

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 75-46
April 4, 1975

AMENDMENT TO
INTERPRETATION OF REGULATION Y

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

On March 27, 1974, you were sent Circular No. 74-84,
transmitting a copy of amendments to Regulation Y, "Bank Holding Companies,"
regarding real and personal property leasing. The Federal Register document
incorrectly stated that the amendments superseded 12 CFR 225.123, while the
amendments superseded only paragraph (d) of that section.

Effective March 7, 1975, Section 225.123 has been amended. As
an incident to the amendment, paragraphs (a) through (g) have been revised
and redesignated as (a), (b), (c), (d), and (e).

Printed on the reverse of this circular is a copy of the interpre-
tation as amended.

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

§ 225.123 Activities closely related to banking.

(a) Effective June 15, 1971, the Board of Governors has amended § 225.4(a) of Regulation Y to implement its regulatory authority under section 4(c)(8) of the Bank Holding Company Act. In some respects activities determined by the Board to be closely related to banking are described in general terms that will require interpretation from time to time. The Board's view on some questions that have arisen are set forth below.

(b) Section 225.4(a) states that a company whose ownership by a bank holding company is authorized on the basis of that section may engage solely in specified activities. That limitation refers only to activities the authority for which depends on section 4(c)(8) of the Act. It does not prevent a holding company from establishing one subsidiary to engage, for example, in activities specified in § 225.4(a) and also in activities that fall within the scope of section 4(c)(1)(C) of the Act — the "servicing" exemption.

(c) The amendments to § 225.4(a) do not apply to restrict the activities of a company previously approved by the Board on the basis of section 4(c)(8) of the Act. Activities of a company authorized on the basis of section 4(c)(8) either before the 1970 Amendments or pursuant to the amended § 225.4(a) may be shifted in a corporate reorganization to another company within the holding company system without complying with the procedures of § 225.4(b), as long as all the activities of such company are permissible under one of the exemptions in section 4 of the Act.

(d) Under the procedures in § 225.4(c), a holding company that wishes to change the location at which it engages in activities authorized pursuant to § 225.4(a) must publish notice in a newspaper of general circulation in the community to be served. The Board does not regard minor changes in location as within the coverage of that requirement. A move from one site to another within a 1-mile radius would constitute such a minor change if the new site is in the same State.

(e) 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.