

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6881]
January 20, 1972]

**Authority of Federal Reserve Banks To Handle
Bank Holding Company Applications Expanded**

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

The following statement was made public yesterday by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today announced further steps—in the form of expanded authority to the Federal Reserve Banks—to expedite the handling of applications received under the Bank Holding Company Act.

Under the expanded authority, which is effective for applications received after January 21, the Federal Reserve Banks may approve:

1. The acquisition by a bank holding company of additional shares in a subsidiary bank that are to be acquired through the exercise of rights received by the bank's shareholders.
2. Merger and Federal Reserve membership applications that are incident to one-bank holding company formations. The authority to approve the formation of one-bank holding companies was delegated to the Federal Reserve Banks last August.
3. The acquisition by a registered bank holding company of a controlling interest in a new (de novo) bank if no objection to the proposed acquisition is made by the bank's supervisory authority, no new significant policy issue is raised by the proposal and the Reserve Bank determines that:
 - (a) the general condition of the holding company and its bank subsidiaries is satisfactory;
 - (b) the holding company has either a proven record of furnishing needed special services, management, capital funds and general guidance to its subsidiary banks, or has the potential to provide these services in the case of a relatively new holding company;
 - (c) bank subsidiaries of the holding company do not hold more than 20 per cent of the total commercial bank deposits in the relevant market area and the holding company is not one of the dominant banking organizations in the State.

Enclosed is a copy of the amendments to the Board's Rules Regarding Delegation of Authority. Additional copies of this circular and its enclosure will be furnished upon request.

ALFRED HAYES,
President.

Board of Governors of the Federal Reserve System

RULES REGARDING DELEGATION OF AUTHORITY

AMENDMENTS

Effective January 21, 1972, §265.2(f)(22) is amended, and §265.2(f)(23) and (24) are added, to read as follows:

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

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

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(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 has not expressed 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 225 of this chapter (Regulation Y).²

² This delegation includes authority to approve (a) a merger transaction under the provisions of section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)) and (b) an application, under section 9 of the Federal Reserve Act (12 U.S.C. 321), for membership in the Federal Reserve System that are incidental to an application to become a one-bank holding company.

(23) Under the provisions of section 3(a)(3) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the acquisition by a bank holding company of additional shares in a subsidiary bank that are to be acquired through exercise of rights received, on a pro rata basis, by the bank's shareholders.

(24) Under the provisions of section 3(a)(3) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the acquisition of a controlling interest in the shares of a newly-formed 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 has not expressed its views, and (iii) the Reserve Bank determines that:

(a) the general condition of the holding company and its bank subsidiaries is satisfactory;

(b) the holding company has either (1) a proven record of furnishing to its subsidiary banks, when needed, special services, management, capital funds, or general guidance, or (2) in the case of a relatively new holding company, the Reserve Bank is satisfied that the company has the potential to provide such services;

(c) (1) bank subsidiaries of the holding company do not hold in the aggregate more than 20 per cent of the commercial bank deposits in the relevant market area and (2) the holding company is not one of the dominant banking organizations in the State.