

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

**Circular No. 79-30
February 28, 1979**

**AMENDMENTS TO REGULATION Y AND
RULES REGARDING DELEGATION OF AUTHORITY**

(Changes in Control of Bank Holding Companies and State Member Banks)

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

To implement the Change in Bank Control Act of 1978 (Title VI of the Financial Institutions Regulatory and Interest Rate Control Act of 1978) ("Control Act"), the Board of Governors of the Federal Reserve System has adopted amendments to its Regulation Y and Rules Regarding Delegation of Authority that specify transactions that come within the guidelines of the Control Act and establish certain exemptions and procedures. The amendments cover changes in control of bank holding companies and state member banks. The Control Act and the amendments become effective March 10, 1979.

In a separate action, the Board has issued a policy statement which outlines general procedures for compliance with the Control Act. This policy statement and the Board's order adopting the final amendments to Regulation Y and Rules Regarding Delegation of Authority, as published in the *Federal Register*, are printed on the following pages.

Because of the early effective date of the Control Act, the Board has issued the subject amendments, which are enclosed in slip sheet form, in final form. However, the Board has invited public comment on the new rules and intends to address comments received and issue any necessary amendments as soon as practicable. Comments should be submitted in writing and received by the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, no later than April 6, 1979. All material submitted should include the Docket No. R-0199.

Member banks and others that maintain Regulations Binders are requested to file the enclosed amendments in their binders.

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-492-4403 (intrastate) and 1-800-527-4970 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

Any questions regarding the enclosed amendments should be addressed to the Attorneys' Section of our Holding Company Supervision Department, Ext. 6182. Additional copies of the amendments will be furnished upon request to the Secretary's Office of this Bank, Ext. 6267.

Sincerely yours,

Robert H. Boykin

First Vice President

Enclosures

Extract from
Federal Register
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pp. 7120 - 7122

[6210-01-M]

**CHAPTER II—FEDERAL RESERVE
SYSTEM**

**SUBCHAPTER A—BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM**

[Docket No. R-0199]

**PART 225—BANK HOLDING COMPANIES
AND CHANGE IN BANK CONTROL**

**PART 265—RULES REGARDING
DELEGATION OF AUTHORITY**

Change in Bank Control

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rules.

SUMMARY: The Change in Bank Control Act of 1978 will require persons proposing to acquire control of bank holding companies of State member banks beginning March 10, 1979, to file advance notice with the Board and to comply with certain other procedures. To implement the Act, the Board has issued final rules that specify transactions that come within the Act's coverage, and establish certain exemptions and procedures. These rules supplement a policy statement on the same subject issued today by the Board in a separate action and published in the *NOTICES* section of this issue. While it is necessary to issue final rules, effective March 10, 1979, the Board has invited public comment on the rules, and intends to address those comments and adopt any needed amendments to the rules as soon as practicable.

DATES: These rules are effective March 10, 1979. Comments must be received by April 6, 1979.

ADDRESS: Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. All material submitted must include the docket number R-0199.

FOR FURTHER INFORMATION CONTACT:

Robert E. Mannion, Associate General Counsel (202-452-3274), or James McAfee, Senior Attorney (202-452-3707), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION:

(1) Effective March 10, 1979, the Change in Bank Control Act of 1978 amends section 7(j) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)) to require advance notice to the Board by persons proposing to acquire control of bank holding companies or State member banks on or after that date. The Board today issued a policy statement regarding that Act, describing the Act's requirements, procedures, and objectives, and clarifying certain aspects of the Act. That statement is published in the notice section of this issue of the *FEDERAL REGISTER* for the guidance of persons subject to the Act. To supplement that statement the Board has amended its Regulation Y:

(a) To establish procedures for compliance with the Act's notice requirements;

