

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7344
February 14, 1974]

PROPOSED AMENDMENT TO REGULATION L

Interlocking Service With Banks in Low Income or Economically Depressed Areas

To All Banking Institutions, and Others Concerned, in the Second Federal Reserve District:

Following is the text of a statement issued February 11 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today invited comment on a proposed regulatory amendment designed to assist the development of banks in low income or other economically depressed areas. Comment will be received by the Board through March 15, 1974.

The proposal would amend the Board's Regulation L to permit interlocking service, under certain circumstances, by a director, officer or employee of a member bank with a bank in a low income or economically depressed area.

Printed below is the text of the proposed amendment. Comments thereon should be submitted by March 15 and may be sent to our Regulations and Bank Analysis Department.

ALFRED HAYES,
President.

(Reg. L)

INTERLOCKING RELATIONSHIPS UNDER THE CLAYTON ACT

Notice of Proposed Amendment

The Board of Governors is inviting comment on a proposed amendment to Federal Reserve Regulation L (12 CFR 212) that would, under certain circumstances, permit interlocking service by a director, officer or employee of a member bank with another bank, banking association, savings bank or trust company located in a low income or other economically depressed area.

Interlocking relationships between member banks and other banking institutions are generally subject to the prohibitions of section 8 of the Clayton Act (15 U.S.C. 19). In addition to the exceptions expressly provided in the statute, the Board is empowered to permit by regulation interlocking relationships between a member bank and not more than one other institution. Minority-owned and other banks in low income or other economically depressed areas are often in need of managerial assistance; such assistance may sometimes be provided by banks and other institutions but for the prohibitions of section 8. Accordingly, the Board believes that public benefits may result from the amendment under consideration and that such amendment, in the form proposed, would not be inconsistent with the purposes of section 8 of the Clayton Act or other statutes administered by the Board.

To implement the proposal, § 212.3 of Regulation L would be amended by adding a new subparagraph (g) to read as follows:

SECTION 212.3—RELATIONSHIPS
PERMITTED BY BOARD

In addition to any relationships covered by the foregoing exception, not more than one of the following

relationships is hereby permitted by the Board of Governors of the Federal Reserve System in the case of any one individual:

* * *

(g) **Banks in low income areas.** Any director, officer or employee of a member bank of the Federal Reserve System may be at the same time a director, officer or employee of not more than one other bank located, or to be located, in a low income or other economically depressed area, subject to the following conditions: (1) the other bank's federal supervisory agency determines that such relationship is necessary to provide management or operating expertise to such other bank; (2) not more than three interlocking relationships between any two banks shall be permitted by this paragraph, except that persons serving in interlocking relationships pursuant to this paragraph shall in no instance constitute a majority of the board of directors of the other bank; (3) no interlocking relationship permitted by this paragraph shall continue for more than a five-year period; or (4) upon such other terms and conditions in addition to or in lieu of the foregoing, as may be determined by the Board in any specific case.

To aid in consideration of this matter by the Board, interested persons are invited to submit relevant views, data and argument. Any such material should be submitted to the Secretary of the Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than March 15, 1974. Such material will be made available for inspection and copying upon request, except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information.