

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6552]
June 1, 1970]

RULES REGARDING DELEGATION OF AUTHORITY
Amendment and Reprint

*To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:*

Enclosed are a reprint, in the new size, of the Board of Governors' Rules Regarding Delegation of Authority, as amended effective April 2, 1970, and an amendment thereto, effective May 14, 1970.

The enclosed reprint, besides replacing your small-size printing of the Rules and of the amendments thereto, reflects the following additional changes:

On February 19, 1970, subparagraph (17) of section 265.2(c) was added.

On April 2, 1970, paragraph (b) of section 265.1a was added.

The enclosed amendment changes subparagraph (17) of section 265.2(c). It delegates to the Director of the Division of Supervision and Regulation authority to furnish the responsible agency with the competitive-factor reports required by the "Bank Merger Act of 1960" in cases where there is agreement at the staff level of the Federal Reserve System that the proposed bank merger would have no, *or only slightly*, adverse competitive effects.

Additional copies of the enclosures will be furnished upon request.

ALFRED HAYES,
President.

Board of Governors of the Federal Reserve System

RULES REGARDING DELEGATION OF AUTHORITY

AMENDMENT

Effective May 14, 1970, § 265.2(c) is amended by changing subparagraph (17) to read as follows:

SECTION 265.2—SPECIFIC FUNCTIONS
DELEGATED TO BOARD EMPLOYEES
AND FEDERAL RESERVE BANKS

* * *

(c) The Director of the Division of Supervision and Regulation (or, in his absence, the Acting Director) is authorized:

* * *

(17) Under section 18(c)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1828

(c)(4)), to furnish to the Comptroller of the Currency and the Federal Deposit Insurance Corporation reports on competitive factors involved in a bank merger required to be approved by one of those agencies if each of the appropriate departments or divisions of the appropriate Federal Reserve Bank and the Board of Governors is of the view that the proposed merger either would have no adverse competitive effects or would have only slightly adverse competitive effects, and if no member of the Board has indicated an objection prior to the forwarding of the report to the appropriate agency.

**BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM**

RULES REGARDING DELEGATION OF AUTHORITY

(12 CFR 265)

As amended effective April 2, 1970



Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the Federal Reserve District in which the inquiry arises.

CONTENTS

<p>SEC. 265.1—DELEGATION OF FUNCTIONS GENERALLY 3</p> <p>SEC. 265.1a—SPECIFIC FUNCTIONS DELE- GATED TO BOARD MEMBERS 3</p> <p> (a) Any Board Member designated by the Chairman 3</p> <p> (b) The Committee on Organization, Compensation, and Building Plans 3</p> <p>SEC. 265.2—SPECIFIC FUNCTIONS DELE- GATED TO BOARD EMPLOYEES AND TO FEDERAL RESERVE BANKS 3</p>	<p> (a) The Secretary of the Board 3</p> <p> (b) The General Counsel of the Board 3</p> <p> (c) The Director of the Division of Super- vision and Regulation 4</p> <p> (d) The Director of the Division of Fed- eral Reserve Bank Operations 5</p> <p> (e) The Director of the Division of Per- sonnel Administration 5</p> <p> (f) Each Federal Reserve Bank 5</p> <p> (g) The Director of the Division of Inter- national Finance 7</p> <p>SEC. 265.3—REVIEW OF ACTION AT DELE- GATED LEVEL 7</p>
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STATUTORY AUTHORITY

This regulation is issued under authority of section 11(k) of the Federal Reserve Act (12 U.S.C. 248(k)), which reads as follows:

Sec. 11. The Board of Governors of the Federal Reserve System shall be authorized and empowered:

* * * * *

(k) To delegate, by published order or rule and subject to the Administrative Procedure Act,

any of its functions, other than those relating to rulemaking or pertaining principally to monetary and credit policies, to one or more hearing examiners, members or employees of the Board, or Federal Reserve Banks. The assignment of responsibility for the performance of any function that the Board determines to delegate shall be a function of the Chairman. The Board shall, upon the vote of one member, review action taken at a delegated level within such time and in such manner as the Board shall by rule prescribe.

