

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8106]
May 4, 1977

BANK HOLDING COMPANIES

Deferral of Action on Proposed Amendment to Allow Management Consulting Advice

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

Following is the text of a statement issued April 28 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today announced that it is deferring action on the question whether bank holding companies should be allowed to supply management consulting advice to depository institutions other than commercial banks.

The Board deferred action in light of the withdrawal last month of an application from a bank holding company (Worcester Bancorp, Inc., Worcester, Mass.), to engage in the activity of supplying management consulting advice to nonaffiliated savings banks.

On the basis of the application the Board on August 2, 1976, announced it would consider possible adoption of a rule to permit bank holding companies to provide management consulting advice to nonaffiliated savings banks and other nonaffiliated depository institutions.

The Board in 1974 permitted bank holding companies to provide certain kinds of management consulting advice to nonaffiliated commercial banks.

Printed below is the text of the Board of Governors' Order deferring action on the proposal. Questions regarding this matter may be directed to our Domestic Banking Applications Department (Tel. No. 212-791-5861).

PAUL A. VOLCKER,
President.

(Reg. Y)

BANK HOLDING COMPANIES

Proposed Rulemaking Relating to Providing Management Consulting Advice

(Docket No. R-0051)

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Deferral of rulemaking proposal.

SUMMARY: On August 2, 1976, the Board of Governors proposed an amendment to its Regulation Y in connection with an application by a bank holding company to engage in offering management consulting advice to nonaffiliated savings banks. The proposed amendment would add the activity of providing management consulting advice to nonaffiliated savings banks and to other nonaffiliated, depository-type financial in-

stitutions to the list of activities that the Board has previously determined to be permissible for bank holding companies. In light of the fact that the application to engage in the proposed new activity has been withdrawn, the Board is deferring action on the proposed amendment.

FOR FURTHER INFORMATION CONTACT: Robert E. Mannion, Assistant General Counsel, (202/452-3274) or Julius L. Loeser, Senior Attorney, (202/452-3236), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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SUPPLEMENTARY INFORMATION: The Board of Governors on August 2, 1976, proposed an amendment to its Regulation Y (12 CFR §225) that would add the activities of providing management consulting advice to nonaffiliated savings banks and possibly to other nonaffiliated, depository-type financial institutions to the list of activities that the Board has previously determined to be permissible for bank holding companies, as specified in §225.4(a) of Regulation Y. Notice of the proposed amendment was published in the *Federal Register* on August 9, 1976 (41 Fed. Reg. 33306 (1976)). The amendments were proposed in connection with an application by Worcester Bancorp, Inc., Worcester, Massachusetts, pursuant to §4(c)(8) of the Bank Holding Company Act (12 U.S.C.

§1843(c)(8)) and §225.4 of the Board's Regulation Y (12 CFR 225.4), for prior approval to engage *de novo* in providing management consulting advice to non-affiliated savings banks.

By letter of March 3, 1977, to the Federal Reserve Bank of Boston, Worcester Bancorp, Inc. has withdrawn its application to engage in providing management consulting advice to nonaffiliated savings banks. In accord with its general policy, the Board, in the absence of a specific bank holding company proposal, has determined to defer further consideration of the proposed activity, and hereby suspends the rulemaking proceeding initiated on August 2, 1976.

Board of Governors of the Federal Reserve System, effective April 27, 1977.