

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 82-135
October 25, 1982

REGULATION Y

BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL

Amendments in Slip Sheet Form

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 issued amendments to Regulation Y in slip sheet form making the Regulation current effective September 25, 1982. Please file the enclosed slip sheet in Volume II of your Regulations Binder and destroy the one dated December 1981.

Two corrections should be made to your slip sheet before filing.

1. The effective date of the amendment to section 225.4(a)(13) (page 1) should read "December 21, 1981", rather than "December 21, 1982".
2. The paragraph immediately before SECTION 225.5--ADMINISTRATION (page 3) should read "Effective April 5, 1982, section 225.5(c)(2) is amended..."

Questions regarding Regulation Y may be directed to David W. Dixon, Regulation Attorney of this Bank's Holding Company Supervision Department, Extension 6182.

Additional copies of this circular and the enclosure will be furnished upon request to the Department of Communications, Financial and Community Affairs, Extension 6289.

Sincerely yours,



William H. Wallace
First Vice President

Enclosures

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.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL

AMENDMENTS TO REGULATION Y †

As amended effective September 25, 1982

Effective March 10, 1979 the title to Regulation Y is revised to read "Part 225—Bank Holding Companies and Change in Bank Control", and section 225.1(a) and (b) are amended; effective October 24, 1979, section 225.1(c) is amended 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 in subsidiary banks on the date on which it became, or is to become, a bank holding company, or such Reserve Bank as the Board may designate. In the case of a foreign banking organization that is not a bank holding company but which has one or more branches, agencies, or com-

mercial lending companies located in any State of the United States or the District of Columbia, "Federal Reserve Bank" shall mean, unless otherwise determined by the Board, the Reserve Bank of the district in which its banking assets are the largest as of the later of January 1, 1980, or the date that it establishes its first branch, agency, or commercial lending company. With respect to notices filed and other actions taken under the Control Act, the term refers to the Federal Reserve Bank for the 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.

Effective September 25, 1982, Section 225.4(a)(8)(i) and (ii) is amended; effective September 1, 1981, section 225.4(a)(9)(i) and (ii) is amended; effective December 5, 1979, section 225.4(a)(9)(iii) is amended; effective April 20, 1982, section 225.4(a)(12) is amended; effective December 21, 1982, section 225.4(a)(13) is amended; effective December 31, 1980 new section 224.5(a)(14) is added; effective January 1, 1979, section 225.4(b)(1) and (2) is amended; and effective January 3, 1981, section 225.4(g) is revised to read as follows:

SECTION 225.4 — NONBANKING
ACTIVITIES

(a) * * *

(8)(i) Providing data processing and data transmission services, data bases or facilities (including data processing and data transmission hardware, software, documentation and operating personnel) for the internal operations of the holding company or its subsidiaries;

(ii) Providing to others data processing and transmission services, facilities, data bases or access to such

† For this Regulation to be complete as amended September 25, 1982, retain:

1) Printed Regulation pamphlet dated April 5, 1978.

2) This slip sheet. (Destroy slip sheet dated December 1981.)

services, facilities, or data bases by any technologically feasible means, where:

(a) data to be processed or furnished are financial, banking or economic, and the services are provided pursuant to a written agreement so describing and limiting the services;

(b) the facilities are designed, marketed, and operated for the processing and transmission of financial, banking or economic data; and

(c) hardware in connection therewith is offered only in conjunction with software designed and marketed for the processing and transmission of financial, banking or economic data, and where the general purpose hardware does not constitute more than 30 per cent of the cost of any packaged offering.

(9) ***

(i) Any insurance that (A) is directly related to an extension of credit by a bank or bank-related firm of the kind described in this regulation, or (B) is directly related to the provision of other financial services by a bank or such a bank-related firm.

(ii) Any insurance sold by a bank holding company or a nonbanking subsidiary in a community that has a population not exceeding 5,000 (as shown by the last preceding decennial census), provided the principal place of banking business of the bank holding company is located in a community having a population not exceeding 5,000.

(iii) Any insurance sold by a bank holding company or a nonbanking subsidiary in a community that has a population not exceeding 5,000 (as shown by the last preceding decennial census) provided the principal place of banking business of the bank holding company is located in a community having a population not exceeding 5,000.