RULES REGARDING DELEGATION OF AUTHORITY*

(12 CFR 265)

As amended effective April 2, 1970

SECTION 265.1—DELEGATION OF FUNCTIONS GENERALLY

Pursuant to the provisions of section 11(k) of the Federal Reserve Act (12 U.S.C. 248(k)), the Board of Governors of the Federal Reserve System delegates authority to exercise those of its functions described in this Part, subject to the limitations and guidelines herein prescribed. The Chairman of the Board of Governors assigns the responsibility for the performance of such delegated functions to the persons herein specified. A delegee may submit any matter to the Board for determination if he considers such submission appropriate because of the importance or complexity of the matter.

SECTION 265.1a—SPECIFIC FUNCTIONS DELEGATED TO BOARD MEMBERS

(a) **Any Board member designated by the Chairman** is authorized under sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M):

(1) To approve the establishment, directly or indirectly, of a foreign branch or agency by a member bank or corporation organized under section 25(a) (an "Edge" corporation) or operating under an agreement with the Board pursuant to section 25 (an "Agreement" corporation) which has already established, or has been authorized to establish, branches in two or more foreign countries.

(2) To grant specific consent to stock acquisitions, either directly or indirectly, by a member bank or an Edge or Agreement corporation (and to approve such acquisitions which may exceed the limitations in section 25(a) based on such a corporation's capital and surplus) not resulting in the acquisition, either directly or indirectly, by such bank or corporation of effective control of

any foreign company (other than a company performing nominee, fiduciary, or other banking services incidental to the activities of a foreign branch or affiliate of such bank or corporation).

(3) To permit an Edge or Agreement corporation to exceed the limitations in § 211.9 (b) and (c) of this chapter (Regulation K).¹

(b) **The Committee on Organization, Compensation, and Building Plans**, consisting of three members of the Board designated by the Chairman, is authorized, pursuant to the twenty-second paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 307), to approve the salary of any officer of a Federal Reserve Bank holding a position below that of Senior Vice President, subject to general guidelines prescribed by the Board.

SECTION 265.2—SPECIFIC FUNCTIONS DELEGATED TO BOARD EMPLOYEES AND FEDERAL RESERVE BANKS

(a) **The Secretary of the Board** (or, in his absence, the Acting Secretary) is authorized, under the provisions of Part 261 of this chapter, to make available, upon request, information in the records of the Board.

(b) **The General Counsel of the Board** (or, in his absence, the Acting General Counsel) is authorized:

(1) Under the provisions of section 2(g) of the Bank Holding Company Act (12 U.S.C. 1841(g)), to determine whether a company that transfers shares to any of the types of transferees specified therein is incapable of controlling the transferee.

(2) Under the provisions of section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)), to determine that a company engaged in activities of a financial, fiduciary, or insurance nature falls within the exemption described therein permitting retention or acquisition of control thereof by a bank holding company.

* This text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 265, cited as 12 CFR 265. The words "this Part," as used herein, mean Rules Regarding Delegation of Authority.

¹ Subject, of course, to the limitations in section 25(a) relating to aggregate liabilities outstanding on debentures, bonds, and promissory notes.

(3) Under the provisions of sections 1101-1103 of the Internal Revenue Code (26 U.S.C. 1101-1103), to make certifications (prior and final) for Federal tax purposes with respect to distributions pursuant to the Bank Holding Company Act.

(4) Under the provisions of section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843 (c)(8)) and § 222.4(a) of this chapter (Regulation Y), to issue an order for a hearing to be conducted for the purpose of determining whether a company engaged in activities of a financial, fiduciary, or insurance nature falls within the exemption described therein permitting retention or acquisition of control thereof by a bank holding company.

(c) **The Director of the Division of Supervision and Regulation** (or, in his absence, the Acting Director) is authorized:

(1) Under the provisions of the seventh paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 325), to select or to approve the appointment of Federal Reserve Bank examiners, assistant examiners, and special examiners.

(2) Under the provisions of the nineteenth paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 625) and § 211.9(e) of this chapter (Regulation K), to require submission and publication of reports by an "Edge Act" corporation.

