether such requirements should be varied in the circumstances of a particular banking office, and to require corrective action.

(e) **The Director of the Division of Personnel Administration** (or, in his absence, the Acting Director) is authorized, under the provisions of the twenty-first paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 306), to approve the appointment of assistant Federal Reserve agents (including representatives and alternate representatives of such agents).

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

(1) Under the provisions of the third paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 321), section 5155 of the Revised Statutes (12 U.S.C. 36), and § 208.8 of this chapter (Regulation H), to approve the establishment by a State member bank of a domestic branch if the proposed branch has been approved by the appropriate State authority and if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all

considered in relation to the strength of its management;

(ii) the ability of bank's management to cope successfully with existing or foreseeable problems, and to staff the proposed branch without any significant deterioration in the overall management situation;

(iii) the convenience and needs of the community;

(iv) the competitive situation (either actual or potential);

(v) the prospects for profitable operations of the proposed branch within a reasonable time, and the ability of the bank to sustain the operational losses of the proposed branch until it becomes profitable; and

(vi) the reasonableness of bank's investment in bank premises after the expenditure for the proposed branch.

(2) Under the provisions of the sixth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 324) and the provisions of section 5199 of the Revised Statutes (12 U.S.C. 60), to permit a State member bank to declare dividends in excess of net profits for the calendar year combined with the retained net profits of the preceding two years, less any required transfers to surplus or a fund for the retirement of any preferred stock, if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management; and

(ii) the bank's capitalization after payment of the proposed dividend.

(3) Under the provisions of the tenth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 328), to approve or deny applications by State banks for waiver of the required six months' notice of intention to withdraw from Federal Reserve membership.

(4) Under the provisions of the eleventh paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 329), to permit a State member bank to reduce its capital stock if its capitalization thereafter will be:

(i) in conformity with the requirements of Federal law, and

(ii) adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management.

(5) Under the provisions of the seventeenth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 334), to extend the time, for good cause shown, within which an affiliate of a State member bank must file reports.

(6) Under the provisions of the seventh paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 372), to permit a member bank to accept commercial drafts in an aggregate amount at any one time up to 100 per cent of its capital and surplus.

(7) Under the provisions of section 24A of the Federal Reserve Act (12 U.S.C. 371d), to permit a State member bank to invest in bank premises in an amount in excess of its capital stock, if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management: *And provided, That*

(ii) upon completion of the proposed investment, the bank's aggregate investment (direct and indirect) in bank premises plus the indebtedness of any wholly-owned bank premises subsidiary will not exceed 40 per cent of its total capital funds (including capital notes and debentures) plus reserves other than valuation reserves.

(8) Under the provisions of the ninth paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 615), to extend the time in which an "Edge Act" corporation must divest itself of stock acquired in satisfaction of a debt previously contracted.

(9) Under the provisions of the twenty-second paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 628), to extend the period of corporate existence of an "Edge Act" corporation.

(10) Under the provisions of section 5(a) of the Bank Holding Company Act (12 U.S.C. 1844(a)), to extend the time within which a bank holding company must file a registration statement.

(11) Under the provisions of section 4(a) of the Bank Holding Company Act (12 U.S.C. 1843(a)), to extend the time within which a bank holding company must divest itself of interests in nonbanking organizations.

(12) Under the provisions of section 4(c)(2) of the Bank Holding Company Act (12 U.S.C. 1843(c)), to extend the time within which a bank holding company must divest itself of interests in a nonbanking organization acquired in satisfaction of a debt previously contracted.

(13) Under the provisions of section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844(c)), to require reports under oath to determine whether a company is complying with the provisions of such Act and the Board's regulations promulgated thereunder.

(14) Under the provisions of § 208.10(c) of this chapter (Regulation H), to extend the time within which a member bank that has given notice of intention to withdraw from membership must surrender its Federal Reserve Bank stock and its certificate of membership.

