

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 7374 ]  
April 8, 1974

APPROVAL OF CERTAIN BANK HOLDING COMPANY AND MERGER APPLICATIONS  
Amendments to Rules Regarding Delegation of Authority

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

The following statement was issued April 4 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today revised its rules under which Federal Reserve Banks can approve, on behalf of the Board, certain bank holding company formations, bank acquisitions and bank mergers.

The revised rules also gave the Reserve Banks authority which they had not had before, to approve the merger or consolidation of bank holding companies, on the basis of criteria similar to those for bank acquisitions by holding companies.

The Board's Rules Regarding Delegation of Authority previously authorized Reserve Banks to approve—on the basis of criteria set forth by the Board—the formation of one-bank holding companies, bank acquisitions by existing bank holding companies, and bank mergers. These rules, and criteria, were stated in an order of the Board published April 25, 1973.

The revisions announced today modify two of the criteria in use since that time. Reserve Banks may now approve bank acquisitions by bank holding companies where revenues of the applicant from non-bank activities are as much as 20 per cent of its total operating income, instead of 10 per cent as previously. Secondly, Reserve Banks may now approve the financing of bank holding company formations and mergers, and bank acquisitions by bank holding companies involving debt, with respect to all the holding company's acquisitions, amounting to as much as 20 per cent of the equity capital accounts of the holding company, instead of 10 per cent as previously.

A new criterion respecting bank holding company formations and mergers, bank acquisitions and mergers of banks, prohibits action under delegated authority on applications involving a covenant not to compete.

In submitting the amendments to its Rules Regarding Delegation of Authority for publication in the *Federal Register*, the Board of Governors made the following additional statement:

The Reserve Banks presently have delegated authority to approve one-bank holding company formations, bank holding company formations involving more than one bank, bank acquisitions by existing bank holding companies, and bank mergers under certain standards.\* The Board has decided to expand this authority by modifying certain of the standards within which this authority may be exercised and by delegating to the Reserve Banks authority to approve certain mergers and consolidations of bank holding companies. In expanding such authority, the Board has also added a section concerning so-called covenants not to compete. Applications falling outside the standards set forth herein will be forwarded to the Board for further consideration.

\* By Order of October 12, 1973, the Board announced an amendment to its rules regarding the authority of Reserve Banks to approve certain applications by bank holding companies to acquire additional banks. That amendment eliminated from the criteria that Reserve Banks consider in processing such applications the requirement that an equal offer be made to all shareholders of the bank to be acquired.

Enclosed is a copy of amendments to the Board of Governors' Rules Regarding Delegation of Authority, giving effect to the delegation referred to in the above statements. Additional copies of the enclosure will be furnished upon request.

ALFRED HAYES,  
*President.*