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**FEDERAL RESERVE BANK OF DALLAS**

Station K, Dallas, Texas 75222

Circular No. 84-70  
June 28, 1984

**TO:** All member banks and others concerned in the Eleventh Federal Reserve District

**ATTENTION:** Chief Executive Officer

**SUBJECT:** **Amendment to Regulation J -- Management Official Interlocks**

**SUMMARY:** The Board of Governors of the Federal Reserve System has amended its Regulation L to conform it with the new classifications for Metropolitan Statistical Areas. The amendment deletes all references to "Standard Metropolitan Statistical Areas" and substitutes the terminology currently used by the Office of Management and Budget.

**ATTACHMENTS:** Board's press release and the material as published in the Federal Register

**MORE INFORMATION:** Legal Department, Extension 6171

**ADDITIONAL COPIES:** Public Affairs Department, Extension 6289

# FEDERAL RESERVE press release



For immediate release

June 11, 1984

The Federal Reserve Board today amended its Regulation L (Management Official Interlocks) to conform it to recent legislation which deleted all references in the Depository Institution Management Interlocks Act to "Standard Metropolitan Statistical Areas" and substituted therefore the new classifications for Metropolitan Statistical Areas now in use by the Federal Office of Management and Budget.

In a joint notice for publication in the Federal Register the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board and the National Credit Union Administration are similarly amending their regulations. The text of the notice is available at district Federal Reserve Banks.

The amendment is effective immediately.

DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY  
[12 CFR Part 26]

FEDERAL RESERVE SYSTEM  
[12 CFR Part 212]

FEDERAL DEPOSIT INSURANCE CORPORATION  
[12 CFR Part 348]

FEDERAL HOME LOAN BANK BOARD  
[12 CFR Part 563f]

NATIONAL CREDIT UNION ADMINISTRATION  
[12 CFR Part 711]

Management Official Interlocks

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

ACTION: Final Rule.

SUMMARY: The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration (collectively referred to as the "agencies") are amending their respective regulations implementing the Depository Institution Management Interlocks Act, which generally prohibits certain management official interlocks between unaffiliated depository

institutions and depository holding companies depending upon their asset size and location. The amendments conform the regulations to a change in the Depository Institution Management Interlocks Act which deleted all references to "Standard Metropolitan Statistical Areas" ("SMSAs") and substituted therefore the new classifications for Metropolitan Statistical Areas adopted by the Office of Management and Budget.

EFFECTIVE DATE: [Immediately effective upon publication in the Federal Register].

FOR FURTHER INFORMATION CONTACT: Melanie Fein ((202) 452-3594) or Daniel Burd ((202) 452-3263), Board of Governors of the Federal Reserve System; Chari Anhouse or Jonathan Rushdoony ((202) 447-1880), Office of the Comptroller of the Currency; Fredric H. Karr or Pamela E. F. LeCren ((202) 389-4171), Federal Deposit Insurance Corporation; David J. Bristol ((202) 377-6461) or George Scruggs ((202) 377-6963), Federal Home Loan Bank Board; or Steven R. Bisker ((202) 357-1030), National Credit Union Administration.

SUPPLEMENTARY INFORMATION: On November 30, 1983, Pub. L. 98-181 amended the Depository Institution Management Interlocks Act (12 U.S.C. 3201 et seq., "Interlocks Act") by deleting the reference to Standard Metropolitan Statistical Area and

substituting therefore the new classifications of Metropolitan Statistical Areas promulgated by the Office of Management and Budget ("OMB"). The statutory amendment was necessitated by a change in the standards and terminology used by OMB.

As originally enacted, section 203(1) of the Interlocks Act (12 U.S.C. 3202) prohibited, in certain instances, management interlocks between unaffiliated depository organizations if both depository organizations had offices located in "the same standard metropolitan statistical area as defined by the Office of Management and Budget . . . ." However, standard metropolitan statistical area is no longer a defined term used by OMB. As a result of the reclassification of metropolitan statistical areas initiated by the Department of Commerce in 1980 (see 45 Fed. Reg. 956), OMB published a new listing of statistical areas ("Metropolitan Statistical Areas 1983," NIS PB 83-218891) which omitted any reference to standard metropolitan statistical areas. The new listing substituted in its place the terms Metropolitan Statistical Area ("MSA"), Primary Metropolitan Statistical Area ("PMSA"), and Consolidated Metropolitan Statistical Area ("CMSA"). Essentially, the new standards provide that any MSA with a population of one million or more may be divided into PMSAs which are smaller areas with very strong internal ties. Furthermore, two or more PMSAs may be combined and designated as a CMSA.

