

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 6934
April 28, 1972

BANK HOLDING COMPANIES
Application of "Grandfather" Provisions
To Be Decided on Case-by-Case Basis

To All Bank Holding Companies, and Others Concerned,
in the Second Federal Reserve District:

Following is the text of a statement issued April 25 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System said today it will decide on a case-by-case basis—rather than by a general regulation—how the "grandfather" clause in the 1970 amendments to the Bank Holding Company Act will apply to one-bank holding companies that acquire additional banks.

Under the grandfather provisions, some companies that controlled one bank on December 31, 1970—the day the Act became law—may retain certain nonbanking activities on an indefinite basis. In other cases, nonbanking activities must be divested within 10 years unless the Board determines that the activity is closely related to banking.

Last October 26, the Board proposed a regulatory amendment to clarify the effect of the grandfather provisions on one-bank holding companies that acquire additional banks. The proposal generally would have required divestiture of nonbanking activities within two years after an additional bank was acquired, unless the Board ruled otherwise.

The Board said the case-by-case procedure it has adopted—rather than a general regulation—will afford it "an opportunity to examine the relatively few companies involved from the standpoint of whether the combination of banking and nonbanking interests for the prescribed period of time is likely to have an adverse effect on the public interest."

A copy of the Board of Governors' order relating to this matter is printed below.

Alfred Hayes,
President.

(Reg. Y)
BANK HOLDING COMPANIES
Acquisition of Additional Bank by Holding Companies
with "Grandfather" Clause Privileges
as to Nonbank Interests

On October 26, 1971, the Board of Governors offered for public comment a proposed amendment to Regulation Y (Federal Register of October 29, 1971, 36 F.R. 20779). In general the proposal provides that, if a company that became a bank holding company as a result of enactment of the Bank Holding Company Act Amendments of 1970 acquires an additional bank, the authority Congress gave the company to retain nonbanking interests on the basis of certain grandfather

clauses in those amendments must be relinquished no later than two years from the date the additional bank is acquired, unless the Board's order approving acquisition of the bank provides to the contrary.

In the light of the comments received on the proposal, the Board has decided to consider each application by a company with grandfather benefits on a case-by-case basis, rather than adopt the proposed amendment as a general regulation. Such *ad hoc* procedure will afford the Board an opportunity to examine the relatively few companies involved from the standpoint of whether the combination of banking and nonbanking interests for the prescribed period of time is likely to have an adverse effect on the public interest.

By order of the Board of Governors, April 17, 1972.