



FEDERAL RESERVE BANK  
OF DALLAS

ROBERT D. McTEER, JR.  
PRESIDENT  
AND CHIEF EXECUTIVE OFFICER

June 7, 1993

DALLAS, TEXAS 75222

Notice 93-60

**TO:** The Chief Executive Officer of each member bank and others concerned in the Eleventh Federal Reserve District

**SUBJECT**

**Amendments to the Rules Regarding  
Delegation of Authority**

**DETAILS**

The Board has amended its Rules Regarding Delegation of Authority in order to delegate to the Secretary of the Board, and to repeal with respect to the General Counsel of the Board acting with the concurrence of the Director of the Division of Banking Supervision and Regulation, the authority to approve certain transactions requiring the approval of the Board pursuant to section 5(d)(3) of the Federal Deposit Insurance Act.

This amendment will align the Board's procedures for approving Oakar transactions with those procedures used to approve other types of applications involving a director interlock with a Federal Reserve Bank. The amendment became effective May 3, 1993.

**ATTACHMENT**

A copy of the Board's notice (Federal Reserve System Docket No. R-0799) is attached.

**MORE INFORMATION**

For more information, please contact Michael Johnson at (214) 922-6081. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

*Robert D. McTeer, Jr.*

FEDERAL RESERVE SYSTEM

12 CFR PART 265

[Docket No. R-0799]

Rules Regarding Delegation of Authority

**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 the Secretary of the Board, and to repeal with respect to the General Counsel of the Board acting with the concurrence of the Director of the Division of Banking Supervision and Regulation, the authority to approve certain transactions requiring the approval of the Board pursuant to section 5(d)(3) of the Federal Deposit Insurance Act (FDI Act). This amendment will align the Board's procedures for approving "Oakar" transactions with those procedures used to approve other types of applications involving a director interlock with a Federal Reserve Bank.

**EFFECTIVE DATE:** The amendments to Part 265 of the Board's Rules are effective May 3, 1993.

**FOR FURTHER INFORMATION CONTACT:** Terence F. Browne, Senior Attorney (202/452-3707); or Timothy J. Byrne, Attorney (202/452-3565), Legal Division, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551. For the hearing impaired only, contact Dorothea Thompson, Telecommunications Device for the Deaf (202/452-3544).

**SUPPLEMENTARY INFORMATION:**

Section 5(d)(3) of the FDI Act,<sup>1/</sup> otherwise known as the "Oakar" Amendment, authorizes the merger of Savings Association Insurance Fund (SAIF) member institutions with Bank Insurance Fund (BIF) institutions, subject to certain conditions. This provision requires the prior approval of the Board to engage in an Oakar transaction when the acquiring or resulting institution is a state-chartered bank that is a member of the Federal Reserve System, or when the resulting or acquiring institution is a BIF member bank subsidiary of a bank holding company.<sup>2/</sup>

In October 1989, the Board delegated authority to the Director of the Division of Banking Supervision and Regulation and the General Counsel to approve jointly those Oakar transactions involving failing or failed thrift institutions. The purpose of that action was to allow the Board to react quickly to emergency situations that were being resolved by the Resolution Trust Corporation and involved Oakar applications to the Board.

In early 1991, as the processing of Oakar transactions became more routine, the Board delegated authority to the Reserve Banks to approve Oakar transactions.<sup>3/</sup> Currently, the Reserve

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<sup>1/</sup> 12 U.S.C. 1815(d)(3), as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991 (Pub. L. 102-242, § 501, 105 Stat. 2236, 2388-2392 (1991)).

<sup>2/</sup> See 12 U.S.C. 1815(d)(3)(A)(i) and (E)(i).

<sup>3/</sup> 56 Federal Register 8,687 (1991)

Banks approve all Oakar applications except applications involving substantive issues that are considered by the Board, and applications in which a Reserve Bank has concluded that "because of unusual considerations, or for other good cause, it should not take action."<sup>4/</sup> Because Oakar transactions have become more common, the Reserve Banks conclude that they should not take action on an Oakar application only when there is a director interlock between a Reserve Bank or branch and the applicant. In these cases, the Director of the Division of Banking Supervision and Regulation and the General Counsel jointly approve the application.

In contrast, most of the bank holding company applications involving an interlock between an applicant and a Reserve Bank or branch are approved by the Secretary of the Board.<sup>5/</sup> In Oakar applications as well as other applications made to the Board, the applications are subject to the same level of review, and the Secretary receives a memo explaining the transactions and setting forth the recommendation of the appropriate Staff members. However, the current process for approving an Oakar application having a director interlock involves more steps than is required when the Secretary of the Board approves a bank holding company application involving a director interlock, and this Oakar approval process can be burdensome and time-consuming.

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<sup>4/</sup> 12 C.F.R. 265.6(c)(5), 7(c)(5).

<sup>5/</sup> See 12 C.F.R. § 265.5(c)(2).

In order to align the Board's procedures for approving Oakar transactions with those procedures used to approve other types of applications involving a director interlock with a Reserve Bank, and in an effort to streamline the Oakar applications process, the Board is amending its Rules Regarding Delegation of Authority to authorize the Secretary of the Board to approve Oakar transactions. This amendment will reduce the regulatory burden associated with the Oakar application process without reducing the level of Federal Reserve System analysis of Oakar transactions.

**Final Regulatory Flexibility Act Analysis**

Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L. 96-354, 5 U.S.C. 601 et seq.), the Board does not believe that these changes will have a significant adverse economic impact on a substantial number of small entities. The amendments would reduce regulatory burdens imposed by Regulation Y and the Board's Rules Regarding Delegation of Authority and have no particular adverse effect on other entities.

**Effective Date**

The provisions of the Administrative Procedures Act (APA) (5 U.S.C. 553) relating to notice, public participation, and deferred effective date have not been followed in connection with the adoption of these amendments because the changes to be effected are procedural in nature and do not constitute a substantive rule subject to the requirements of that section.

The APA grants a specific exemption from its requirements relating to notice, public participation and the deferred effective date in these instances (12 U.S.C. 553(b)(3)(A)).

**Final Paperwork Reduction Act Analysis**

No collections of information pursuant to section 3504(h) of the Paperwork Reduction Act (44 U.S.C. 3501 et seq.) are contained in these changes.

**List of Subjects in 12 CFR Part 265**

Authority delegations (Government agencies).

For the reasons set forth in the preamble, the Board is amending title 12 of the Code of Federal Regulations, part 265, as follows:

**PART 265 -- RULES REGARDING DELEGATION OF AUTHORITY**

1. The authority citation for part 265 is revised to read as follows:

**Authority:** 12 U.S.C. 248(i) and (k).

2. Section 265.5 is amended by adding paragraph (c)(3) to read as follows:

§ 265.5 Functions delegated to Secretary of the Board.

\* \* \* \* \*

(c) \*\*\*

(3) Application approval under section 5(d)(3) of the FDI Act. To approve applications pursuant to section 5(d)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1815(d)(3)), in those cases in which the appropriate Federal Reserve Bank

concludes that, because of unusual considerations, or for other good cause, it should not take action.

3. In § 265.6, paragraph (c)(5) is removed.

4. In § 265.7, paragraph (c)(5) is removed, and paragraph (c)(6) is redesignated as paragraph (c)(5).

By order of the Board of Governors of the Federal Reserve System, April 28, 1993.

(signed)

William W. Wiles  
Secretary of the Board