



FEDERAL RESERVE BANK
OF DALLAS

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

June 16, 1994

DALLAS, TEXAS
75265-5906

Notice 94-61

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

SUBJECT

**Final Amendments to Regulation H
(Membership of State Banking Institutions
in the Federal Reserve System)**

DETAILS

The Board of Governors of the Federal Reserve System adopted final amendments to Regulation H (Membership of State Banking Institutions in the Federal Reserve System).

The amendments permit state member banks that meet certain conditions to invest in its premises in an amount up to 50 percent of its Tier 1 capital without obtaining specific approval. This action will significantly reduce the number of applications to invest in bank premises that are filed with the Board and will thereby reduce regulatory burden.

ATTACHMENT

A copy of the Board's notice as it appears on pages 28761-62, Vol. 59, No. 106, of the Federal Register dated June 3, 1994, is attached.

MORE INFORMATION

For more information, please contact Dean Pankonien at (214) 922-6154. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

Robert D. McTeer, Jr.

Rules and Regulations

Federal Register

Vol. 59, No. 106

Friday, June 3, 1994

FEDERAL RESERVE SYSTEM

12 CFR Part 208

[Regulation H; Docket No. R-0773]

Membership of State Banking Institutions in the Federal Reserve System

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is amending Regulation H to allow a state member bank that meets certain conditions to invest in its premises in an amount up to 50 percent of its Tier 1 capital without obtaining specific approval. The Board believes that a general approval for a state member bank to invest an amount not exceeding 50 percent of its Tier 1 capital is appropriate for a bank that meets those conditions. This action will significantly reduce the number of applications to invest in bank premises that are filed with the Board and will thereby reduce regulatory burden.

EFFECTIVE DATE: July 5, 1994.

FOR FURTHER INFORMATION CONTACT:

Manley Williams, Attorney (202/736-5565), Legal Division; Richard Fabrizio, Senior Financial Analyst (202/452-3423); Beverly Evans, Supervisory Financial Analyst (202/452-2573); John Russell, Manager (202/452-2466), Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System. For the hearing impaired *only*, Telecommunications Device for the Deaf (TDD), Dorothea Thompson (202/452-3544), Board of Governors of the Federal Reserve System, 20th and C Street NW., Washington, DC 20551.

SUPPLEMENTARY INFORMATION: Section 24A of the Federal Reserve Act, 12 U.S.C. 371d, requires a state member bank to obtain the approval of the Board

to invest in the bank's premises if the aggregate level of direct and indirect investment in its premises will exceed the bank's capital stock account. Section 24A applies

(1) To investments in bank premises and to investments in the stock, bonds, debentures, or other such obligations of any corporation holding the premises of such bank,

(2) To the making of loans to or upon the security of the stock of any such corporation; and

(3) To the indebtedness incurred by any corporation that is an affiliate of the bank.

The Board is amending Regulation H to allow a state member board that meets certain conditions to invest in bank premises in an amount that exceeds its capital stock account but not exceeding 50 percent of its Tier 1 capital without obtaining specific approval for the investment. Prior to this amendment, a state member bank was required to obtain Board approval for each investment in bank premises if the aggregate investment exceeded, or would exceed, the capital stock account of the state member bank.

The Board believes that investments by a state member bank in bank premises in an amount in excess of its stock account but not exceeding 50 percent of the bank's Tier 1 capital generally do not present any significant risks to the bank if the bank is well capitalized, is rated CAMEL "1" or "2", and is not subject to any written agreement, cease and desist order, capital directive. The Board believes that a general approval for a state member bank to invest an amount not exceed 50 percent of its Tier 1 capital its appropriate for a bank that meets those conditions. This action will significantly reduce the number of applications to invest in bank premises that are filed with the Board and will thereby reduce regulatory burden. The amendment does not affect state member banks' ability to invest in bank premises, without conditions, up to the amount of their capital stock account.

Notice and Public Participation

The provisions of 5 U.S.C. 553(b) relating to notice and public participation have not been followed in connection with the adoption of this amendment because the changes relate to rules of agency organization, procedure, or practice.

Regulatory Flexibility Act Analysis

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), the Board certifies that the proposed amendment will not have a significant economic impact on a substantial number of small entities. The proposed amendment will reduce the regulatory burden for many small depository institutions by relieving them of the requirement to file an application in certain cases, and will have no effect in other cases.

List of Subjects in 12 CFR Part 208

Accounting, Agriculture, Banks, Banking, Confidential business information, Currency, Federal Reserve System, Reporting and recordkeeping requirements, Securities.

PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (Regulation H)

1. The authority citation for part 208 continues to read as follows:

Authority: 12 U.S.C. 36, 248(a), 248(c), 321-338a, 371d, 461, 481-486, 601, 611, 1814, 1823(j), 1828(o), 1831o, 1831p-1, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 1(b), 1(g), 1(i), 78b, 78c-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318.

2. Section 208.22 is added to subpart A read as follows:

§ 208.22 Investment in bank premises.

(a) Under Section 24A of the Federal Reserve Act, state member bank investments in bank premises or in the stock, bonds, debentures, or other such obligations of any corporation holding the premises of the bank, and loans on the security of the stock of such corporation, do not require the approval of the Board if the aggregate of all such investments and loans, together with the indebtedness incurred by any such corporation that is an affiliate of the bank (as defined in section 2 of the Banking Act of 1933, as amended, 12 U.S.C. 221a):

(1) Does not exceed the capital stock account of the bank; or

(2) Does not exceed 50 percent of the bank's Tier 1 capital and the bank:

(i) Is well capitalized as defined in § 208.33(b)(1) of this part;

(ii) Received a composite CAMEL rating of "1" or "2" as of its most recent examination by the relevant Federal

Reserve Bank or state regulatory authority; and

(iii) Is not subject to any written agreement, cease and desist order, capital directive, or prompt corrective action directive issued by the Board or a Federal Reserve Bank.

By order of the Board of Governors of the Federal Reserve System, May 25, 1994.

William W. Wiles,

Secretary of the Board.

[FR Doc. 94-13253 Filed 6-2-94; 8:45 am]

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