(b) To define the Act's coverage to include generally transactions resulting in a person's ownership or control of 10 percent or more of any class of voting securities of a bank holding company or State member bank (i) if the institution has issued securities subject to registration under the Securities Exchange Act of 1934 or (ii) if the acquiring person will be the institution's largest shareholder;

(c) To relieve individual acquirers of the requirement that they supply personal financial statements for years earlier than the most recently completed calendar year when such statements would be unnecessary for an adequate evaluation of a proposed acquisition; and

(d) To exempt the following transactions from the Act's prior notice requirements:

(i) acquisitions of additional shares in an institution by a person already lawfully controlling that institution;

(ii) Testate or intestate succession, gifts, and foreclosures, on the condition that certain information be given promptly to the appropriate Federal Reserve Bank;

(iii) Transactions requiring approval under the Bank Merger Act or the Bank Holding Company Act;

(iv) Certain other transactions covered by the Bank Holding Company Act;

(v) Normal proxy solicitations and pro-rata stock dividends; and

(vi) Changes in control of foreign bank holding companies.

No exemption has been provided in these regulations for changes in control of foreign-based bank holding companies that do not qualify as foreign bank holding companies under § 225.4(g) of Regulation Y, but the Board encourages comment by interested persons on the propriety and scope of such an exemption.

(2) It is necessary and in the public interest for the efficient administration of the Act that regulations be adopted by the Act's effective date, March 10, 1979, and that persons subject to the Act know with reasonable certainty at the earliest time the scope of their rights and duties under the Act. For those reasons the Board finds that the notice and public procedure requirements of 5 U.S.C. 553, as well as those of the Board's policy statement of January 15, 1979, regarding expanded rulemaking procedures, are impractical, and they have not been followed. The Board invites public comment on these rules, however, and intends to address them as soon as practicable after the close of the comment period, and may address them earlier if there is an evident and compelling need to do so. Interested persons are invited to submit relevant data, views, comments, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received no later than April 6, 1979. All material should include the docket number R-0199. Such information will be made available for inspection and copying upon request except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information (12 CFR 261.6(a)).

(3) In connection with the implementation of the Act, the Board has amended its Rules Regarding Delegation of Authority (12 CFR Part 265) to permit certain actions under the Act, including the issuance of notices of the Board's intention not to disapprove a proposed change in control, extensions of periods for consideration of notices, determinations of the informational sufficiency of notices, and determinations regarding the need for notices from persons who own or will own less than 25 per cent of the voting stock of an institution, to be taken by Federal Reserve Banks. These amendments do not constitute substantive rules subject to the procedural re-

quirements of 5 U.S.C. 553, and they have been adopted without following those requirements.

(4) The rules amending Regulation Y are adopted, effective March 10, 1979, under the authority of section 7(j)(13) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(13)), as amended by the Change in Bank Control Act of 1978 (Pub. L. No. 95-630, Section 602, 92 Stat. 3683). Rules Regarding Delegation of Authority, described in paragraph (3) above, are adopted under section 11(k) of the Federal Reserve Act (12 U.S.C. 248(k)).

1. Effective March 10, 1979, the title to the Board's Regulation Y (12 CFR Part 225) is revised to read "PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL" and § 225.1 of that part (12 CFR 225.1) is revised to read as follows:

§ 225.1 Authority, scope, and definitions.

(a) *Authority and scope.* This part is issued by the Board of Governors of the Federal Reserve System under section 5(b) of the Bank Holding Company Act of 1956 ("the Act") (12 U.S.C. 1844(b)) and section 7(j)(13) of the Federal Deposit Insurance Act, as amended by the Change in Bank Control Act of 1978 ("the Control Act"), (12 U.S.C. 1817(j)(13)). Sections 225.2 through 225.6 implement the Act, and § 225.7 implements the Control Act.

(b) *Terms used in the Act.* As used in this part, the terms "bank holding company," "company," "bank," "subsidiary," and "Board" have the same meanings as those given such terms in the Act. As used in § 225.7, the term "person" has the meaning given it in the Control Act.

