

**FEDERAL RESERVE BANK  
OF NEW YORK**

Circular No. 8705  
December 13, 1979

**RULES REGARDING DELEGATION OF AUTHORITY  
Amendment and Revised Pamphlet**

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

The Board of Governors of the Federal Reserve System has amended its Rules Regarding Delegation of Authority in order to delegate to the Director of Banking Supervision and Regulation the authority to make certain examination reports available to the Securities and Exchange Commission. A copy of the amendment, effective November 28, 1979, is enclosed. Questions regarding the amendment may be directed to our Domestic Banking Applications Department (Tel. No. 212-791-5861).

Also enclosed is a revised copy of the Board's "Rules Regarding Delegation of Authority" in pamphlet form. The reprinting of the pamphlet was announced in our Circular No. 8683.

THOMAS M. TIMLEN,  
*First Vice President.*

December 13, 1979

C O R R E C T I O N

The effective date of the "Rules Regarding Delegation of Authority" of the Board of Governors of the Federal Reserve System is corrected to read:

"As amended effective October 24, 1979"

Circulars Division  
FEDERAL RESERVE BANK OF NEW YORK



**BOARD OF GOVERNORS  
of the  
FEDERAL RESERVE SYSTEM**

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**RULES REGARDING DELEGATION OF AUTHORITY**

(12 CFR 265)

As amended effective September 21, 1979



**Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the Federal Reserve District in which the inquiry arises.**

BOARD OF GOVERNORS  
of the  
FEDERAL RESERVE SYSTEM

RULES REGARDING DELEGATION OF AUTHORITY

(11 CFR 262)

As amended effective September 21, 1978



Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the Federal Reserve District in which the inquiry arises.



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STATUTORY AUTHORITY

This regulation is issued under authority of section 11(k) of the Federal Reserve Act (12 U.S.C. 248(k)), which reads as follows:

Sec. 11. The Board of Governors of the Federal Reserve System shall be authorized and empowered:

\* \* \* \* \*

(k) To delegate, by published order or rule and subject to the Administrative Procedure Act,

any of its functions, other than those relating to rulemaking or pertaining principally to monetary and credit policies, to one or more hearing examiners, members or employees of the Board, or Federal Reserve Banks. The assignment of responsibility for the performance of any function that the Board determines to delegate shall be a function of the Chairman. The Board shall, upon the vote of one member, review action taken at a delegated level within such time and in such manner as the Board shall by rule prescribe.



# RULES REGARDING DELEGATION OF AUTHORITY\*

(12 CFR 265)

As amended effective September 21, 1979

## SECTION 265.1—DELEGATION OF FUNCTIONS GENERALLY

Pursuant to the provisions of section 11(k) of the Federal Reserve Act (12 U.S.C. 248(k)), the Board of Governors of the Federal Reserve System delegates authority to exercise those of its functions described in this Part, subject to the limitations and guidelines herein prescribed. The Chairman of the Board of Governors assigns the responsibility for the performance of such delegated functions to the persons here specified. A delegee may submit any matter to the Board for determination if the delegee considers such submission appropriate because of the importance or complexity of the matter.

### SECTION 265.1a—SPECIFIC FUNCTIONS DELEGATED TO BOARD MEMBERS

(a) **Any Board member designated by the Chairman** is authorized:

(1) Under section (a)(6) of the Freedom of Information Act (5 U.S.C. § 552) and Part 261 of this Chapter (Rules Regarding Availability of Information) to review and make a determination with respect to an appeal of denial of access to records of the Board made in accordance with the procedures prescribed by the Board.

(2) To approve, after receiving the recommendations of the Director of the Division of Banking Supervision and Regulation and the General Counsel, amendments to any notice of charges, proposed order to cease and desist, or temporary cease-and-desist order, previously approved by the Board of Governors pursuant to the Financial Institutions Supervisory Act, 12 U.S.C. §§ 1818(b), (c) (Federal Deposit Insurance Act, §§ 8(b) and (c)).

(b) **Any Board member** is authorized, when requested by the Secretary of the Board, to act upon any request to the Board filed with the Secretary pursuant to section 263.10(e) of the

Board's Rules of Practice for Hearings (12 CFR 263) for special permission to appeal from a ruling of the presiding officer at any hearing conducted pursuant to such rules on any motion ruled upon by such presiding officer (provided, that if such special permission is granted the merits of the appeal shall thereupon be presented to the Board for decision). Notwithstanding the provisions of section 265.3 hereof, the denial of such special permission pursuant to this paragraph shall be subject to review by the Board only upon the request of a member of the Board made within two days following the denial. No person claiming to be adversely affected by such denial shall have any right to petition the Board or any Board member for review or reconsideration of such action.

