



American Revolution Bicentennial

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 76-144
October 29, 1976

AMENDMENT TO REGULATION Y

Continuation of Automobile Leasing as Permissible Activity For Bank Holding Companies

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

On October 13, 1976, the Board of Governors of the Federal Reserve System issued a press release stating its determination that bank holding companies should be allowed to continue to conduct automobile leasing activities in a manner consistent with the Board's personal property leasing regulation. In connection with the statement, the Board has amended Regulation Y, "Bank Holding Companies." The amendment specifies, among other things, that such leasing may be conducted only on a nonoperating basis.

Automobile leasing has been a permissible activity for bank holding companies since April 17, 1974. The October 13 statement concluded, upon reevaluation, that automobile leasing by bank holding companies is essentially equivalent to lending functions, does not cause unfair competition, and is not contrary to the provisions of the Consumer Leasing Act of 1976.

Member banks and others that maintain Regulations Binders should file the amendment, which is printed on the reverse of this circular, in their binders. Any questions concerning the amendment should be directed to Timothy K. Irvine of our Regulations Department at (214) 651-6169.

Additional copies of the amendment will be furnished upon request to the Secretary's Office of this Bank.

Sincerely yours,
T. W. Plant
First Vice President

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y†

Effective October 13, 1976, Regulation Y is amended as follows:

1. Section 225.4(a)(6) is amended by adding a new footnote 4 at the end of paragraph 225.4(a)(6) (iii) to read as follows:

SECTION 225.4 — NONBANKING ACTIVITIES

(a) **Activities closely related to banking or managing or controlling banks.*****

* * * * *

(6) (a) Leasing personal property or acting as agent, broker, or adviser in leasing such property provided:

* * * * *

(iii) the lease is on a nonoperating basis;⁴

2. As an incident to this amendment, footnotes numbered 4 to 12 are redesignated 5 to 13.

†For this Regulation to be complete as amended effective October 13, 1976, retain:

- 1) Printed Regulation Y pamphlet as amended effective June 24, 1974;
- 2) Technical corrections in Regulation Y pamphlet covering Sections 225.3 and 225.4;
- 3) Amendment effective December 1, 1975, Section 225.5(c);
- 4) Amendment effective May 15, 1976, adding a new section 225.6; and
- 5) This slip sheet.

⁴For purposes of the leasing of automobiles, the requirement that the lease be on a nonoperating basis means that the bank holding company may not, directly or indirectly, provide for the servicing, repair, or maintenance of the leased vehicle during the lease term; purchase parts and accessories in bulk or for an individual vehicle after the lessee has taken delivery of the vehicle; provide for the loan of an automobile during servicing of the leased vehicle; purchase insurance for the lessee; or provide for the renewal of the vehicle's license merely as a service to the lessee where the lessee could renew the license without authorization from the lessor.