

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 78-71

June 5, 1978

REGULATION Y--BANK HOLDING COMPANIES

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

The Board of Governors of the Federal Reserve System has invited comment on a part of its Regulation Y, "Bank Holding Companies," authorizing bank holding companies to act as general insurance agents in towns of less than 5,000 population.

This provision has been a part of Regulation Y since 1971. However, a court decision required the Board to reconsider it. The Board requested comment on the provision to compile a record upon which to base its reconsideration. Following court action, the Board suspended consideration of applications by bank holding companies to act as general insurance agents in towns of less than 5,000 population.

Printed on the enclosed pages is the text of the Board's proposal as submitted to the *Federal Register*. Any views or requests for hearings should be submitted in writing and received by the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, not later than June 23, 1978. All materials submitted should include the docket number R-0050-B.

Sincerely yours,

Robert H. Boykin

First Vice President

Enclosure

FEDERAL RESERVE SYSTEM

[12 C.F.R. § 225]

[Reg. Y; Docket No. R-0050-B]

BANK HOLDING COMPANIES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed Rule.

SUMMARY: As a result of a series of decisions by the U.S. Court of Appeals for the Fifth Circuit, Alabama Association of Insurance Agents, Inc. v. Board of Governors of the Federal Reserve System, 533 F.2d 224 (5th Cir. 1976); rehearing denied, 558 F.2d 729 (5th Cir. 1977); cert. denied, 46 USLW 3539 (No. 77-668, February 27, 1978), that part of the Board's Regulation Y relating to permissible insurance agency activities in which bank holding companies may engage (12 C.F.R. § 225.4(a)(9)), adopted in 1971 pursuant to § 4(c)(8) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1843(c)(8)) (the "Act"), has been upheld in part, invalidated in part, and remanded in part. Section 225.4(a)(9)(iii) of Regulation Y permits bank holding companies to act as agents or brokers, in offices at which they or their subsidiaries otherwise engage in business, with respect to any insurance sold in a community that has a population not exceeding 5,000 persons or that has been demonstrated to have inadequate insurance agency facilities. The Board proposes to review that portion of the regulation (12 C.F.R. § 225.4(a)(9)(iii)(a)) that the Court of Appeals remanded to the Board.

DATE: Comments must be received on or before June 23, 1978.

ADDRESS: Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. All material submitted should include the docket number R-0050-B.

FOR FURTHER INFORMATION CONTACT: Robert E. Mannion, Associate General Counsel, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202/452-3274), or Richard Whiting, Attorney, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202/452-3786).

SUPPLEMENTARY INFORMATION: The Fifth Circuit Court of Appeals remanded to the Board for further consideration that part of 12 C.F.R. § 225.4(a)(9) that authorized bank holding companies to engage in general insurance agency activities in towns with fewer than 5,000 inhabitants. The Court instructed the Board to make further findings with respect to 12 C.F.R. § 225.4(a)(9)(iii)(a) that would establish the necessary close relationship of banking to general insurance agency activity in towns with populations not exceeding 5,000. In this connection, the Court also instructed the Board to make findings directed toward determining whether the wording of the regulation would permit remote insurance agency activity not intended to be authorized by section 4(c)(8) of the Act. In addition, the Board intends to solicit public comment regarding whether the activity of acting as insurance agent in communities demonstrated to have inadequate insurance agency facilities (12 C.F.R. § 225.4(a)(9)(iii)(b)) is closely related to banking within the meaning of section 4(c)(8) of the Act.

Accordingly, the Board invites interested persons to submit relevant data, comments, views, or arguments bearing on, but not limited to, the above issues as they relate to the following portion of its regulation (12 C.F.R. § 225.4(a)(9)(iii)):

(9) acting as insurance agent or broker in offices at which the holding company or its subsidiaries are otherwise engaged in business (or in an office adjacent thereto) with respect to the following types of insurance:

(iii) Any insurance sold in a community that (a) has a population not exceeding 5,000 inhabitants or (b) the holding company demonstrates has inadequate insurance agency facilities.

Any requests for a hearing on this matter should be accompanied by a statement summarizing the evidence the person requesting the hearing proposes to submit or to elicit at the hearing and a statement of the reasons why this matter should not be resolved without a hearing.

Any views or requests for a hearing should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than June 23, 1978. All material submitted should include the docket number R-0050-B. All views expressed in written comments on the proposal and received

by that date will be considered by the Board. Such material will be made available for inspection and copying upon request, except as provided in the Board's Rules Regarding Availability of Information (12 C.F.R. Part 261).

By order of the Board of Governors, effective May 22, 1978.

(signed) Griffith L. Garwood

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Griffith L. Garwood  
Deputy Secretary of the Board

[SEAL]