These changes have rendered obsolete the language of section 203(1) of the Interlocks Act as originally enacted. Accordingly, section 701(c) of Pub. L. 98-181 amended the Interlocks Act by striking out "standard metropolitan statistical area" and inserting in lieu thereof "primary metropolitan statistical area, the same metropolitan statistical area, or the same consolidated metropolitan statistical area that is not comprised of designated primary metropolitan statistical areas."

This regulatory amendment will simply conform the agencies' regulations to the amended statute. It does so by amending the regulation to preclude, in certain instances, interlocks among unaffiliated depository organizations where such depository organizations have offices in the same "relevant metropolitan statistical area." The phrase "relevant metropolitan statistical area" is defined to mean a MSA, PMSA, or a CMSA that is not comprised of designated PMSAs.

Inasmuch as the agencies are merely conforming their respective regulations to changes in the underlying statute, the amendment is being accomplished in final without opportunity for public comment and is immediately effective upon publication in the Federal Register. This action is being done under authority of sections 553(b)(A) and 553(d)(1) of the Administrative Procedure Act, which authorize waiver of public comment and

waiver of delayed effective date when the adopting agency finds for good cause that public comment and the 30-day delayed effective date are unnecessary. Because the amendments were not the subject of a notice of proposed rulemaking, they are not subject to review under the Regulatory Flexibility Act, 5 U.S.C. 601 et seq. Additionally, the Comptroller of the Currency certifies that the amendments to 12 CFR Part 26 are not a major rule as defined by Executive Order 12291.

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

List of Subjects: Antitrust; Banks, banking; Credit unions; Savings and loan associations; Federal Deposit Insurance Corporation; Federal Reserve System; Comptroller of the Currency; Federal Home Loan Bank Board; National Credit Union Administration; Holding companies; Management official interlocks.

FEDERAL RESERVE SYSTEM

[12 CFR Part 212]

MANAGEMENT OFFICIAL INTERLOCKS

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 212.2 is amended by adding a new paragraph (n) to read as follows:

§ 212.2 Definitions.

\* \* \* \* \*

(n) "Relevant metropolitan statistical area" means a Primary Metropolitan Statistical Area, a Metropolitan Statistical Area, or a Consolidated Metropolitan Statistical Area that is not comprised of designated Primary Metropolitan Statistical Areas as defined by the Office of Management and Budget.

3. Section 212.3 is amended by revising paragraph (b) to read as follows:

§ 212.3 General prohibitions.

\* \* \* \* \*

(b) Metropolitan Statistical Area. A management official of a depository organization may not serve at the same time as a



management official of another depository organization not affiliated with it if:

(1) Both are depository institutions, each has an office in the same relevant metropolitan statistical area, and either institution has total assets of \$20 million or more;

(2) Offices of depository institution affiliates of both are located in the same relevant metropolitan statistical area and either of the depository institution affiliates has total assets of \$20 million or more; or

(3) One is a depository institution that has an office in the same relevant metropolitan statistical area as a depository institution affiliate of the other and either the depository institution or the depository institution affiliate has total assets of \$20 million or more.

4. Section 212.6 is amended by revising paragraph (a) to read as follows:

§ 212.6 Changes in circumstances.

(a) Non-grandfathered interlocks. If a person's service as a management official is not grandfathered under section 212.5 of this part, the person's service must be terminated if a change in circumstances causes such service to become prohibited. Such a change may include, but is not limited to, an increase in asset size of an organization due to natural growth, a change in relevant metropolitan statistical area or community boundaries or the designation of a new

relevant metropolitan statistical area, an acquisition, merger, or consolidation, the establishment of an office, or a disaffiliation.

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By Order of the Board of Governors of the Federal Reserve System, effective June 8, 1984.

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William W. Wiles  
Secretary of the Board