(c) *Federal Reserve Bank.* The term "Federal Reserve Bank" as used in this part with respect to action by, on behalf of, or directed to be taken by a bank holding company or other organization shall mean either the Federal Reserve Bank of the Federal Reserve district in which the operations of the bank holding company or other organization are principally conducted, as measured by total deposits held or controlled by it on the date on which it became, or is to become, a bank holding company, or such Reserve Bank as the Board may designate. With respect to notices filed and other actions taken under the Control Act, the term refers to the Federal Reserve Bank for institution to be acquired, as determined by the preceding sentence in the case of bank holding companies and by section 9 of the Federal Reserve Act in the case of State member banks.

2. Effective March 10, 1979, the Board's Regulation Y (12 CFR Part 225) is amended by adding a new section, § 225.7, as follows:

§ 225.7 Change in bank control.

(a) *Acquisitions of Control.*¹⁸ Under the Control Act, acquisitions by a person or persons acting in concert of the power to vote 25 percent or more of a class of voting securities of a bank holding company or State member bank, unless exempted, require prior notice to the Board. In addition, a purchase, assignment, transfer, pledge, or other disposition of voting stock through which any person will acquire ownership, control, or the power to vote ten percent or more of a class of voting securities of a bank holding company or State member bank will be deemed to be an acquisition by such person of the power to direct that institution's management or policies if:

(1) The institution has issued any class of securities subject to registration under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. 78l); or

(2) Immediately after the transaction no other person will own a greater proportion of that class of voting securities.

Other transactions resulting in a person's control of less than 25 percent of a class of voting shares of a bank holding company or State member bank would not result in control for purposes of the Act. An acquiring person may request an opportunity to contest the presumption established by this paragraph with respect to a proposed transaction. The Board will afford the person an opportunity to present views in writing or, where appropriate, orally before its designated representatives either at informal conference discussions or at informal presentations of evidence.

(b) *Notices.* Section 265.3 of the Board's rules of procedure governs the submission of notices required by the Control Act, except that notices should be sent to the Federal Reserve Bank of the district in which the affected bank or bank holding company is located. Notice shall not be considered given unless information provided is responsive to every item specified in paragraph 6 of the Control Act (12 U.S.C. 1817(j)(6)), or every item prescribed in the appropriate Board forms. With respect to personal financial statements required by paragraph 6(B) or the control Act, an individual acquirer may include a current statement of assets and liabilities, as of a date within 90 days of the notice, a brief income summary, and a statement of material changes since the date thereof, subject to the authority of the Federal Reserve Bank or the

¹⁸Control is defined in the Control Act as the power, directly or indirectly, to direct the management or policies, or to vote 25 percent or more of any class of voting securities, of an institution. 12 U.S.C. 1817(j)(8)(B).

Board to require additional information.

(c) *Exempt transactions.* The following transactions are not subject to the prior notice requirements of the Control Act:

(1) The acquisition of additional shares of a bank holding company or State member bank by a person who continuously since March 9, 1979, held power to vote 25 percent or more of the voting shares of that institution, or by a person who has acquired and maintained control of that institution after complying with the Control Act's procedures;

(2) The acquisition of additional shares of a bank holding company or State member bank by a person who under paragraph (a) of this section would be deemed to have controlled that institution continuously since March 9, 1979, if:

(i) The transaction will not result in that person's direct or indirect ownership or power to vote 25 percent or more of any class of voting securities of the institution; or

(ii) In other cases, the Board determines that the person has controlled the institution continuously since March 9, 1979;

(3) The acquisition of shares in satisfaction of a debt previously contracted in good faith or through testate or intestate succession or bona fide gift, provided the acquirer advises the Federal Reserve Bank within thirty days after the acquisition and provides any information specified in paragraph 6 of the Control Act that the Reserve Bank requests;

(4) A transaction subject to approval under section 3 of the Bank Holding Company Act or section 18 of the Federal Deposit Insurance Act;

(5) A transaction described in sections 2(a)(5) or 3(a)(A) or (B) of the Bank Holding Company Act by a person there described;

(6) A customary one-time proxy solicitation and receipt of pro-rata stock dividends; and

(7) The acquisition of shares of a foreign bank holding company, as defined in § 225.4(g): *Provided*, This exemption does not extend to the reports and information required under paragraphs 9, 10, and 12 of the Control Act (12 U.S.C. 1817(j) (9), (10), and (12)).

