

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 83-29  
February 28, 1983

REGULATION L  
MANAGEMENT OFFICIAL INTERLOCKS

(Final Rule)

TO ALL MEMBER BANKS  
AND OTHERS CONCERNED IN THE  
ELEVENTH FEDERAL RESERVE DISTRICT:

The Board of Governors of the Federal Reserve System has amended its Regulation L (Management Official Interlocks) to clarify the circumstances under which certain interlocks among depository institutions may be continued until 1988.

Attached is a copy of the material as published in the Federal Register on February 7, 1983. Questions concerning the material contained in this circular should be directed to the Legal Department, Extension 6228.

Additional copies of this circular will be furnished upon request to the Public Affairs Department, Extension 6289.

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

December 29, 1982

The Federal Reserve Board today announced adoption in final form of an amendment to its Regulation L -- Management Official Interlocks -- clarifying the circumstances under which certain interlocks among depository institutions may be continued until 1988.

The Board and the other Federal depository institutions supervisory agencies proposed this amendment to their regulations in October. The revised rule is being adopted by the five agencies as proposed.

The amendment to Regulation L will become effective upon publication jointly by the five agencies in the Federal Register, expected about the middle of January.

Following is the amended Section 212.5 of Regulation L:

## Grandfathered interlocking relationships

A person whose interlocking service in a position as a management official of two or more depository organizations began prior to November 10, 1978, and was not immediately prior to that date in violation of Section 8 of the Clayton Act is not prohibited from continuing to serve in such interlocking positions until November 10, 1988. Any management official who has been required to terminate or who has terminated service in one or more such interlocking positions as a result of a merger, acquisition, consolidation, or establishment of an office that formerly was defined as a change in circumstances in Section 212.6(a) (1981) is not prohibited from continuing or resuming such service until November 10, 1988.

FEDERAL RESERVE SYSTEM  
[12 C.F.R. PART 212]

DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY  
[12 C.F.R. PART 26]

FEDERAL DEPOSIT INSURANCE CORPORATION  
[12 C.F.R. PART 348]

FEDERAL HOME LOAN BANK BOARD  
[12 C.F.R. PART 563f]

NATIONAL CREDIT UNION ADMINISTRATION  
[12 C.F.R. PART 711]

Docket No. 82 -  
MANAGEMENT OFFICIAL INTERLOCKS

AGENCIES: Board of Governors of the Federal Reserve System, Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, and National Credit Union Administration.

ACTION: Final Rule.

SUMMARY: The Federal Reserve Board, Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board and National Credit Union Administration are amending their respective regulations implementing the Depository Institution Management Interlocks Act, 12 U.S.C. § 3201 et seq., to permit a management official of a depository organization who terminated a grandfathered interlock because of a change in circumstances, as defined by the agencies, to resume the interlock for the duration of the grandfather period under the Act. The agencies are extending to such management officials the benefit

of a statutory amendment to the Act, which permits management officials currently serving in grandfathered interlocks to continue such service until November 10, 1988, despite the occurrence of a change in circumstances.

EFFECTIVE DATE: The amendment is immediately effective upon publication in the Federal Register.

FOR FURTHER INFORMATION CONTACT: Bronwen Mason (202) 452-3564 or Melanie Fein (202) 452-3594, Board of Governors of the Federal Reserve System; Rosemarie Oda (202) 447-1880, Office of the Comptroller of the Currency; Pamela E.F. LeCren (202) 389-4171, or Barbara I. Gersten (202) 389-4171, Federal Deposit Insurance Corporation; David J. Bristol (202) 377-6461 or Kenneth F. Hall (202) 377-6466, Federal Home Loan Bank Board; or Steven R. Bisker (202) 357-1030, National Credit Union Administration.

SUPPLEMENTARY INFORMATION: On December 26, 1981, Public Law 97-110 was signed into law amending the Depository Institution Management Interlocks Act ("Interlocks Act"), 12 U.S.C. § 3201 et seq., to provide that mergers, acquisitions, consolidations and the establishment of offices do not constitute changes in circumstances that require termination of grandfathered interlocks. Consequently, in a final regulation published at 47 Fed.

Reg. 47369 (October 26, 1982) the agencies rescinded provisions which specified that those events constituted changes in circumstances requiring termination of grandfathered interlocks. This action had the effect of permitting management officials currently serving in grandfathered interlocking positions to continue such service until November 10, 1988, despite the occurrence of a merger, consolidation, acquisition or the establishment of an office.

