

**FEDERAL RESERVE BANK  
OF NEW YORK**

[Circular No. 8482]  
December 28, 1978

**AMENDMENTS TO REGULATION Y AND RULES REGARDING  
DELEGATION OF AUTHORITY**

**—Publication of Notice of Intention by Bank Holding Companies  
to Engage in Nonbank Activities**

**—Establishment of Foreign Nonbank Offices  
by Bank Holding Companies and Their Domestic Nonbank Subsidiaries**

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

Following is the text of a statement issued on December 19, 1978 by the Board of Governors of the Federal Reserve System:

The Federal Reserve Board has adopted amendments to its Regulation Y concerning (a) publication by bank holding companies of their intention to engage in nonbank activities and (b) procedures in commencing nonbank activities abroad.

One of the two amendments adopted—which do not apply to banking activities—permits notice of intention by bank holding companies to engage in nonbank activities, in the United States or abroad, to be published in the *Federal Register*.

When such a proposal concerns *de novo* nonbank activities the bank holding company must file with the appropriate Reserve Bank a statement of the geographic scope of the proposed activity. This geographic area may not be enlarged without a further application.

In proposing this regulatory amendment in July the Board said that several years' experience with the existing requirement for publication in local newspapers indicated such notices imposed a burden on bank holding companies without accomplishing their intended purpose of allowing parties an opportunity to comment.

In a further action the Board added language to Regulation Y permitting bank holding companies and their subsidiaries to conduct abroad previously approved nonbanking activities 45 days after informing the appropriate Reserve Bank. This applies only to domestic bank holding companies and domestic nonbank subsidiaries and clarifies and formalizes procedures already in use. The Board proposed this in April.

The Board's action concerning publication is effective with applications filed after the end of 1978. Applications filed before that time will be processed under present rules.

Enclosed are copies of the amendments to Regulation Y and a related amendment to the Board's Rules Regarding Delegation of Authority. Any questions regarding these matters may be directed to our Domestic Banking Applications Department (Tel. No. 212-791-5861).

**PAUL A. VOLCKER,**  
*President.*



# Board of Governors of the Federal Reserve System

## BANK HOLDING COMPANIES

### AMENDMENTS TO REGULATION Y

(effective January 1, 1979)

#### Nonbank Activities

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rules.

**SUMMARY:** The Board has adopted two related amendments to its regulations. The first rule changes the procedures for bank holding companies to obtain permission to engage in nonbank activities or to acquire shares or assets of companies engaged in nonbank activities, and clarifies the procedures governing the commencement of nonbank activities outside the United States. The rule dispenses with the present requirement that bank holding companies publish notice in local newspapers, in or outside the United States, of their intention to commence such activities or to acquire such shares or assets, and provides instead that the Board will publish such notices in the *Federal Register*. This action is taken to simplify nonbank application procedures and to make them more easily administrable and less burdensome. In conjunction with this action the Board has also made some technical amendments to its Rules Regarding Delegation of Authority to conform its references to the new procedures.

**EFFECTIVE DATE:** These rules will affect applications accepted by Reserve Banks after December 31, 1978.

**FOR FURTHER INFORMATION CONTACT:** Robert E. Mannion, Associate General Counsel (202-452-3274), or James McAfee, Senior Attorney (202-452-3707), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

**SUPPLEMENTARY INFORMATION:** (1) Sections 225.4(b)(1) and (2) of the Board's Regulation Y (12 C.F.R. §§ 225.4(b)

(1) and (2)) require that bank holding companies publish a notice of any proposal to engage in nonbank activities under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)), or to acquire or retain shares or assets of companies engaged in such activities, in newspapers of general circulation in the communities to be served. Several years' experience with this requirement, which is intended to provide notice of proposed nonbank expansion by bank holding companies to interested persons, indicates the required newspaper notices have not accomplished their intended purpose to an extent that justifies the burden they impose on bank holding companies. For that reason, the Board on June 29, 1978, published notice and invited public comment on a proposal to substitute *Federal Register* notice for newspaper notice of these applications, and to shorten slightly the comment period and normal processing times for *de novo* applications. 43 *Fed. Reg.* 29,796 (1978).