§ 265.2 [Amended]

3. Effective March 10, 1979, § 265.2(f) of the Board's Rules Regarding Delegation of Authority (12 CFR § 265.2(f)) is amended by adding the following new subparagraph (38):

.....
(f) * * *
(38) Under the provisions of the Change in Bank Control Act of 1978

(12 U.S.C. 1817(j)) and § 225.7 of this chapter (Regulation Y), with respect to a bank holding company or State member bank, to determine the informational sufficiency of notices and reports filed under the Act, to extend periods for consideration of notices, to determine whether a person who is or will be subject to a presumption described in § 225.7(a) of this chapter should file a notice regarding a proposed transaction, and, if all the following conditions are met, to issue a notice of intention not to disapprove a proposed change in control:

(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 concur.

(iii) If the proposal involves shares of a State member bank or a bank holding company controlling a State member bank, the appropriate bank supervisory authorities have indicated that they have no objection to the proposal, or no objection has been received from the appropriate bank supervisory authorities within the time allowed by the Act.

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

Board of Governors of the Federal Reserve System, January 31, 1979.

GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[FR Doc. 79-4083 Filed 2-5-79; 8:45 am]

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[6210-01-M]

FEDERAL RESERVE SYSTEM

[Docket No. R-0199]

CHANGE IN BANK CONTROL ACT OF 1978

Policy Statement

Introduction. The Change in Bank Control Act of 1978, Title VI of the Financial Institutions Regulatory and Interest Rate Control Act of 1978, gives the Federal bank supervisory agencies the authority to disapprove changes in control of insured banks and bank holding companies.¹ The Federal Reserve Board is the responsible Federal banking agency for changes in control of bank holding companies and State member banks, and the Federal Deposit Insurance Corporation and the Comptroller of the Currency are responsible for insured State nonmember and national banks, respectively.

The Act requires any person (broadly defined) seeking to acquire control of any insured bank or bank holding company to provide 60 days' prior written notice to the appropriate Federal banking agency. This requirement applies to all covered transactions that will be consummated after March 9, 1979. The Act specifically exempts transactions that are subject to section 3 of the Bank Holding Company Act of 1956 or section 18 of the Feder-

al Deposit Insurance Act, since these transactions are covered by existing regulatory approval procedures. Accordingly, changes in control due to acquisitions by bank holding companies and changes in control of insured banks resulting from mergers, consolidations, or other similar transactions are not covered by the Act.

The Act describes the factors that the Federal Reserve and the other Federal banking agencies are to consider in determining whether a transaction covered by the Act should be disapproved. These factors include the financial condition, competence, experience, and integrity of the acquiring person (or persons acting in concert) and the effect of the transaction on competition. The Federal Reserve Board's objectives in its administration of the Act are to enhance and maintain public confidence in the banking system by preventing identifiable serious adverse effects resulting from anticompetitive combinations of interests, inadequate financial support, and unsuitable management in these institutions. The Board will review each notice to acquire control of a State member bank or bank holding company and will disapprove transactions that are likely to have serious harmful effects. It is the Board's intention to administer the Act in a manner that will minimize delays and government regulation of private sector transactions.

If the Board disapproves a change in control, the Board will notify the proposed acquiring party in writing within three days after its decision. The notice of disapproval will contain a statement of the basis for disapproval. The Act provides that the acquiring party may request a hearing by the Board in the event of a disapproval and provides a procedure for further review by the courts.

