

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6984]
August 4, 1972]

BANK HOLDING COMPANIES

Operation of Savings and Loan Associations Not a Permissible Activity

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

Following is the text of a statement issued August 3 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today that it has decided not to include at the present time operation of savings and loan associations on its list of activities in which bank holding companies may engage.

The Board had previously indicated that operation of a savings and loan association was not within the scope of activities heretofore authorized to be conducted by a bank holding company under section 4(c)(8) of the Bank Holding Company Act, and that it was then considering whether to expand its list of activities to include such activity.

The Board noted that Congress has created a statutory framework for savings and loan associations that is separate from the statutes governing commercial banks. Under these statutes, different rules have been established for the two kinds of institutions on such matters as branching, taxation, and ceilings on rates paid to attract savings. A statute has also been enacted governing savings and loan holding companies separate and distinct from the Bank Holding Company Act. This statutory pattern suggests past intent on the part of Congress to maintain savings and loan associations as specialized lenders to finance housing, with specialized rules appropriate to that role. Acquisition of savings and loan associations by bank holding companies could tend to blur this Congressionally established structure.

Proposals for affiliation of banks and savings and loan associations in a holding company system involve broad questions of public policy which, in the Board's opinion, should not be decided until Congress has had an opportunity to consider the matter. Suggestions for change in rules governing specialized thrift institutions have been made by the President's Commission on Financial Structure and Regulation (the "Hunt Commission"), as well as others. It is expected that the next Congress will have occasion to thoroughly consider bank and savings and loan association relationships.

The action announced today does not affect previous Board decisions permitting affiliations of thrift institutions and commercial banks in Rhode Island. (Applications of Newport Savings & Loan Association, 1972 *Federal Reserve Bulletin* 313 [February 17, 1972] and Old Colony Cooperative Bank, 1972 *Federal Reserve Bulletin* 417 [March 9, 1972]).

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.