(15) Under the provisions of §§ 216.5(b), 216.5(d), and 216.6 of this chapter (Regulation P), with respect to State member banks only: (i) to require reports on security devices; (ii) to require special reports; and (iii) to determine, in view of the provisions of §§ 216.3 and 216.4, whether security devices and procedures are deficient in meeting the requirements of Part 216, to determine whether such requirements should be varied in the circumstances of a particular banking office, and to require corrective action.

(16) Under § 208.9(a) of this chapter (Regulation H), for good cause shown, to extend the time for publication of reports of condition, such extensions not ordinarily to be for more than 10 days except in very unusual circumstances beyond control of the reporting bank.

(17) Under the provisions of § 207.1(b) of this chapter (Regulation G), to approve applications for termination of registration by persons who are registered pursuant to § 207.1(a).

(18) Under the provisions of the second paragraph of section 25(a) of the Federal Reserve

Act (12 U.S.C. 612) and § 211.3 of this chapter (Regulation K), to approve amendments to the Articles of Association of any "Edge Act" corporation to reflect the following: (i) any increase in the capital stock of such corporation where all additional shares are to be acquired by existing shareholders; (ii) any change in the location of the home office of such corporation within the city where such corporation is presently located; and (iii) any change in the number of members of the Board of Directors of such corporation.

(19) Under § 225.4(d) of this chapter (Regulation Y),

(i) to notify a bank holding company that has informed it of a proposed acquisition of a going concern that, because the circumstances surrounding the application indicate that additional information is required or that the acquisition should be considered by the Board, the acquisition should not be consummated until specifically authorized by the Reserve Bank or by the Board.

(ii) to permit a bank holding company that has informed it of a proposed acquisition of a going concern to make the acquisition before the expiration of the 45-day period referred to in that paragraph, because exigent circumstances justify consummation of the acquisition at an earlier time.

(20) Under § 225.4(b)(1) of this chapter (Regulation Y), and subject to § 265.3 if a person submitting adverse comments that the Reserve Bank has decided are not substantive files a petition for review by the Board of that decision,

(i) to permit a bank holding company that has furnished it with a copy of a duly published notice of a proposal to engage *de novo* in activities specified in § 225.4(a) (or retain shares in a company established *de novo* and engaging in such activities) if its evaluation of the considerations specified in section 4(c)(8) of the Bank Holding Company Act leads it to conclude that the proposal can reasonably be expected to produce benefits to the public.

(ii) to notify a bank holding company that has furnished it with a duly published notice of the kind described in subdivision (i) of this subparagraph that the proposal should not be consummated until specifically authorized by the Reserve Bank or by the Board or that the proposal should be processed in accordance with the procedures of § 225.4(b)(2).

(iii) to permit a bank holding company that has furnished it with a duly published notice of the kind described in subdivision (i) of this subparagraph to consummate the proposal before the expiration of the 45-day period referred to in § 225.4(b) (1), because exigent circumstances justify consummation at an earlier time.

(21) Under § 225.4(c)(2) of this chapter (Regulation Y) to permit or stay a proposed *de novo* modification or relocation of activities engaged in by a bank holding company on the same basis as *de novo* proposals under subparagraph (20) of this paragraph.

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

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank recommended approval.

(iii) no substantive objection to the proposal has been made by a bank supervisory authority, the United States Department of Justice, or a member of the public.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(v) considerations relating to the convenience and needs of the communities to be served are consistent with or lend weight toward approval of the application.

(vi) in the event any debt incurred by the holding company to purchase shares of any bank involved in the proposal:

(a) an agreed plan for amortization of the debt within a reasonable time exists, such period normally not exceeding 12 years.

(b) 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.

(c) 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 com-

pensate the lending bank for correspondent services rendered by it to the proposed subsidiary bank(s).

(vii) the Reserve Bank determines that the managerial and financial resources, including the equity to debt relationships, of Applicant, its existing subsidiaries, and any proposed subsidiary bank, are adequate, or will be adequate within a reasonable period of time after consummation of the proposal, and any debt service requirements to which the holding company may be subject are such as to enable it to maintain the capital adequacy of any proposed subsidiary bank in the foreseeable future.