Forms for filing notices of proposed transactions covered by the Act will be available from the Federal Reserve Banks. When a substantially complete notice is received by the Federal Reserve Bank, a letter of acknowledgment will be sent to the acquiring person indicating the date of receipt. The transaction may be completed 61 days or more after that date unless the acquiring person has been notified by the Board that the acquisition has been disapproved or that the 60-day period has been extended as provided for in the Act. To avoid undue interference with normal business transactions, the Board may issue a notice of its intention not to disapprove a proposal, after consulting the relevant State banking authorities as the Act requires.

Information to be contained in notices. The Act requires a "person" proposing to acquire control of a bank

holding company or State member bank to file a notice with the Federal Reserve Board containing personal and biographical information, detailed financial information, details of the proposed acquisition, information on any structural or managerial changes contemplated for the institution, and other relevant information required by the Board. The elements of a notice, as prescribed by paragraph 6 of the Act, are set forth in the appendix to this statement, and prescribed forms for filing notice will be available from the Federal Reserve Banks.

In order to be filed properly in accordance with the Act, a notice must be substantially complete and responsive to every item specified in paragraph 6 of the Act. When the acquiring party is an individual, or a group of individuals acting in concert, the requirement for five years' personal financial data is deleted in favor of a current statement of assets and liabilities, a brief income summary, and a statement of any material changes since the date thereof, but the Board reserves the right to require up to five years of financial data from any acquiring person.

Transactions requiring submission of notice. The act defines "control" as the power—directly or indirectly—to vote 25 per cent or more of any class of voting securities, or to direct the management or policies, of a bank holding company or insured bank. Therefore, any transaction, unless exempted by the Act, that results in the acquiring party having voting control of 25 per cent or more of any class of voting securities, or results in the power to direct the management or policies, of such an institution would trigger the notice requirement. However, any person who on March 9, 1979, controls a bank holding company or State member bank shall not be required to file a notice to maintain or increase control positions in the same institution. In addition, the Board's regulations allow persons who on March 9, 1979, fall within a presumption described in the next paragraph to acquire additional shares of an institution without filing notice so long as they will not have voting control of 25 per cent or more of the institution. In connection with transactions that would result in greater voting control, such persons may file the required notice or request that the Board make a determination that they already control the institution.

With respect to persons who have the power to vote less than 25 per cent of an institution's shares, the Board has established the following rebuttable presumptions for purposes of the notice requirements under the Act:

(1) Where an institution has issued any class of securities subject to regis-

¹The Act retains with some modification existing reporting requirements relating to loans by banks secured by stock of other banks and management changes occurring after a change in control and extends these requirements to bank holding companies and loans secured by bank holding company stock.

tration under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. 78l), and a transaction would result in a person (or group of persons acting in concert) having voting control of 10 per cent or more of any class of voting securities of that institution, the transaction results in control.

(2) Where a transaction involving any class of voting securities of a bank holding company or State member bank would result in a person (or group of persons acting in concert) having voting control of 10 per cent or more, and after the transaction the acquiring person would be the largest shareholder of that institution, the transaction results in control.

Other transactions resulting in a person's control of less than 25 per cent of a class of voting shares of a bank holding company or State member bank would not result in control for purposes of the Act. In addition, customary one-time proxy solicitations and the receipt of pro-rata stock dividends are not subject to the Act's notice requirements.

In some cases corporations, partnerships, certain trusts, associations, and similar organizations that are not already bank holding companies may be uncertain whether to proceed under this Act or under the Bank Holding Company Act with respect to a particular acquisition. These organizations should comply with the notice requirements of this Act if they are not required to secure prior Board approval under the Bank Holding Company Act. However, some transactions, particularly foreclosures by institutional lenders, fiduciary acquisitions by banks, and increases of majority holdings by bank holding companies, described in sections 2(a)(5)(D) and 3(a)(A) and (B) of the Bank Holding Company Act, do not require the Board's prior approval, but they are considered subject to section 3 of the Bank Holding Company Act and do not require notices under this Act.

