

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8031]
January 10, 1977]

AMENDMENT TO REGULATION L
Interlocking Relationships With Minority or Women's Banks

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

Following is the text of a statement issued January 5 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today announced easing of its rules to permit interlocking relationships, under specified conditions, between a member bank and a minority or a women's bank.

The purpose of the amendment to the Board's Regulation L is to assist the development of minority or women's banks by making it easier for them to obtain needed management or operating expertise on their boards of directors.

Interlocking relationships between member banks and other banks in the same city, town or village are generally prohibited by Regulation L, under the Clayton antitrust law. However, the law allows the Board, by regulation, to permit exceptions.

The Board has previously permitted banks in low income areas to place on their boards a director, officer or employee of a member bank in the same city, town or village. Board approval is required for each case.

The amendment of Regulation L announced today extends the exception to such interlocks between a member bank and banks controlled or managed by members of a minority group or women.

The Board established the following conditions for interlocks between a member bank and nearby minority or women's banks:

1. The interlocking relationship must be determined by the Federal Reserve Board to be necessary to provide management or operating expertise to minority or women's banks.
2. There may be no more than three interlocks between any two such banks, and the interlocks may not represent a majority of the board of the bank being assisted.
3. No interlock may continue for more than five years.

The new rule is substantially the same as a change in Regulation L proposed in October. It is effective immediately.

(OVER)

In submitting the amendment for publication in the *Federal Register*, the Board of Governors made the following additional statement:

On October 14, 1976 the Board of Governors of the Federal Reserve System invited public comment on a proposed amendment to Regulation L (Interlocking Bank Relationships Under the Clayton Act) to permit, with certain prescribed limitations, a director, officer, or employee of a member bank to serve simultaneously as a director, officer, or employee of a minority bank (41 FR 46352). After consideration of the comments submitted the Board has determined to adopt the proposed amendment in slightly modified form.

Interlocking relationships between member banks and other banks in the same city, town, or village are generally prohibited by section 8 of the Clayton Act (15 U.S.C. 19). The statute provides that the Board of Governors may by regulation permit interlocking relationships between a member bank and another institution. Pursuant to this authority, by regulation the Board previously has permitted a director, officer, or employee of a member bank to serve as a director, officer, or employee of a Morris Plan bank, a bank in a low income area, or a bank that is actively considered for merger or consolidation with the member bank.

The Board is also aware that in recent years a number of banks have been chartered by women. In order to provide management or operating assistance to banks controlled or managed by women, the amendment adopted by the Board specifically refers to banks controlled or managed by women as qualifying under the exception. This represents a slight modification of the amendment as originally proposed by the Board which referred indirectly to banks owned, controlled, or managed by women.

The amendment is intended to provide management and operating assistance to banks that are controlled or managed by women or by persons that are members of minority groups that are underrepresented at various levels of the banking industry.

Enclosed is a copy of the amendment. Any questions regarding this matter may be addressed to our Bank Regulations Department. Additional copies will be furnished upon request.

PAUL A. VOLCKER,
President.

Board of Governors of the Federal Reserve System

INTERLOCKING BANK RELATIONSHIPS
UNDER THE CLAYTON ACT

AMENDMENT TO REGULATION L

Effective January 4, 1977, section 212.3 is amended by adding a new subparagraph (h) thereto, to read as follows:

SECTION 212.3—RELATIONSHIPS
PERMITTED BY BOARD

In addition to any relationships covered by the foregoing exceptions, not more than one of the following relationships is hereby permitted¹⁰ by the Board of Governors of the Federal Reserve System in the case of any one individual.

* * *

(h) **Minority bank.** 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 that is controlled or managed by persons who are members of minority groups or by women, subject to the following conditions: (1) Such relationship is determined by the Board to be 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; and (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.

For this Regulation to be complete, retain:

- 1) Regulation L pamphlet, effective August 21, 1959.
- 2) Amendment effective June 20, 1974.
- 3) This slip sheet.

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