



FEDERAL RESERVE BANK
OF DALLAS

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

June 7, 1995

DALLAS, TEXAS
75265-5906

Notice 95-54

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

SUBJECT

**Final Amendment to the
Rules Regarding Delegation of Authority**

DETAILS

The Board of Governors of the Federal Reserve System has amended its delegation rules to allow Federal Reserve Banks to approve certain public welfare investments by state member banks under the Board's Regulation H. This amendment should provide for more expeditious processing of these requests.

The amendment is effective June 5, 1995.

ATTACHMENT

A copy of the Board's notice as it appears on pages 22256-57, Vol. 60, No. 87, of the *Federal Register* dated May 5, 1995, 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-0877]

Rules Regarding Delegation of Authority**AGENCY:** Board of Governors of the Federal Reserve System.**ACTION:** Final rule.

SUMMARY: The Board is amending its delegation rules to allow Federal Reserve Banks to approve certain public welfare investments by state member banks under the Board's Regulation H. This amendment should provide for more expeditious processing of these requests.**EFFECTIVE DATE:** June 5, 1995.**FOR FURTHER INFORMATION CONTACT:** Stephanie Martin, Senior Attorney (202-452-3198), Legal Division; Sandra

Braunstein, Manager for Community Affairs (202-452-3378), Division of Consumer and Community Affairs; Larry Cunningham, Supervisory Financial Analyst, Division of Banking Supervision and Regulation (202-452-2701); for users of the Telecommunications Device for the Deaf (TDD) only, Dorothea Thompson (202-452-3544); Board of Governors of the Federal Reserve System, Washington, DC 20551.

SUPPLEMENTARY INFORMATION: Section 9(23) of the Federal Reserve Act (12 U.S.C. 338a) allows state member banks, under certain conditions, to make investments designed primarily to promote the public welfare. Section 9(23) provides that public welfare investments must not violate state law or expose the bank to unlimited liability. Section 9(23) limits the aggregate of the bank's public welfare investments to 5 percent of the bank's capital stock and surplus, but allows the Board to increase this limit to as much as 10 percent on a case-by-case basis.

The Board's Regulation H (12 CFR 208.21) permits state member banks to make public welfare investments without prior approval if the investment is one that is listed in the regulation and if the bank meets the regulation's capital and condition requirements. Specifically, a state member bank may make an investment, without prior approval, that the Board or the Comptroller of the Currency (OCC) previously has determined to be a public welfare investment or that is an investment in a community development financial institution.¹ In addition, Regulation H allows state member banks to invest without prior approval in an entity established solely to engage in certain community development activities, such as low- and moderate-income housing, nonresidential real estate development, small business development, and job training.

In order to make a public welfare investment without prior approval, a state member bank must (1) Limit any single investment to not more than 2 percent of the bank's capital stock and surplus, (2) be at least adequately capitalized, (3) be rated a composite CAMEL "1" or "2," (4) be rated at least "satisfactory" (i.e., "2") in its last consumer compliance examination, and (5) not be subject to any written agreement, cease and desist order,

capital directive, or prompt corrective action directive.

The Board is delegating to the Federal Reserve Banks the authority to approve certain public welfare investments by state member banks that do not meet the "no-prior-approval" conditions in Regulation H. Specifically, Reserve Banks may approve investments that meet all the conditions in § 208.21(b) of Regulation H, except that:

- The bank's compliance rating is "3;"
- The investment would exceed 2 percent (but not 5 percent) of the bank's capital and surplus; or
- The aggregate of all such investments of the bank exceeds 5 percent (but not 10 percent) of its capital stock and surplus.

Administrative Procedure Act

The Administrative Procedure Act (5 U.S.C. 553(b)(A)) exempts "rules of agency organization, procedure, or practice" from the notice of proposed rulemaking and public comment requirements. As the Board's delegation rules fall under this exemption, the Board is adopting these amendments without notice-and-comment procedures.

List of Subjects in 12 CFR Part 265

Authority delegations (Government agencies), Banks, banking, Federal Reserve System.

For the reasons set forth in the preamble, the Board is amending 12 CFR Part 265 as set forth below:

PART 265—RULES REGARDING DELEGATION OF AUTHORITY

1. The authority citation for Part 265 continues to read as follows:

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

2. Section 265.11 is amended by adding a new paragraph (e)(12) to read as follows:

§ 265.11 Functions delegated to Federal Reserve Banks.

* * * * *

(e) * * *

(12) *Public welfare investments.* To permit a state member bank to make a public welfare investment that meets the conditions set forth in § 208.21(b) (1)–(8) of Regulation H (12 CFR 208), except that:

(i) The state member bank received an overall rating of "3" as of its most recent consumer compliance examination;

(ii) The investment exceeds 2 percent, but does not exceed 5 percent, of the state member bank's capital stock and surplus as defined under 12 CFR 250.162; or

(iii) The aggregate of all such investments of the state member bank exceeds 5 percent, but does not exceed 10 percent, of its capital stock and surplus as defined under 12 CFR 250.162.

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By order of the Board of Governors of the Federal Reserve System, May 1, 1995.

William W. Wiles,
Secretary of the Board.

[FR Doc. 95-11087 Filed 5-4-95; 8:45 am]

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¹ "Community development financial institution" is defined in the Community Development Banking and Financial Institutions Act of 1994 (Title I of Pub. L. 103-325, 108 Stat. 2160, section 103(5)).