Persons contemplating an acquisition that would result in a change in control of a bank holding company or State member bank should request appropriate forms and instructions from the Federal Reserve Bank in whose district the affected institution is located. If there is any doubt whether a proposed transaction requires a notice, the acquiring person should consult the Federal Reserve Bank for guidance. The Act places the burden of providing notice on the prospective acquiring person and substantial civil penalties can be imposed for willful violations.

Certain control transactions exempt from prior notice requirements. The Board's regulations exempt the following transactions from the prior notice requirements of the Act:

(1) A foreclosure of a debt previously contracted in good faith;

(2) Testate or intestate succession; and

(3) A bona fide gift.

Under these regulations, a person acquiring control in the situations described above is required to furnish certain information to the Federal Reserve Bank promptly after the transaction, and the affected institution must report promptly any changes or replacement of its chief executive officer or of any director, in accordance with paragraph 12 of the Act.

Under these regulations, acquisitions of control of foreign bank holding companies are also exempt from the prior notice requirements of the Act, but this exemption does not extend to the reports and information required under paragraphs 9, 10, and 12 of the Act.

Disapproval of changes in control. The Act sets forth various factors to be considered in the evaluation of a proposal. The Board is required to review the competitive impact of the transaction, the financial condition of the acquiring person, and the competence, experience, and integrity of that person and the proposed management of the institution. In assessing the financial condition of the acquiring person, the Board will weigh any debt servicing requirements in light of the acquiring person's overall financial strength, the institution's earnings performance, asset condition, capital adequacy, future prospects, and the likelihood of an acquiring party making unreasonable demands on the resources of the institution.

APPENDIX.—CHANGE IN BANK CONTROL ACT OF 1978 INFORMATION REQUIREMENTS

Paragraph 6 of the Act reads as follows:
Except as otherwise provided by regulation of the appropriate Federal banking agency, a notice filed pursuant to this subsection shall contain the following information:

(A) The identity, personal history, business background and experience of each person by whom or on whose behalf the acquisition is to be made, including his material business activities and affiliations during the past five years, and a description of any material pending legal or administrative proceedings in which he is a party and any criminal indictment or conviction of such person by a State or Federal court.

(B) A statement of the assets and liabilities of each person by whom or on whose behalf the acquisition is to be made, as of the end of the fiscal year for each of the five fiscal years immediately preceding the date of the notice, together with related statements of income and source and application of funds for each of the fiscal years then concluded, all prepared in accordance with generally accepted accounting principles consistently applied, and an interim statement of the assets and liabilities for each such person, together with related statements of income and source and application of funds, as of a date not more than

ninety days prior to the date of the filing of the notice.

(C) The terms and conditions of the proposed acquisition and the manner in which the acquisition is to be made.

(D) The identity, source and amount of the funds or other consideration used or to be used in making the acquisition, and if any part of these funds or other consideration has been or is to be borrowed or otherwise obtained for the purpose of making the acquisition, a description of the transaction, the names of parties, and any arrangements, agreements or understandings with such persons.

(E) Any plans or proposals which any acquiring party making the acquisition may have to liquidate the bank, to sell its assets or merge it with any company or to make any other major change in its business or corporate structure or management.

(F) The identification of any person, employed, retained, or to be compensated by the acquiring party, or by any person on his behalf, to make solicitations or recommendations to stockholders for the purpose of assisting in the acquisition, and a brief description of the terms of such employment, retainer, or arrangement for compensation.

(G) Copies of all invitations or tenders or advertisements making a tender offer to stockholders for purchase of their stock to be used in connection with the proposed acquisition.