(c) **Any three Board members designated from time to time by the Chairman** (the "Action Committee") are authorized, upon certification by the Secretary of the Board of an absence of a quorum of the Board present in person, to act by unanimous vote on any matter that the Chairman of the Board has certified must be acted upon promptly in order to avoid delay that would be inconsistent with the public interest, other than (i) those relating to rulemaking, (ii) those pertaining principally to monetary and credit policies, and (iii) those for which a statute expressly requires the affirmative vote of more than three members of the Board. This delegation of authority shall terminate June 30, 1980.

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

(a) **The Secretary of the Board** (or, in the Secretary's absence, the Acting Secretary) is authorized:

\*This text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 265, cited as 12 CFR 265. The words "this Part," as used herein, mean Rules Regarding Delegation of Authority.



(1) Under the provisions of Part 261 of this Chapter, to make available, upon request, information in the records of the Board.

(2) Under the provisions of §§ 18(c) and 18(c)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c) and 1828(c)(4)), §§ 3(a) and 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1842(a) and 1843(c)(8)) and §§ 225.3(b) and (c), and §§ 225.4(a) and (b) of Regulation Y (12 CFR 225.3(b) and (c), and 225.4(a) and (b)), to furnish reports on competitive factors involved in a bank merger to the Comptroller of the Currency and the Federal Deposit Insurance Corporation and to approve applications the Reserve Bank could approve under subparagraph (20) of paragraph (f) of this section, except for the fact that condition (ii) of that subparagraph has not been met because a director or senior officer of any holding company, bank, or company to be acquired or retained, involved in the transaction, is a director of a Federal Reserve Bank or branch.

(3) Under the provisions of sections 25 and 25(a) of the Federal Reserve Act, section 4(c)(13) of the Bank Holding Company Act (12 U.S.C. § 1843), and Part 211 of this chapter (Regulation K), to grant specific consent to the acquisition, either directly or indirectly, by a member bank or an Edge or Agreement corporation, or a bank holding company of stock of (i) a company chartered under the laws of a foreign country or in the case of a member bank or an Edge or Agreement corporation (ii) a company chartered under the laws of a State of the United States that is organized and operated for the purpose of financing exports from the United States, and to approve any such acquisition that may exceed the limitations in section 25(a) of the Federal Reserve Act based on such a corporation's capital and surplus, if all of the following conditions are met:

(a) the appropriate Reserve Bank recommends approval.

(b) all relevant divisions of the Board's staff recommend approval.

(c) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(d) such acquisition does not result, either directly or indirectly, in the acquisition by such bank or corporation of effective control of any such company except that this condition need

not be met if (1) the company is to perform nominee, fiduciary, or other services incidental to the activities of a foreign branch or affiliate of such bank or corporation, or (2) the stock is being acquired by such bank or corporation from its parent bank or bank holding company, or subsidiary Edge or Agreement corporation, as the case may be, and such selling parent or subsidiary holds such stock with the consent of the Board pursuant to Part 211, of this chapter (Regulation K).

(4) Under the provisions of sections 262.2(a) and (b) of the Board's Rules of Procedure, to extend, when appropriate, the time period provided for public participation with respect to proposed regulations of the Board of Governors.

(5) Under the provisions of section 6621 of the Internal Revenue Code (26 U.S.C. 6621), to determine and report to the Secretary of Treasury or his delegate, the average predominant prime rate quoted by commercial banks to large businesses.

(6) To grant or deny requests for the extension of any time period provided in any notice, order, rule or regulation of the Board relating to the filing of information, comments, opposition, briefs, exceptions or other matters, in connection with any application, request or petition for the approval, authority, determination, or permission of, or any other action by the Board sought by any person. Notwithstanding the provisions of section 265.3 hereof, no person claiming to be adversely affected by any action of the Secretary on any such request shall have the right to petition the Board or any Board member for review or reconsideration of such action.

(7) Under the provisions of section 11(i) of the Federal Reserve Act (12 U.S.C. § 248(i)) to conform references to administrative positions or units in outstanding rules and regulations of the Board with changes in the administrative structure of the Board, the Government of the United States and agencies thereof, and to conform citations and references in outstanding rules and regulations of the Board with other regulatory or statutory changes adopted or promulgated by the Board, the Government of the United States and agencies thereof.

(8) Pursuant to the requirement of the Privacy Act (5 U.S.C. § 552a(p)), to approve future Annual Reports on the Privacy Act from



the Board of Governors to the Office of Management and Budget for inclusion in the President's annual consolidated report to the Congress.