(3) Under the provisions of section 5 of the Bank Holding Company Act (12 U.S.C. 1844), after having received clearance from the Bureau of the Budget (where necessary) and in accordance with the law of Administrative Procedure (5 U.S.C. 553), to promulgate registration, annual report, and other forms for use in connection with the administration of such Act.

(4) Under the provisions of section 12(g) of the Securities Exchange Act (15 U.S.C. 78l(g)):

(i) to accelerate the effective date of a registration statement filed by a member State bank with respect to its securities;

(ii) to accelerate termination of the registration of such a security that is no longer held of record by 300 persons; and

(iii) to extend the time for filing a registration statement by a member State bank.

(5) Under the provisions of section 12(d) of the Securities Exchange Act (15 U.S.C. 78l(d)), to accelerate the effective date of an application by a member State bank for registration of a security on a national securities exchange.

(6) Under the provisions of section 12(f) of the Securities Exchange Act (15 U.S.C. 78l(f)), to issue notices with respect to an application by a national securities exchange for unlisted trading privileges in a security of a member State bank.

(7) Under the provisions of section 12(h) of the Securities Exchange Act (15 U.S.C. 78l(h)), to issue notices with respect to an application by a member State bank for exemption from registration.

(8) Under the provisions of § 206.5(f) and (i) of this chapter (Regulation F), to permit the mailing of proxy and other soliciting materials by a member State bank before the expiration of the time prescribed therein.

(9) Under the provisions of §§ 206.41, 206.42, and 206.43 (Instructions as to Financial Statements 9, 4, and 3, respectively) of this chapter (Regulation F), to permit the omission of financial statements from reports by a member State bank and/or to require other financial statements in addition to, or in substitution for, the statements required therein.

(10) To exercise the functions described in subparagraph (4) of paragraph (f) of this section in cases in which the conditions specified therein as prerequisites to exercise of such functions by the Federal Reserve Banks are not present or in which, even though such conditions are present, the appropriate Federal Reserve Bank considers that nevertheless it should not take action on the member bank's request, and to exercise the functions described in subparagraphs (1), (2), and (7) of paragraph (f) of this section in cases in which the appropriate Federal Reserve Bank considers that it should not take action to approve the member bank's request.

(11) Under sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M), to approve increases and reductions in the capital stock and amendments to the articles of association of a corporation organized under section 25(a) and *additional* investments by a member bank in the stock of a corporation operating under an agreement with the Board pursuant to section 25.

(12) To exercise the functions described in subparagraphs (15)(i) and (ii) of paragraph (f); and to exercise the functions described in subparagraph (15)(iii) of paragraph (f) in those cases in which the appropriate Federal Reserve Bank concludes that, because of unusual consider-

ations, or for other good cause, it should not take action.

(13) Under the provisions of §§ 207.2(f), 220.2(e), and 221.3(d) of this chapter (Regulations G, T, and U, respectively), to approve issuance of the list of OTC margin stocks and to add, omit, or remove any stock in circumstances indicating that such change is necessary or appropriate in the public interest.

(14) Under the provisions of the seventh paragraph of section 25 of the Federal Reserve Act (12 U.S.C. 602), to require submission of a report of condition respecting any foreign bank in which a member bank holds stock acquired under the provisions of § 213.4 of this chapter (Regulation M).

(15) Under the twelfth paragraph of section 13 of the Federal Reserve Act (39 Stat. 754) and § 203.2 of this chapter (Regulation C), to permit any member bank to accept drafts or bills of exchange drawn upon it for the purpose of furnishing dollar exchange.

(16) Under the provisions of section 4(b) of the Federal Deposit Insurance Act (12 U.S.C. 1814(b)), to certify to the Federal Deposit Insurance Corporation that, with respect to the admission of a State-chartered bank to Federal Reserve membership, the factors specified in section 6 of that Act (12 U.S.C. 1816) were considered.