(H) Any additional relevant information in such form as the appropriate Federal banking agency may require by regulation or by specific request in connection with any particular notice.

Board of Governors of the Federal Reserve System, January 31, 1979.

GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[FR Doc. 79-4084 Filed 2-5-79; 8:45 am]

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y†

Effective March 10, 1979, the title to the Board's Regulation Y (12 C.F.R. Part 225) is revised to read "PART 225 — BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL" and Section 225.1 of that Part (12 C.F.R. §225.1) is revised to read as follows:

SECTION 225.1 — AUTHORITY, SCOPE,
AND DEFINITIONS

(a) **Authority and scope.** This Part is issued by the Board of Governors of the Federal Reserve System under section 5(b) of the Bank Holding Company Act of 1956 ("the Act") (12 U.S.C. §1844(b)) and section 7(j)(13) of the Federal Deposit Insurance Act, as amended by the Change in Bank Control Act of 1978 ("the Control Act"), (12 U.S.C. §1817(j)(13)). Sections 225.2 through 225.6 of this Part implement the Act, and Section 225.7 of this Part implements the Control Act.

(b) **Terms used in the Act.** As used in this Part, the terms "bank holding company," "company," "bank," "subsidiary," and "Board" have the same

meanings as those given such terms in the Act. As used in section 225.7 of this Part, the term "person" has the meaning given it in the Control Act.

(c) **Federal Reserve Bank.** The term "Federal Reserve Bank" as used in this Part with respect to action by, on behalf of, or directed to be taken by a bank holding company or other organization shall mean either the Federal Reserve Bank of the Federal Reserve district in which the operations of the bank holding company or other organization are principally conducted, as measured by total deposits held or controlled by it on the date on which it became, or is to become, a bank holding company, or such Reserve Bank as the Board may designate. With respect to notices filed and other actions taken under the Control Act, the term refers to the Federal Reserve Bank for institution to be acquired, as determined by the preceding sentence in the case of bank holding companies and by section 9 of the Federal Reserve Act in the case of State member banks.

†For this Regulation to be complete as amended effective March 10, 1979, retain:

- 1) Printed Regulation Y pamphlet as amended effective April 5, 1978;
- 2) Amendment effective January 1, 1979, Section 225.4;
- 3) Amendment effective March 10, 1979, adding Section 225.7; and
- 4) This slip sheet.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RULES REGARDING DELEGATION OF AUTHORITY

AMENDMENT†

Effective March 10, 1979, Section 265.2(f) of the Board's Rules Regarding Delegation of Authority (12 C.F.R. §265.2(f)) is amended by adding the following new subparagraph (38):

(38) Under the provisions of the Change in Bank Control Act of 1978 (12 U.S.C. §1817(j)) and Section 225.7 of this chapter (Regulation Y), with respect to a bank holding company or State member bank, to determine the informational sufficiency of notices and reports filed under the Act, to extend periods for consideration of notices, to determine whether a person who is or will be subject to a presumption described in Section 225.7(a) of this chapter should file a notice regarding a proposed transaction, and, if all the following conditions are met, to issue a notice of intention not to disapprove a proposed change in control:

(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 concur.

(iii) if the proposal involves shares of a State member bank or a bank holding company controlling a State member bank, the appropriate bank supervisory authorities have indicated that they have no objection to the proposal, or no objection has been received from the appropriate bank supervisory authorities within time allowed by the Act.