* * * * *

(12) providing management consulting advice⁹ to nonaffiliated bank and nonbank depository institutions, including commercial banks, savings and loan associations, mutual savings banks, credit unions, industrial banks, Morris Plan banks, cooperative banks, and industrial loan companies, *Provided* that,

(i) neither the bank holding company nor any of its subsidiaries own or control, directly or indirectly, any equity securities in the client institution;

(ii) no management official, as defined in 12 CFR 212.2(h), of the bank holding company or any

⁹ In performing this activity, bank holding companies are not authorized to perform tasks or operations or provide services to client institutions either on a daily or continuing basis, except as shall be necessary to instruct the client institution on how to perform such services for itself. See also the Board's interpretation of bank management consulting advice (12 CFR 225.131). This interpretation shall apply to the performance of management consulting services for nonbank depository institutions as well as for commercial banks.

of its subsidiaries serves as a management official of the client institution except where such interlocking relationships are permitted pursuant to an exemption granted under 12 CFR 212.4(b);

(iii) the advice is rendered on an explicit fee basis without regard to correspondent balances maintained by the client institution at any depository institution subsidiary of the bank holding company; and

(iv) disclosure is made to each potential client institution of (A) the names of all depository institutions which are affiliates of the consulting company, and (B) the names of all existing client institutions located in the same county(ies) or SMSA(s) as the client institution.¹⁰

(13) The sale at retail of money orders having a face value of not more than \$1,000 and the sale of U.S. Savings Bonds and the issuance and the sale of travelers checks.

(14) Performing appraisals of real estate.

(b)(1) **De novo entry.** A bank holding company may engage *de novo* (or continue to engage in an activity earlier commenced *de novo*), directly or indirectly, solely in activities described in paragraph (a) of this section, 45 days after the company has furnished its Reserve Bank a notice of the proposal (in substantially the same form as F.R. Y-4A), unless the company is notified to the contrary within that time or unless it is permitted to consummate the transaction at an earlier date on the basis of exigent circumstances of a particular case. The Board will publish in the *Federal Register* notice of any such proposal and will give interested persons an opportunity to express their views on the proposal to the Reserve Bank. If adverse comments of a substantive nature are received within the time specified in the notice,¹¹ or if it otherwise appears appropriate in a particular case, the Reserve Bank may inform the company that (i) the proposal shall not be consummated until specifically authorized by the Reserve Bank or by the Board or (ii) the proposal should be processed in accordance with the procedures of subparagraph (2) of this paragraph. With respect to activities to be engaged in outside the United States, the procedures of this subparagraph apply solely to activities to be engaged in directly by a domestic bank holding company or by domestic nonbank subsidiaries of any bank holding company. Paragraphs (f) and (g) of this

¹⁰ A bank holding company that has received the Board's prior approval to engage in offering management consulting advice to nonaffiliated commercial banks as of April 20, 1982, may offer such advice to nonbank depository institutions pursuant to this paragraph without filing an application under section 4(c)(8) of the Bank Holding Company Act for prior approval to engage in the activity, provided that it does not acquire a going concern to provide such advice.

¹¹ If a Reserve Bank decides that adverse comments are not of a substantive nature, the person submitting the comments may request review by the Board of that decision in accordance with the provisions of § 265.3 of the Board's Rules Regarding Delegation of Authority (12 CFR 265.3) by filing a petition for review with the Secretary of the Board.

section govern other international operations of bank holding companies.

(2) **Acquisition of going concern.** A bank holding company may apply to the Board to acquire or retain the assets of or shares in a company engaged solely in activities described in paragraph (a) of this section by filing an application with its Reserve Bank (Form F.R. Y-4). The Board will publish in the *Federal Register* a notice of any such application and will give interested persons an opportunity to express their views (including, where appropriate, by means of a hearing) on the question whether performance of the activity proposed by the holding company can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

* * * * *

(g) **Foreign banking organizations.** In addition to the exemptions afforded by this Part, a foreign banking organization (as defined in 12 CFR § 211.23) may engage in activities and make investments under Part 211 (Regulation K).

Effective September 25, 1982, section 225.4(c)(2) is amended to read as follows, and effective January 7, 1981, section 225.5(c)(4) is amended by removing it in its entirety:

SECTION 225.5 — ADMINISTRATION

(c) * * *

(2) If the information contained in Form TA-1 becomes inaccurate, misleading or incomplete for any reason, the bank holding company or its nonbank subsidiary shall, within sixty calendar days thereafter, file an amendment to Form TA-1 correcting the inaccurate, misleading or incomplete information.

* * * * *

Effective March 10, 1979, new section 225.7 is added as follows:

SECTION 225.7 — CHANGE IN BANK CONTROL

(a) **Acquisitions of Control.**¹⁴ Under the Control Act, acquisitions 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 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) of 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 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:

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).

(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-rate 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)).