(17) Under section 18(c)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1848(c)(4)), to furnish to the Comptroller of the Currency and the Federal Deposit Insurance Corporation reports on competitive factors involved in a bank merger required to be approved by one of those agencies if the appropriate departments or divisions of the appropriate Federal Reserve Bank and the Board of Governors are in unanimous agreement that the proposed merger would have no adverse competitive effects and if no member of the Board has indicated an objection prior to the forwarding of the report to the appropriate agency.

(d) **The Director of the Division of Federal Reserve Bank Operations** (or, in his absence, the Acting Director) is authorized:

(1) Under the provisions of the sixteenth paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 304), to classify member banks for the purposes of electing Federal Reserve Bank class A and class B directors, giving consideration to

(i) the statutory requirement that each of the three groups shall consist as nearly as may be of banks of similar capitalization and (ii) the desirability that every member bank have the opportunity to vote for a class A or a class B director at least once every three years.

(2) Under the provisions of the third paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 413), to apportion credit among the Reserve Banks for unfit notes that are destroyed, giving consideration to the net number of notes of each denomination that were issued by each Reserve Bank during the preceding calendar year.

(3) Under the provisions of section 19(b) of the Federal Reserve Act (12 U.S.C. 461) and § 204.2(a)(2) of this chapter (Regulation D), to permit a member bank in a reserve city to maintain reserves at the ratios prescribed for banks not in reserve cities, provided such bank holds demand deposits of not more than \$25 million, or, demand deposits less than the amount of demand deposits of the largest bank in the city that is permitted to maintain reserves at such lower ratio, whichever is larger, giving consideration to factors such as the amount of the bank's resources, total deposits, demand deposits, demand deposits owing to banks, types of depositors and borrowers, turnover of demand deposits, geographical location within the city, and competitive position with relation to other banks in the city.

(4) Under the provisions of §§ 216.5(b), 216.5(d), and 216.6 of this chapter (Regulation P), with respect to Federal Reserve Banks and branches: (i) to require reports on security devices; (ii) to require special reports; and (iii) to determine, in view of the provisions of §§ 216.3 and 216.4, whether security devices and procedures are deficient in meeting the requirements of Part 216, to determine whether such requirements should be varied in the circumstances of a particular banking office, and to require corrective action.

(e) **The Director of the Division of Personnel Administration** (or, in his absence, the Acting Director) is authorized, under the provisions of the twenty-first paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 306), to approve the appointment of assistant Federal Reserve agents (including representatives and alternate representatives of such agents).

(f) **Each Federal Reserve Bank** is authorized, as to member banks or other indicated organizations headquartered in its district:

(1) Under the provisions of the third paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 321), section 5155 of the Revised Statutes (12 U.S.C. 36), and § 208.8 of this chapter (Regulation H), to approve the establishment by a State member bank of a domestic branch if the proposed branch has been approved by the appropriate State authority and if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management;

(ii) the ability of bank's management to cope successfully with existing or foreseeable problems, and to staff the proposed branch without any significant deterioration in the overall management situation;

(iii) the convenience and needs of the community;

(iv) the competitive situation (either actual or potential);

(v) the prospects for profitable operations of the proposed branch within a reasonable time, and the ability of the bank to sustain the operational losses of the proposed branch until it becomes profitable; and

(vi) the reasonableness of bank's investment in bank premises after the expenditure for the proposed branch.

(2) Under the provisions of the sixth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 324) and the provisions of section 5199 of the Revised Statutes (12 U.S.C. 60), to permit a State member bank to declare dividends in excess of net profits for the calendar year combined with the retained net profits of the preceding two years, less any required transfers to surplus or a fund for the retirement of any preferred stock, if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management; and

(ii) the bank's capitalization after payment of the proposed dividend.

(3) Under the provisions of the tenth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 328), to waive six months' notice by a bank of its intention to withdraw from Federal Reserve membership.

(4) Under the provisions of the eleventh paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 329), to permit a State member bank to reduce its capital stock if its capitalization thereafter will be:

(i) in conformity with the requirements of Federal law, and

(ii) adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management.

(5) Under the provisions of the seventeenth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 334), to extend the time, for good cause shown, within which an affiliate of a State member bank must file reports.