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

†For this publication to be complete as amended effective March 10, 1979, retain:

- 1) Printed pamphlet as revised effective August 2, 1978;
- 2) Amendment effective October 19, 1978, adding paragraph (7) to Section 265.2(b);
- 3) Amendment effective January 1, 1979, Section 265.2; and
- 4) This slip sheet.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y†

Effective March 10, 1979, the Board's Regulation Y (12 C.F.R. Part 225) is amended by adding a new section, §225.7, as follows:

SECTION 225.7 — CHANGE IN BANK CONTROL

(a) **Acquisitions of Control.**¹⁴ Under the Control Act, acquisition by a person or persons acting in concert of the power to vote 25 per cent or more of a class of voting securities of a bank holding company or State member bank, unless exempted, require prior notice to the Board. In addition, a purchase, assignment, transfer, pledge, or other disposition of voting stock through which any person will acquire ownership, control, or the power to vote ten per cent or more of a class of voting securities of a bank holding company or State member bank will be deemed to be an acquisition by such person of the power to direct that institution's management or policies if:

(1) the institution has issued any class of securities subject to registration under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. §781); or

(2) immediately after the transaction no other person will own a greater proportion of that class of voting securities.

Other transactions resulting in a person's control of less than 25 per cent of a class of voting shares of a bank holding company or State member bank would not result in control for purposes of the Act. An acquiring person may request an opportunity to contest the presumption established by this paragraph with respect to a proposed transaction. The Board will afford the person an opportunity to present views in writing or, where appropriate, orally before its designated representatives either at informal conference discussions or at informal presentations of evidence.

(b) **Notices.** Section 262.3 of the Board's Rules of Procedure governs the submission of notices required by the Control Act, except that notices should be sent to the Federal Reserve Bank of the district in which the affected bank or bank holding company is located. Notice shall not be considered given unless information provided is responsive to every item specified in paragraph 6 of the Control Act (12 U.S.C. §1817(j)(6)), or every item prescribed in the appropriate Board forms. With respect to personal financial statements required by paragraph 6(B) of the Control Act, an individual acquirer may include a current

statement of assets and liabilities, as a date within 90 days of the notice, a brief income summary, and a statement of material changes since the date thereof, subject to the authority of the Federal Reserve Bank or the Board to require additional information.

(c) **Exempt transactions.** The following transactions are not subject to the prior notice requirements of the Control Act:

(1) the acquisition of additional shares of a bank holding company or State member bank by a person who continuously since March 9, 1979, held power to vote 25 per cent or more of the voting shares of that institution, or by a person who has acquired and maintained control of that institution after complying with the Control Act's procedures;

(2) the acquisition of additional shares of a bank holding company or State member bank by a person who under paragraph (a) of this section would be deemed to have controlled that institution continuously since March 9, 1979, if:

(i) the transaction will not result in that person's direct or indirect ownership or power to vote 25 per cent or more of any class of voting securities of the institution; or

(ii) in other cases, the Board determines that the person has controlled the institution continuously since March 9, 1979;

(3) the acquisition of shares in satisfaction of a debt previously contracted in good faith or through testate or intestate succession or bona fide gift, provided the acquirer advises the Federal Reserve Bank within thirty days after the acquisition and provides any information specified in paragraph 6 of the Control Act that the Reserve Bank requests;

(4) a transaction subject to approval under section 3 of the Bank Holding Company Act or section 18 of the Federal Deposit Insurance Act;

(5) a transaction described in sections 2(a)(5) or 3(a)(A) or (B) of the Bank Holding Company Act by a person there described;

(6) a customary one-time proxy solicitation and receipt of pro-rata stock dividends; and

(7) the acquisition of shares of a foreign bank holding company, as defined in section 225.4(g) of this Part, provided this exemption does not extend to the reports and information required under paragraphs 9, 10, and 12 of the Control Act (12 U.S.C. §1817(j)(9), (10) and (12)).

†For this Regulation to be complete as amended effective March 10, 1979, retain:

1) Printed Regulation Y pamphlet as amended effective April 5, 1978;
2) Amendment effective January 1, 1979, Section 225.4;
3) Amendment effective March 10, 1979, Section 225.1; and
4) This slip sheet.

¹⁴ Control is defined in the Control Act as the power, directly or indirectly, to direct the management or policies, or to vote 25 per cent or more of any class of voting securities, of an institution. 12 U.S.C. §1817(j)(8)(B).