

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 75-42
March 26, 1975

AMENDMENT TO
INTERPRETATION OF REGULATION Y

**TO ALL BANKS, BANK HOLDING COMPANIES,
AND OTHERS CONCERNED IN THE ELEVENTH
FEDERAL RESERVE DISTRICT:**

The Board of Governors of the Federal Reserve System has amended its interpretation of Regulation Y, "Bank Holding Companies," regarding activities closely related to banking. The amendment adds a Subsection 4 to Section 225.123(g), which pertains to computer output microfilm services.

A copy of the amended interpretation is printed on the reverse of this circular.

Sincerely yours,

T. W. Plant

First Vice President

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES

AMENDMENT TO INTERPRETATION OF REGULATION Y

Subsection 4 is being added to § 225.123(g) to indicate the Board's view that computer output microfilm services by themselves are not permissible data processing within the meaning of § 225.4(a)(8) of the Board's Regulation Y (12 CFR 225.4(a)(8)). The Board views the offering of computer output microfilm services by a bank holding company or a subsidiary of a bank holding company to be a permissible activity within the confines of § 225.4(a)(8) when offered only as an output option for data otherwise being permissibly processed by the bank holding company or the subsidiary of the bank holding company and not as a separate line of endeavor.

As amended, §225.123(g) reads as follows:

§ 225.123 Activities closely related to banking.

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(g) Data processing: The authority of holding companies under § 225.4(a) to engage in data processing activities is intended to permit holding companies to process, by means of a computer or

otherwise, data for others of the kinds banks have processed, by one means or another, in conducting their internal operations and accommodating their customers. It is not intended to permit holding companies to engage in automated data processing activities by developing programs either upon their own initiative or upon request, unless the data involved are financially oriented. The Board regards as incidental activities necessary to carry on the permissible activities in this area the following: (1) making excess computer time available to anyone so long as the only involvement by the holding company system is furnishing the facility and necessary operating personnel; (2) selling a byproduct of the development of a program for a permissible data processing activity; (3) furnishing any data processing service upon request of a customer if such data processing service is not otherwise reasonably available in the relevant market area; and (4) supplying formatting for computer output microfilm and supplying computer output microfilm only as an output option for data otherwise being permissibly processed by the holding company system.

3/7/75