(6) Under the provisions of the seventh paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 372), to permit a member bank to accept commercial drafts in an aggregate amount at any one time up to 100 per cent of its capital and surplus.

(7) Under the provisions of section 24A of the Federal Reserve Act (12 U.S.C. 371d), to permit a State member bank to invest in bank premises in an amount in excess of its capital stock, if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management: *And provided*, That

(ii) upon completion of the proposed investment, the bank's aggregate investment (direct and indirect) in bank premises plus the indebtedness of any wholly-owned bank premises subsidiary will not exceed 40 per cent of its total capital funds (including capital notes and debentures) plus reserves other than valuation reserves.

(8) Under the provisions of the ninth para-

graph of section 25(a) of the Federal Reserve Act (12 U.S.C. 615), to extend the time in which an "Edge Act" corporation must divest itself of stock acquired in satisfaction of a debt previously contracted.

(9) Under the provisions of the twenty-second paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 628), to extend the period of corporate existence of an "Edge Act" corporation.

(10) Under the provisions of section 5(a) of the Bank Holding Company Act (12 U.S.C. 1844(a)), to extend the time within which a bank holding company must file a registration statement.

(11) Under the provisions of section 4(a) of the Bank Holding Company Act (12 U.S.C. 1843(a)), to extend the time within which a bank holding company must divest itself of interests in nonbanking organizations.

(12) Under the provisions of section 4(c)(2) of the Bank Holding Company Act (12 U.S.C. 1843(c)), to extend the time within which a bank holding company must divest itself of interests in a nonbanking organization acquired in satisfaction of a debt previously contracted.

(13) Under the provisions of section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844(c)), to require reports under oath to determine whether a company is complying with the provisions of such Act and the Board's regulations promulgated thereunder.

(14) Under the provisions of § 208.10(c) of this chapter (Regulation H), to extend the time within which a member bank that has given notice of intention to withdraw from membership must surrender its Federal Reserve Bank stock and its certificate of membership.

(15) Under the provisions of §§ 216.5(b), 216.5(d), and 216.6 of this chapter (Regulation P), with respect to State member banks only: (i) to require reports on security devices; (ii) to require special reports; and (iii) to determine, in view of the provisions of §§ 216.3 and 216.4, whether security devices and procedures are deficient in meeting the requirements of Part 216, to determine whether such requirements should be varied in the circumstances of a particular banking office, and to require corrective action.

(16) Under § 208.9(a) of this chapter (Regu-

lation H), for good cause shown, to extend the time for publication of reports of condition, such extensions not ordinarily to be for more than 10 days except in very unusual circumstances beyond control of the reporting bank.

(17) Under the provisions of § 207.1(b) of this chapter (Regulation G), to approve applications for termination of registration by persons who are registered pursuant to § 207.1(a).

(18) Under the provisions of the second paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 612) and § 211.3 of this chapter (Regulation K), to approve amendments to the Articles of Association of any "Edge Act" corporation to reflect the following: (i) any increase in the capital stock of such corporation where all additional shares are to be acquired by existing shareholders; (ii) any change in the location of the home office of such corporation within the city where such corporation is presently located; and (iii) any change in the number of members of the Board of Directors of such corporation.

(g) **The Director of the Division of International Finance** (or, in his absence, the Acting Director) is authorized, under the provisions of the sixth paragraph of section 14 of the Federal Reserve Act (12 U.S.C. 358) to approve the establishment of foreign accounts with the Federal Reserve Bank of New York.

SECTION 265.3—REVIEW OF ACTION AT DELEGATED LEVEL

Any action taken at a delegated level shall be subject to review by the Board only if such review is requested by a member of the Board either on his own initiative or on the basis of a petition for review by any person claiming to be adversely affected by the action. Any such petition for review must be received by the Secretary of the Board not later than the fifth day after the date of such action. Notice of any such review shall be given to the person with respect to whom such action was taken and be received by such person not later than the close of the tenth day following the date of such action. Upon receipt of such notice, such person shall not proceed further in reliance upon such action until he is notified of the outcome of review thereof by the Board.