Upon consideration of the comments received in response to that proposal, the Board has adopted this final rule. It appears that the newspaper requirement has been both expensive and time-consuming and has not resulted in any significant volume of public comment on nonbank applications. The requirement that all communities to be served be specifically identified has also proved to be difficult to administer. Some comments have urged broader publication of notices, but there is no evidence that such a requirement would appreciably expand public participation in the application process. Under the circumstances, the Board believes *Federal Register* publication will afford adequate notice to interested parties. Giving notice in a single publication, rather than in various local newspapers, may materially assist competitors and trade associations representing competitors in receiving more timely and reli-

For this Regulation to be complete, retain:

- 1) Regulation Y pamphlet, as amended effective June 24, 1974.
- 2) Corrective amendments effective June 24, 1974.
- 3) Amendments effective December 1, 1975; May 15, 1976; October 13, 1976; October 3, 1977; December 31, 1977; and April 5, 1978.
- 4) This slip sheet.

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able notice of nonbank applications. The Board also publishes a summary of applications it receives each week, and this publication (H.2) is available to interested parties without cost.

Some comments objected that the proposed 20-day comment period for *de novo* applications would be too short to be effective. In response to these comments the Board has restructured the application schedule originally proposed in order to permit a longer comment period for typical *de novo* applications without delaying unnecessarily action on applications that are not protested. In occasional cases it may be necessary to extend processing times for brief periods in order to accommodate the longer comment period, but it is expected that any delays that occur on that account will be offset by the time saved from the elimination of the requirement that bank holding companies publish newspaper notices and obtain proof of publication before filing their applications.

This rule eliminates the requirement that bank holding companies publish notices in communities to be served by their proposed nonbank activities. Bank holding companies should continue to describe their proposed activities clearly (not just by reference to a paragraph of Regulation Y), to identify the offices they intend to acquire or open, and to define specifically the geographic area they intend to begin serving within a reasonable time after approval of their application, normally one year, and they should include this information, together with any other information required by the Reserve Bank, in each application under these amended sections of Regulation Y. The opening of new nonbank offices not described in an application and the expansion into new geographic areas generally requires a new application by a bank holding company.

Some comments received were outside the scope of this rulemaking proposal. In particular, the Board considered that suggestions to eliminate notice and application requirements altogether for particular classes of nonbank acquisitions were not fairly noticed for comment. In addition, suggestions that particular Board forms be changed are being considered as those forms are periodically revised.

The rule as adopted is procedural in nature and relieves a restriction. For those reasons it is not subject to the provisions of 5 U.S.C. § 553 relating to deferred effective date.

(2) On April 7, 1978, the Board published notice and invited comment on a proposal to eliminate the requirement of local newspaper notices in connection with *de novo* nonbank expansion outside the United States by bank holding companies. 43 *Fed. Reg.* 16,190 (1978). All comments received favored adoption of this amendment, but the proposal has been made

moot by the Board's elimination of newspaper notices in connection with *de novo* nonbank applications.

A modified form of the proposed amendment has been adopted solely to clarify the fact that bank holding companies and their domestic nonbank subsidiaries may engage directly in approved nonbank activities outside the United States and may open offices there by complying with the procedures of section 225.4(b)(1) of Regulation Y. This procedure does not apply to the foreign direct activities of foreign bank holding companies or the foreign operations of bank holding companies conducted through foreign subsidiaries, matters governed by other provisions of Regulation Y. This clarifying amendment is an interpretative rule relating to agency procedure and is not subject to the provisions of 5 U.S.C. § 553 relating to deferred effective date.

(3) In conjunction with this amendment to Regulation Y, the Board has also amended section 265.2(f)(20) of its Rules Regarding Delegation of Authority (12 C.F.R. § 265.2(f)(2)) for the sole purpose of conforming references in that section to the changes made in Regulation Y. This amendment has been adopted without following the provisions of 5 U.S.C. § 553 relating to notice, public participation, and deferred effective date because the change involved is procedural in nature and does not constitute a substantive rule subject to the requirements of that section.

(4) These actions are taken pursuant to the Board's authority under sections 4(c)(8) and 5(b) of the Bank Holding Company Act of 1956 (12 U.S.C. §§ 1843(c)(8) and 1844(b)), and section 11(k) of the Federal Reserve Act (12 U.S.C. § 248(k)).

