FEDERAL RESERVE BANK OF NEW YORK

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A. MARSHALL PUCKETT
VICE PRESIDENT

August 5, 1977

TO THE CHIEF EXECUTIVE OFFICERS OF ALL MEMBER BANKS, BANK HOLDING COMPANIES AND EDGE ACT AND AGREEMENT CORPORATIONS IN THE SECOND FEDERAL RESERVE DISTRICT:

The Federal Reserve wishes to reemphasize its commitment to the timely processing of applications, with respect to both foreign and domestic matters, that require System action. Although Federal Reserve internal records for the entire System indicate that over eighty per cent of the applications processed during 1976 were acted upon within ninety calendar days after the applications were accepted for processing at the Reserve Banks, we are striving for even better service.

In an effort to improve timeliness in this area, the System is making significant modifications in its application processing procedures, particularly in handling draft applications and obtaining supplemental information -- two areas that have been sources of considerable misunderstanding concerning the time required for System action. The modifications are intended to reduce, to the extent possible, delays over which the System has some degree of control. The cooperation and understanding of applicants, however, is also needed if we are to make progress toward this mutually beneficial goal of more timely processing of applications. In this connection, we wish to bring to your attention some of the more common causes for delays. Some of the causes involve matters over which neither an applicant nor the Federal Reserve has control, but others involve matters over which each has varying degrees of control.

As noted above, we are taking steps to minimize those delays within our direct control, and request that applicants make every effort to minimize delays for which they have responsibility. The following is a brief discussion of some of the reasons why final action on applications may be delayed:

1. Insufficient information in applications. The Federal Reserve must have sufficient information to make a thorough analysis and reach an informed decision concerning all factors relevant to an application. Insufficient information may delay the start of the processing procedure if the insufficiency bars acceptance of the application. Even though staff attempts in preliminary reviews to ascertain that an application is complete, the more intensive analysis that subsequently is applied may reveal insufficiencies that require either additional information or return of an application because it is not processable in its present form. Some of the more common insufficiencies of information include:

   (a) incomplete discussion of all significant details of the proposal (application forms and checklists prescribed by the Federal Reserve are not intended to limit an applicant's presentation of pertinent information);

   (b) inadequate discussion of financial problems known to the applicant; and

   (c) insufficient current financial data.

2. Court proceedings. If there are court proceedings on substantive matters involving either the specific proposal or general matters that directly affect the proposal, processing may be interrupted until the matters have been resolved.

3. Protested applications. Substantive objections by other banking institutions, supervisory authorities, the United States Department of Justice, or members of the public obviously lengthen the amount of time needed to complete the record upon which the Board must base its decision.

4. Permissibility issues. Applications to engage in nonbanking activities that have not yet been found generally permissible for bank holding companies usually involve complex and precedential issues, particularly when a major business activity is involved. Extensive staff study, solicitation of comments from impacted businesses and the public and, in some cases, formal hearings may be involved in the deliberative process.

5. Conditions and commitments. Because of the System's concern that conditions imposed on, or commitments made by, applicants in connection with a past application or in other circumstances are met, compliance with such undertakings is reviewed as an integral part of the application process.

6. Filing of reports. Delinquency on the part of an applicant organization in filing periodic regulatory or supervisory reports as required may delay the processing of an application until such reports are received.

7. Possible violations of the Federal Reserve Act, the Bank Holding Company Act or other laws or regulations. Possible violations may require intensive investigation by Federal Reserve staff and, depending on the nature of the possible violation, may bar final action on an application until the investigation is completed and proper remedial action can be formally considered.

8. Other complications. Other matters that, to varying degrees, may require additional analysis or investigation and thus delay final action on applications include significant changes by an applicant in the proposal after processing has begun and uncertainties involving interpretation of pertinent State or foreign laws.

Other causes for delays may come readily to mind, although many are simply variations of the items listed above. We believe that by focusing attention on such causes, the Federal Reserve and applicants can together achieve progress in expediting the processing of applications. I would encourage you to contact the Domestic Banking Applications Department or the Foreign Banking Applications Department at this Bank if you have any questions concerning the System's general procedures in this area or if you wish to check on the status of any specific application.

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