



**FEDERAL RESERVE BANK
OF DALLAS**

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

October 7, 1988

DALLAS, TEXAS 75222

Circular 88-68

TO: To the Chief Executive Officer of
all financial institutions in the
Eleventh Federal Reserve District

SUBJECT

**Final rule to Regulation Y to implement the limitations placed on
grandfathered nonbank banks**

DETAILS

The Board of Governors of the Federal Reserve System has adopted a final rule that amends Regulation Y to implement the limitations placed on grandfathered nonbank banks by the Competitive Equality Banking Act of 1987 (CEBA). This regulation is effective September 28, 1988, except for Section 225.52 which will be effective January 1, 1989, and Section 225.145, which will be effective October 28, 1988.

A document detailing this amendment is available upon request. If you would like to receive a copy, please contact the Public Affairs Department at (214) 651-6289.

ATTACHMENTS

The Board's press release which summarizes this amendment is printed on the reverse side of this circular.

MORE INFORMATION

For further information, please contact Gayle Teague at (214) 744-7312.

Sincerely yours,

A handwritten signature in cursive script that reads "William H. Wallace".

FEDERAL RESERVE press release



For immediate release

September 22, 1988

The Federal Reserve Board today issued amendments to Regulation Y (Bank Holding Companies and Change in Bank Control) to implement the limitations placed on grandfathered nonbank banks by the Competitive Equality Banking Act of 1987 (CEBA).

CEBA redefined the term "bank" in the Bank Holding Company Act to include any bank whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and prohibit the formation of new FDIC-insured nonbank banks.

CEBA also contains a grandfather provision that permits a nonbanking company that controlled a nonbank bank on March 5, 1987, to retain the nonbank bank and not be treated as a bank holding company if the company and its subsidiary nonbank bank observe certain limitations.

These limitations generally restrict the ability of nonbank banks to commence new activities or to engage in new cross marketing activities with affiliates after March 5, 1987; to permit overdrafts by, or incur overdrafts on behalf of, affiliates at a Reserve Bank; and to expand their assets by more than 7 percent annually during any 12-month period after August 10, 1988.

Specific details concerning limitations on growth, treatment of overdrafts, definition of activities, and curbs on cross marketing are contained in the Board's attached notice.

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Attachment