This related final regulation allows management officials who terminated their interlocking service to resume such service. Under the rulemaking authority granted by § 209 of the Interlocks Act, 12 U.S.C. § 3207, the agencies are amending their respective regulations to permit such management officials to resume their interlocking service for the duration of the grandfather period. A management official who terminated a grandfathered interlock for some reason other than a change in circumstances enumerated in the regulations would not be permitted to resume the interlock. Similarly, any person who resigned from a grandfathered interlock or otherwise terminated such service for reasons other than a change in circumstances after enactment of the amendment would not be permitted to resume the interlocking service.

The agencies believe that this amendment is consistent with the Congressional intent underlying the statutory amendment to

afford an uninterrupted grandfather period for interlocks that were in existence when the Interlocks Act was enacted. This intent was expressed in a statement during Congressional consideration of the statutory amendment that management officials would be permitted to resume interlocking service for the duration of the grandfather period. 127 Cong. Rec. S. 15309 (daily ed. Dec. 15, 1981) (remarks of Senator Garn).

Interested persons were invited to comment on the proposed regulation for thirty days from the date of publication on October 26, 1982. 47 Fed. Reg. 47404. Fourteen comments were received. The commenters' reaction was overwhelmingly in favor of the amendment. In response to one comment recommending a change in the language of the amendment, the agencies have clarified the reference to the former definition of change in circumstances by listing the types of transactions that were included in that phrase that no longer apply to grandfathered interlocks.

The amendments are made effective immediately pursuant to 5 U.S.C. 553(d)(1), which authorizes waiver of a delayed effective date in the case of a substantive rule which grants or recognizes an exemption or relieves a restriction.

Regulatory Flexibility Act Analysis. Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L. No. 96-354, 5 U.S.C. § 601 et seq.), the Board of Governors of the Federal

Reserve System, the Secretary of the Treasury, the Board of Directors of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the Board of Directors of the National Credit Union Administration certify that the amendment will not have a significant economic impact on a substantial number of small entities. The amendment would ease the application of the existing regulations. The effect of the amendment is expected to be beneficial rather than adverse and small entities are generally expected to share the benefits of the amendment equally with larger institutions.

Regulatory Impact Analysis. Pursuant to Section 3(g)(1) of Executive Order 12291 of February 17, 1981, it has been determined that the amendment does not constitute a major rule within the meaning of Section 1(b) of the Executive Order. The amendment eases restrictions imposed by regulations implementing the Depository Institution Management Interlocks Act, 12 U.S.C. § 3201 et seq., and would have no adverse effect on the operations of the depository institutions subject to it. As such, the amendment would not have an annual effect on the economy of \$100 million or more, would not affect cost or prices for consumers, individual industries, government agencies or geographic regions, and would not have adverse effects on competition, employment, investment, productivity, or on the ability of United States based enterprises to compete with foreign based enterprises in domestic or export markets.

List of Subjects

12 CFR Part 26

National banks, Management official interlocks.

12 CFR Part 212

Antitrust, Holding companies.

12 CFR Part 348

Antitrust, Banks, Banking, Federal Deposit Insurance Corporation, Holding companies.

12 CFR Part 563f

Antitrust, Savings and loan associations.

12 CFR Part 711

Antitrust, Credit unions.

Accordingly, pursuant to their respective authority under section 209 of the Depository Institution Management Interlocks Act (12 U.S.C. § 3207), the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration amend 12 C.F.R. by amending Parts 212, 26, 348, 563f, and 711, respectively, as follows:



FEDERAL RESERVE SYSTEM

[12 C.F.R. PART 212]

MANAGEMENT OFFICIAL INTERLOCKS

FINAL RULE

12 C.F.R. Part 212 is amended as follows:

1. The authority citation for Part 212 reads as follows:

Authority: 12 U.S.C. § 3201 et seq.

2. Section 212.5 is amended by revising it as follows:

Section 212.5 - Grandfathered interlocking relationships

A person whose interlocking service in a position as a management official of two or more depository organizations began prior to November 10, 1978, and was not immediately prior to that date in violation of Section 8 of the Clayton Act (15 U.S.C. § 19) is not prohibited from continuing to serve in such interlocking positions until November 10, 1988. Any management official who has been required to terminate or who has terminated service in one or more such interlocking positions as a result of a merger, acquisition, consolidation, or establishment of an office that formerly was defined as a change in circumstances in 12 C.F.R. § 212.6(a) (1981) is not prohibited from continuing or resuming such service until November 10, 1988.

By order of the Board of Governors of the Federal Reserve System,  
effective January 19, 1983.

(signed) William W. Wiles

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William W. Wiles  
Secretary of the Board

[SEAL]