(viii) if Applicant or any of Applicant's existing or proposed nonbanking subsidiaries compete in the same geographic and product market as any proposed subsidiary bank, the resulting organization will control no more than 10 per cent of that product or service line after consummation of the proposal.

(ix) total nonbank gross revenues of Applicant and its subsidiaries do not exceed 20 per cent of total operating income of the proposed banking subsidiaries.

(x) if Applicant engages, or is to engage, in nonbanking activities requiring the Board's approval under section 4(c)(8) of the Act, the Reserve Bank must also have delegated authority to approve the section 4(c)(8) activities.

(xi) if the proposal involves the acquisition of the controlling stock of only one bank, and any debt is incurred by the holding company to purchase shares of the bank, the amount of the loan does not exceed 75 per cent of the purchase price of the shares of the proposed subsidiary bank.

(xii) if the proposal involves the acquisition of the controlling stock of more than one bank, the following additional conditions must be met:

(a) in the event any debt is incurred by the holding company to purchase shares of any proposed subsidiary bank(s), the total amount of the debt does not exceed 20 per cent of the equity capital accounts of the holding company.

(b) the Applicant will control no more than 15 per cent of total deposits in commercial banks in the State.

(xiii) neither Applicant nor the bank(s) to be acquired has entered into or proposes to enter into any agreement with any director, officer, employee or shareholder of the bank(s) that con-

tains any condition that limits or restricts in any manner the right of such persons to compete with Applicant or any of Applicant's existing or proposed subsidiaries.

(23) Under the provisions of section 3(a)(3) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the acquisition by a bank holding company of additional shares in a bank that are to be acquired through exercise of rights received, on a pro rata basis, by the bank's shareholders.

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

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank recommend approval.

(iii) no substantive objection to the proposal has been made by a bank supervisory authority, the United States Department of Justice, or a member of the public.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(v) considerations relating to the convenience and needs of the communities to be served are consistent with or lend weight toward approval of the application.

(vi) in the event any debt is incurred by the holding company to purchase shares of any bank involved in the proposal:

(a) an agreed plan for amortization of the debt within a reasonable time exists, such period normally not exceeding 12 years.

(b) 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.

(c) 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.

(vii) the Reserve Bank determines that the managerial and financial resources, including the equity to debt relationships, of Applicant, its existing subsidiaries, and any proposed subsidiary bank, are adequate, or will be adequate within a reasonable period of time after consummation of the proposal, and any debt service requirements to which the holding company may be subject are such as to enable it to maintain the capital adequacy of any existing or proposed subsidiary bank in the foreseeable future.

(viii) if Applicant or any of Applicant's existing or proposed nonbanking subsidiaries compete in the same geographic and product market as any proposed subsidiary, the resulting organization will not control more than 10 per cent of that product or service line after consummation of the proposal.

(ix) total nonbank gross revenues of Applicant and its subsidiaries do not exceed 20 per cent of total operating income of the company's existing or proposed bank subsidiaries.

(x) if Applicant engages, or is to engage, in nonbanking activities requiring the Board's approval under section 4(c)(8) of the Act, the Reserve Bank must also have delegated authority to approve the section 4(c)(8) activities.

(xi) in the event any debt is incurred by Applicant to purchase shares of the bank, the resulting total acquisition debt of the holding company will not exceed 20 per cent of the company's equity capital accounts after consummation of the proposal.

(xii) Applicant is not one of the dominant banking organizations in the State, and, unless the proposed subsidiary is a proposed new bank, Applicant will control no more than 15 per cent of the total deposits in commercial banks in the State after consummation of the proposal.

(xiii) if the bank to be acquired is an existing bank and if no banking offices of Applicant's existing subsidiary bank are located in the same market as the proposed subsidiary, the proposed subsidiary has no more than \$25 million in total deposits or controls no more than 15 per cent of deposits in commercial banks in the market.

(xiv) if the bank to be acquired is an existing bank and if any of Applicant's existing subsidiary banks compete in the same market as the proposed subsidiary, Applicant will control no more

than 10 per cent of total deposits in commercial banks in the market after consummation.

