

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 6947
May 30, 1972

Oral Presentation on Guidelines for Approving
Formations of One-Bank Holding Companies

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

Following is the text of a statement issued May 26 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today that an Oral Presentation will be conducted June 28 on the guidelines used by the Federal Reserve Banks when approving formations of one-bank holding companies.

Effective last September 1, the Board delegated to the Reserve Banks certain authority to approve such formations but did not delegate the authority to deny such applications. At the same time, the Board issued a series of guidelines for the Reserve Banks to follow in processing this type of application.

The presentation will be conducted before available members of the Board beginning at 10 a.m. in the Board Room of the Federal Reserve Building in Washington.

The guidelines which will be the subject of the proceeding provide in pertinent part:

(i) If any offer to acquire shares is extended to shareholders of the bank, the offer is extended to all shareholders of the same class on an equal basis;

(ii) The amount borrowed by the holding company to purchase the voting shares of the bank doesn't exceed either 50 per cent of the purchase price of the shares of the bank or 50 per cent of the equity capital of the holding company, the loan will be repaid within a reasonable period of time (not to exceed 10 years), the interest rate on the loan is comparable with other stock collateral loans by the lender to persons of comparable credit standing, and the loan is not conditioned upon maintenance of a correspondent bank balance with the lender that exceeds the usual needs of the bank whose shares are being purchased; and

(iii) Interest on and amortization of the holding company's indebtedness will not exceed, in any year, 50 per cent of the holding company's proportionate share of the bank's anticipated net income (after taxes) for that year, unless a higher percentage is specifically approved by the Reserve Bank at the time of the formation of the holding company.

Additional copies of this circular will be furnished upon request.

Alfred Hayes,
President.