

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6792]
[August 26, 1971]

Simplified Procedures for Handling Bank Holding Company
Applications, Effective September 1, 1971

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

The following statement was issued August 24 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today a series of simplified procedures to expedite the handling of applications received under the Bank Holding Company Act.

These new procedures, which are effective September 1, will apply to cases involving the formation of one-bank holding companies and to some types of bank-related activities in which holding companies may engage. The number of applications in these fields has increased substantially since enactment of the 1970 amendments to the Act.

As part of the new procedures, the Board delegated to the district Federal Reserve Banks the authority to approve the formation of a holding company controlling only one bank. The authority to deny such applications will remain with the Board.

At the same time, the Board eliminated some of the steps which bank holding companies must now take in seeking to engage in certain types of activities determined by the Board to be closely related to banking.

Under procedures adopted in May, a bank holding company must file a formal application to acquire an established concern — rather than set up its own company (*de novo*) — to engage in a bank-related activity. Such a company must also publish notice in a local newspaper where it proposes to engage in a bank-related activity either *de novo* or through an established company.

The Board has concluded that these steps are unnecessary when factors involving the public interest will normally be favorable. Consequently, the Board exempted the following activities from these procedures:

1. Operating a finance company with assets of less than \$10 million, so long as the aggregate assets acquired of such transactions in one year do not exceed \$50 million.
2. Engaging in bank-related activities that are shifted from a bank in the holding company system to the holding company itself or a nonbanking subsidiary. This would be limited to bank-related activities in which the bank was engaged either *de novo* or as the result of a bank merger.
3. Engaging *de novo* in all kinds of insurance agency activities recently determined by the Board to be closely related to banking, except where the holding company must demonstrate that the community in which the insurance is to be sold has inadequate insurance agency facilities.

A bank holding company is still required to notify its district Reserve Bank of its intentions 45 days before engaging in these activities. The only exception is where the holding company will operate a finance company with assets of less than \$10 million. In that case, notice is required within 30 days after consummation of the transaction but the Board could require divestiture whenever necessary to carry out the purposes of the Act.

Copies of the amendments to Regulation Y and to the Board's Rules of Procedure and Rules Regarding Delegation of Authority are enclosed.

Additional copies of this circular and its enclosures will be furnished upon request.

ALFRED HAYES,
President.

BANK HOLDING COMPANIES

AMENDMENTS TO REGULATION Y

1. Effective September 1, 1971, section 222.3(b) is amended to read as follows:

**SECTION 222.3 — ACQUISITION OF BANK SHARES
OR ASSETS**

* * *

(b) **Action on applications.**— Applications under this section are processed in accordance with the procedures specified in the Act and in § 262.3 of the Board's Rules of Procedure (Part 262 of this Chapter). Any application for the Board's approval of the formation of a company that controls only one bank may be consummated 45 days after the company has been informed by its Reserve Bank that its application has been accepted, unless the company is notified to the contrary within that time or is permitted to consummate the transaction at an earlier date.

2. Effective September 1, 1971, section 222.4(b) is amended by adding subparagraph (3) to read as follows:

SECTION 222.4 — NONBANKING ACTIVITIES

* * *

(b) * * *

(3) **Simplified procedures.**— (i) The procedures of subparagraphs (1) and (2) of this paragraph shall not apply with respect to a holding company or a subsidiary thereof engaging in the following:

(A) making, acquiring, or servicing loans or other extensions of credit for personal, family, or household purposes if the commencement or expansion of such activity does not involve an acquisition of assets of \$10 million or more (or the acquisition of shares of a company having such assets) except that (1) no holding company may acquire more than \$50 million in assets in any calendar year under the provisions of this clause, (2) within 30 days after consummation of such

an acquisition, the holding company informs its Reserve Bank of the acquisition (in substantially the same form as F.R. Y-4B), and (3) whenever necessary to effectuate the purposes of the Act, the Board may require suspension or discontinuation of any action taken, or divestiture of any acquisition made, on authority of this provision and may withdraw such authority with respect to any particular holding company;

(B) engaging in activities described in § 222.4(a) that are shifted from a bank in the holding company system and were engaged in by the bank either *de novo* or as a result of a merger transaction described in and approved by a Federal supervisory agency pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), 45 days after the holding company has informed its Reserve Bank of its proposal to shift such activity (in substantially the same form as F.R. Y-4B), unless the company is notified to the contrary within that time or is permitted to consummate the transaction at an earlier date.

(ii) The procedures of subparagraph (1) of this paragraph shall not apply with respect to a holding company or a subsidiary thereof engaging *de novo* as insurance agent or broker with respect to the types of insurance listed in subdivisions (i), (ii), and (iii)(A) of subparagraph (a)(9) of this section, 45 days after the holding company has informed its Reserve Bank of its proposal to engage in such activity (in substantially the same form as F.R. Y-4B), unless the company is notified to the contrary within that time or is permitted to consummate the transaction at an earlier date.

RULES OF PROCEDURE

AMENDMENT

Effective September 1, 1971, section 262.3(f)(1) and (4) is amended to read as follows:

SECTION 262.3 — APPLICATIONS

* * *

(f) Bank holding company and merger applications. * * *

(1) The Board issues each week a list that identifies holding company and merger applications received during the preceding week. Notice of receipt of each holding company application is published in the Federal Register.

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(4) Except with respect to actions taken pursuant to delegated authority, the Board's action on an application is embodied in an Order that indicates the votes of members of the Board and (i) states the reasons for the Board's action or (ii) is accompanied by a separate Statement of the reasons for the Board's action. Both the Order and any accompanying Statement are released to the press. Normally, the Statement is issued at the time of issuance of the Order. Where that is not practicable, the Statement is issued as promptly as possible. Each such Order is published in the Federal Register, and each Order and Statement are published in the Federal Reserve Bulletin.

RULES REGARDING DELEGATION OF AUTHORITY

AMENDMENT

Effective September 1, 1971, § 265.2(f) is amended by adding a new subparagraph (22), to read as follows:

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

* * *

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

* * *

(22) Under the provisions of section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the acquisition by a company of a controlling interest in the voting shares of one bank, if (i) no objection to the proposed acquisition has been made by the bank's supervisory authority, (ii) no significant policy issue is raised by the proposal as to which the Board apparently has not had an opportunity to express its views, and (iii) neither the holding company nor any of its subsidiaries or affiliates is engaged in any activities other than those specifically permissible for bank holding companies by either the Act or Part 222 of this chapter (Regulation Y).