(xv) if the bank to be acquired is a proposed new bank, bank subsidiaries of Applicant will not hold in the aggregate more than 20 per cent of the total deposits in commercial banks in the relevant market area and Applicant will not be one of the dominant banking organizations in the State.

(xvi) Applicant has a proven record of furnishing to its subsidiaries, when needed, special services, management, capital funds and general guidance.

(xvii) neither Applicant nor the bank to be acquired has entered into or proposes to enter into any agreement with any director, officer, employee or shareholder of the bank that contains any condition that limits or restricts in any manner the right of such persons to compete with Applicant or any of Applicant's existing or proposed subsidiaries.

(25) To set the salaries of its officers below the level of Senior Vice Presidents (Salary Group A), excluding the General Auditor, within officer salary ranges approved and guidelines subsequently issued by the Board of Governors.

(26) Under the provisions of the first paragraph of Section 9 of the Federal Reserve Act (12 U.S.C. 325) to approve applications for membership in the Federal Reserve System if the Reserve Bank is satisfied with respect to each of the following criteria:

(i) the financial history and condition of the applying bank and the general character of its management;

(ii) the adequacy of its capital structure in relation to the character and condition of its assets and to its existing and prospective deposit liabilities and other corporate responsibilities; and its future earnings prospects;

(iii) the convenience and needs of the community to be served by the bank; and

(iv) whether its corporate powers are consistent with the purposes of the Federal Reserve Act and the Federal Deposit Insurance Act.

(27) Under the provisions of section 5(c) of the Bank Holding Company Act, as amended (12 U.S.C. 1844(c)), to grant to a bank holding company a 90-day extension of time in which to file an annual report; and for good cause shown

an additional extension of time, not to exceed 90 days, may be granted.

(28) Under the provisions of section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), to approve a merger, consolidation, acquisition of assets or assumption of liabilities, where the resulting bank is a State member bank, if all of the following conditions are met:

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank recommended approval.

(iii) no substantive objection to the proposal has been made by a bank supervisory authority, the United States Department of Justice, or a member of the public.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(v) if the banks do not have offices in the same market, the bank to be acquired has no more than \$25 million in total deposits or controls no more than 15 per cent of the total deposits - in commercial banks in the market.

(vi) if the banks compete in the same banking market, the resulting bank will control no more than 10 per cent of total deposits³ in commercial banks in the market.

(vii) neither of the merging or consolidating banks is a dominant banking organization in the State and the resulting institution will control no more than 15 per cent of the total deposits in commercial banks in the State after consummation of the proposal.⁴

(viii) the Reserve Bank determines that the managerial and financial resources, including the equity capital accounts of the resulting bank, are adequate, or will be adequate within a reasonable period of time after the proposal is consummated.

³ If either of the proponent banks is a subsidiary of a holding company and the parent company has another bank subsidiary operating in the market of the bank to be acquired, deposits of such offices should be included in the computation of market shares.

⁴ See footnote 2, above.

⁵ If either of the proponent banks is a subsidiary of a holding company, the deposits of the other subsidiary banks of the holding company should be included in determining whether the resulting institution will control more than 15 per cent of the total deposits in commercial banks in the State.

(ix) considerations relating to the convenience and needs of the communities to be served are consistent with, or lend weight toward, approval of the application.

(x) no bank involved in this proposal has entered into or proposes to enter into any agreement with any director, officer, employee or shareholder of either bank that contains any condition that limits or restricts in any manner the right of such persons to compete with the resulting institution.

(29) Under the provisions of Section 3(a) of the Bank Holding Company Act (12 U.S.C. 1842), to approve by a letter of notification without compliance with section 262.3(h) of the Board's Rules of Procedures, the retention of shares of bank stock acquired in a fiduciary capacity (with sole voting rights) for a two-year period from the date of such acquisition, provided that the Applicant undertakes unconditionally to dispose of such shares or its sole discretionary voting rights with respect to such shares within two years from the date of such acquisition.

(30) Under the provisions of section 3(a)(5) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the merger or consolidation of a bank holding company with any other bank holding company, if all of the following conditions are met:

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank recommended approval.

