

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 79-39

March 9, 1979

AMENDMENTS TO REGULATION Y AND  
RULES REGARDING DELEGATION OF AUTHORITY

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

Transmitted with Circular No. 79-30

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

It has come to our attention that several copies of Circular No. 79-30 were transmitted without a complete set of the three attendant amendments. In order to be sure that all Regulations Binders are complete, we are transmitting again the three amendments which should have been sent with that circular. They are:

- (1) Amendments to Regulation Y, section 225.1;
- (2) Amendments to Regulation Y, section 225.7; and
- (3) Amendments to Rules Regarding Delegation of Authority, section 265.2.

Please check your Regulations Binder to verify that it is up to date.

Sincerely yours,

Robert H. Boykin

First Vice President

Enclosures (3)

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.**<sup>14</sup> 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.

<sup>14</sup> 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).

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.