### Text of Amendment

Effective January 1, 1979, as to applications accepted by any Federal Reserve Bank on or after that date, section 225.4 of the Board's Regulation Y (12 C.F.R. §§ 225.4) is amended by revising subparagraphs (b)(1) and (b)(2) to read as follows:

#### SECTION 225.4—NONBANKING ACTIVITIES

\* \* \*

(b)(1) *De novo entry.* A bank holding company may engage *de novo* (or continue to engage in an activity earlier commenced *de novo*), directly or indirectly, solely in activities described in paragraph (a) of this section, 45 days after the company has furnished its Reserve Bank a notice of the proposal (in substantially the same form as



F.R. Y-4A), unless the company is notified to the contrary within that time or unless it is permitted to consummate the transaction at an earlier date on the basis of exigent circumstances of a particular case. The Board will publish in the *Federal Register* notice of any such proposal and will give interested persons an opportunity to express their views on the proposal to the Reserve Bank. If adverse comments of a substantive nature are received within the time specified in the notice,<sup>12</sup> or if it otherwise appears appropriate in a particular case, the Reserve Bank may inform the company that (i) the proposal shall not be consummated until specifically authorized by the Reserve Bank or by the Board or (ii) the proposal should be processed in accordance with the procedures of subparagraph (2) of this paragraph. With respect to activities to be engaged in outside the United States, the procedures of this subparagraph apply solely to activities to be engaged in directly by a domestic bank

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<sup>12</sup> If a Reserve Bank decides that adverse comments are not of a substantive nature, the person submitting the comments may request review by the Board of that decision in accordance with the provisions of § 265.3 of the Board's Rules Regarding Delegation of Authority (12 CFR 265.3) by filing a petition for review with the Secretary of the Board.

holding company or by domestic nonbank subsidiaries of any bank holding company. Paragraphs (f) and (g) of this section govern other international operations of bank holding companies.

(2) *Acquisition of going concern.* A bank holding company may apply to the Board to acquire or retain the assets of or shares in a company engaged solely in activities described in paragraph (a) of this section by filing an application with its Reserve Bank (Form F.R. Y-4). The Board will publish in the *Federal Register* a notice of any such application and will give interested persons an opportunity to express their views (including, where appropriate, by means of a hearing) on the question whether performance of the activity proposed by the holding company can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

\* \* \*

[Effective January 1, 1979, the Board of Governors also has amended Section 265.2(f)(20) of its Rules Regarding Delegation of Authority.]



Board of Governors of the Federal Reserve System  
RULES REGARDING DELEGATION OF AUTHORITY

AMENDMENT

*(effective January 1, 1979)*

Effective January 1, 1979, as to applications accepted by any Federal Reserve Bank on or after that date, section 265.2 of the Board's Rules Regarding Delegation of Authority (12 C.F.R. § 265.2) is amended by revising paragraph (f)(20) of that section to read as follows:

SECTION 265.2—SPECIFIC FUNCTIONS  
DELEGATED TO BOARD EMPLOYEES  
AND TO FEDERAL RESERVE BANKS

\* \* \*

(f) Each Federal Reserve Bank is authorized, as to member banks or other indicated organizations headquartered in its district:

\* \* \*

(20) Under § 225.4(b)(1) of this chapter (Regulation Y), and subject to § 265.3 if a person submitting adverse comments that the Reserve Bank has decided are not substantive files a petition for review by the Board of that decision,

(i) to permit a bank holding company to engage *de novo* in activities specified in § 225.4(a) (or retain shares in a company established *de novo* and engaging in such activities) if its evaluation of the considerations specified in section 4(c)(8) of the Bank Holding Company Act leads it to conclude that the proposal can reasonably be expected to produce benefits to the public.

(ii) to notify a bank holding company that the proposal should not be consummated until specifically authorized by the Reserve Bank or by the Board or that the proposal should be processed in accordance with the procedures of § 225.4(b)(2).

(iii) to permit a bank holding company to consummate the proposal before the expiration of the 45-day period referred to in § 225.4(b)(1), because exigent circumstances justify consummation at an earlier time.

\* \* \*

For these Rules to be complete, retain:

- 1) Pamphlet amended effective August 2, 1978.
- 2) Amendments effective October 19, 1978.
- 3) This slip sheet.

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