(iii) no substantive objection to the proposal has been made by a bank supervisory authority, the United States Department of Justice, or a member of the public.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(v) considerations relating to the convenience and needs of the communities to be served are consistent with or lend weight toward approval of the application.

(vi) in the event any debt is incurred by the resulting or surviving holding company to effect the merger or consolidation:

(a) an agreed plan for amortization of the debt within a reasonable time exists, such period normally not exceeding 12 years.

(b) the interest rate on any loan involved will be comparable with other stock collateral loans by the lender to borrowers of comparable credit standing.

(c) no compensating balances, specifically attributable to the loan, will be deposited in the lending institution and the amount of any correspondent account which the subsidiary banks of the resulting or surviving company 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 depositing bank(s).

(d) the total acquisition debt of the resulting or surviving company will not exceed 20 per cent of such company's equity capital accounts after consummation of the proposal.

(vii) the Reserve Bank determines that the managerial and financial resources, including the equity to debt relationships, of the merging or consolidating companies, and their existing subsidiaries, are adequate, or will be adequate within a reasonable period of time after consummation of the proposal, and any debt service requirements to which the resulting or surviving company may be subject are such as to enable it to maintain the capital adequacy of any existing or proposed subsidiary bank in the foreseeable future.

(viii) if either of the merging or consolidating companies or any of their subsidiaries compete in the same geographic and product market as the other merging or consolidating company or any of its subsidiaries, the resulting or surviving organization will not control more than 10 per cent of that product or service line after consummation of the proposal.

(ix) if the merging or consolidating bank holding companies do not have subsidiary banking offices in the same market, the resulting or surviving bank holding company will not acquire a subsidiary bank with more than \$25 million in deposits or with more than 15 per cent of the total deposits in commercial banks in the market.

(x) if any subsidiary bank(s) of either of the merging or consolidating companies competes in the same market as any subsidiary bank(s) of the other merging or consolidating company, the resulting or surviving company will control no more than 10 per cent of total deposits in com-

mercial banks in the market after consummation of the proposal.

(xi) neither merging or consolidating company is one of the dominant banking organizations in the State, and the resulting or surviving company will control no more than 15 per cent of total deposits in commercial banks in the State after consummation of the proposal.

(xii) total nonbank gross revenues of the merging or consolidating companies and their subsidiaries do not exceed 20 per cent of the total operating income of the merging or consolidating companies' bank subsidiaries.

(xiii) if either of the merging or consolidating companies engages, or is to engage, in nonbanking activities requiring the Board's approval under section 4(c)(8) of the Act, the Reserve Bank must also have delegated authority to approve the section 4(c)(8) activities.

(xiv) Applicant has a proven record of furnishing to its subsidiaries, when needed, special services, management, capital funds and general guidance.

(xv) neither bank holding company involved in this proposal nor any of the subsidiary banks of either bank holding company involved in this proposal has entered into or proposes to enter into any agreement with any officer, director, employee or shareholder of the bank(s) involved in this proposal that contains any condition that limits or restricts in any manner the right of such

person to compete with the resulting or surviving company or any of its existing or proposed subsidiaries.

(g) **The Director of the Division of International Finance** (or, in his absence, the Acting Director) is authorized, under the provisions of the sixth paragraph of section 14 of the Federal Reserve Act (12 U.S.C. 358) to approve the establishment of foreign accounts with the Federal Reserve Bank of New York.

SECTION 265.3—REVIEW OF ACTION AT DELEGATED LEVEL

Any action taken at a delegated level shall be subject to review by the Board only if such review is requested by a member of the Board either on his own initiative or on the basis of a petition for review by any person claiming to be adversely affected by the action. Any such petition for review must be received by the Secretary of the Board not later than the fifth day after the date of such action. Notice of any such review shall be given to the person with respect to whom such action was taken and be received by such person not later than the close of the tenth day following the date of such action. Upon receipt of such notice, such person shall not proceed further in reliance upon such action until he is notified of the outcome of review thereof by the Board.