

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-120  
June 16, 1981

RULES REGARDING DELEGATION OF AUTHORITY

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

The Board of Governors of the Federal Reserve System has issued an amendment to its Rules Regarding Delegation of Authority. The amendment permits the Board's General Counsel to expedite certain exceptions to the rules against interlocking managements of depository institutions. This delegation of authority to the General Counsel is meant to speed up the granting of exceptions where the Board is not the primary supervisor.

Printed on the following pages are a copy of the Board's press release issued May 21, 1981, and a copy of the material which was submitted for publication in the Federal Register.

Sincerely yours,

William H. Wallace

First Vice President

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Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

# FEDERAL RESERVE press release



For immediate release

May 21, 1981

The Federal Reserve Board announced today that it is amending its rules of delegation of authority to permit the Board's General Counsel to expedite certain exceptions to the rules against interlocking managements of depository institutions.

Such exceptions are provided for under the Depository Institution Management Interlocks Act, when one of the institutions -- usually a small nonmember institution -- is in particular need of management expertise. In such cases, the Board relies on the advice of the primary supervisor of the institution in need of assistance in determining if an exception should be made to allow management from a member bank or a bank holding company to lend such assistance.

The delegation of authority to the General Counsel is meant to speed up the granting of exceptions where the Board is not the primary supervisor. The Board will consider other requests for exceptions.

The Board's order is attached.

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TITLE 12--BANKS AND BANKING

CHAPTER II--FEDERAL RESERVE SYSTEM

SUBCHAPTER A--BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Docket No. R-0359]

PART 265--RULES REGARDING DELEGATION OF AUTHORITY

General Counsel Authority to Approve  
Exceptions Under Regulation L

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is amending its Rules Regarding Delegation of Authority in order to delegate to its General Counsel authority to grant certain exceptions to the prohibitions against management interlocks among depository institutions contained in the Depository Institution Management Interlocks Act (12 U.S.C. § 3201 et seq.). The delegation authorizes the Board's General Counsel to grant the exceptions when the primary federal supervisory agency of the depository organization in need of management service has granted the exception. This action is intended to expedite reviews of requests for exceptions provided in Regulation L (12 C.F.R. § 212.3(b)).

EFFECTIVE DATE: May 20, 1981.

FOR FURTHER INFORMATION CONTACT: Bronwen Mason, Senior Counsel (202/452-3564), or Melanie Fein, Attorney (202/452-3594), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTAL INFORMATION: The Depository Institution Management Interlocks Act ("Interlocks Act"), which generally prohibits management interlocks among certain depository institutions, authorizes the Board of Governors to permit interlocking relationships involving bank holding companies and state member banks that would otherwise be prohibited under the Act. 12 U.S.C. § 3206. In section 212.3(b) of its Regulation L (12 C.F.R. § 212.3(b)), the Board has provided for such exceptions. If the relationship involves a depository organization subject to the supervision of another Federal supervisory agency, section 212.3(b) provides that the management official involved must also obtain the prior approval of that other agency.

The exceptions in section 212.3(b) are generally designed to allow interlocking service when one of the institutions involved in the interlock is in particular need of management expertise. In administering these provisions, it has been the Board's experience that the exceptions available under Regulation L most often relate to the managerial needs of depository institutions for which the Board is not

the primary federal supervisor, i.e. institutions other than State member banks or bank holding companies. In such cases, section 212.3(b) of Regulation L requires the Board to rely on the assessment of the depository institution's primary Federal supervisor in determining whether to grant an exception. In order to expedite review of exception requests when the primary Federal supervisor of the affected institution has approved the exception, the Board is delegating to its General Counsel the authority to grant such exceptions. Under this delegation, exceptions for institutions in need of management expertise for which the Board is the primary supervisor will continue to be considered by the Board.

The provisions of section 553 of Title 5, United States Code, relating to notice, public participation, and deferred effective date have not been followed in connection with the adoption of this amendment because the change to be effected is procedural in nature and does not constitute a substantive rule subject to the requirements of that section. The Board's extended rulemaking procedures (44 Federal Register 3,957 (1979)) have not been followed because the amendment is a technical one and because it relieves a burden that could obstruct necessary and prompt action that would be in the public interest.

In order to implement this delegation, section 265.2(b) of the Board's Rules Regarding Delegation of Authority is amended by adding paragraph (9) to read as follows:

Section 265.2--Specific Functions Delegated to Board  
Employees and to Federal Reserve Banks.

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(b) \* \* \*

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(9) Under the provisions of section 212.3(b) of this chapter (Regulation L relating to interlocking relationships permitted by Board order), to grant exceptions from the prohibitions of Regulation L when the primary Federal supervisor of the depository institution in need of management assistance has approved the exception.

Board of Governors of the Federal Reserve System, May 20, 1981.

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James McAfee  
Assistant Secretary of the Board