(9) Under the provisions of section 19(j) of the Federal Reserve Act (12 U.S.C. 371b) and §§ 217.4(a) and (d) of Regulation Q (12 C.F.R. §§ 217.4(a) and (d)) to permit member banks to waive the penalty for early withdrawal of a time deposit in § 217.4(d) (Regulation Q), if all of the following conditions are met:

(i) The President of the United States declares an area a major disaster area or an emergency area pursuant to section 301 of the Disaster Relief Act of 1974 (42 U.S.C. 5141) and Executive Order No. 11795 of July 11, 1974.

(ii) A waiver is limited in effectiveness to depositors suffering disaster or emergency-related losses in the officially designated disaster or emergency area.

(iii) The appropriate Reserve Bank recommends approval.

(iv) All relevant divisions of the Board's staff recommend approval.

(b) **The General Counsel of the Board** (or, in the General Counsel's absence, the Acting General Counsel) is authorized:

(1) Under the provisions of section 2(g) of the Bank Holding Company Act (12 U.S.C. 1841(g)), to determine whether a company that transfers shares to any of the types of transferees specified therein is incapable of controlling the transferee.

(2) Under the provisions of section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1832(c)), to determine that a company engaged in activities of a financial, fiduciary, or insurance nature falls within the exemption described therein permitting retention or acquisition of control thereof by a bank holding company.

(3) Under the provisions of sections 1101-1103 and section 6158 of the Internal Revenue Code (26 U.S.C. 1101-1103 and 6158), to make certifications (prior and final) for Federal tax purposes with respect to distributions pursuant to the Bank Holding Company Act.

(4) Under the provisions of section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) and § 225.4(a) of this chapter (Regulation Y), to issue an order for a hearing to be

conducted for the purposes of determining whether a company engaged in activities of a financial fiduciary or insurance nature falls within the exemption described therein permitting retention or acquisition of control thereof by a bank holding company.

(5) Pursuant to the provisions of Part 261 of this chapter, to make available information of the Board of the nature and in the circumstances described in § 261.6(b) and § 261.7 of that Part.

(6) Pursuant to Part 263.6(d) of this chapter, to designate Board staff attorneys as Board counsel in any proceeding ordered by the Board to be conducted in accordance with Part 263 of this chapter.

(7) Pursuant to Part 262.3(i) of this chapter (Rules of Procedure) to determine whether or not to grant a request for reconsideration of any action taken by the Board with respect to an application as provided in that Part.

(8) To approve provisions of Federal Reserve Bank operating circulars related to uniform services.

(c) **The Director of the Division of Banking Supervision and Regulation** (or, in the Director's absence, the Acting Director) is authorized:

(1) Under the provisions of the seventh paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 325), to select or to approve the appointment of Federal Reserve Bank examiners, assistant examiners, and special examiners.

(2) Under the provisions of the nineteenth paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 625) and § 211.7(c)(i) of this chapter (Regulation K), to require submission and publication of reports by an "Edge Act" corporation.

(3) Under the provisions of section 5 of the Banking Holding Company Act (12 U.S.C. 1844), after having received clearance from the Bureau of the Budget (where necessary) and in accordance with the law of Administrative Procedure (5 U.S.C. 553), to promulgate registration, annual report, and other forms for use in connection with the administration of such Act.

(4) Under the provisions of section 12(g) of the Securities Exchange Act (15 U.S.C. 78l(g)):

(i) to accelerate the effective date of a registration statement filed by a member State bank with respect to its securities;



(ii) to accelerate termination of the registration of such a security that is no longer held of record by 300 persons; and

(iii) to extend the time for filing a registration statement by a member State Bank.

(5) Under the provisions of section 12(d) of the Securities Exchange Act (15 U.S.C. 78l(d)), to accelerate the effective date of an application by a member State bank for registration of a security on a national securities exchange.

(6) Under the provisions of section 12(f) of the Securities Exchange Act (15 U.S.C. 78l(f)), to issue notices with respect to an application by a national securities exchange for unlisted trading privileges in a security of a member State bank.

(7) Under the provisions of section 12(h) of the Securities Exchange Act (15 U.S.C. 78l(h)), to issue notices with respect to an application by a member State bank for exemption from registration.

(8) Under the provisions of § 206.5(f) and (i) of this chapter (Regulation F), to permit the mailing of proxy and other soliciting materials by a member State bank before the expiration of the time prescribed therein.

(9) Under the provisions of §§ 206.41, 206.42, and 206.43 (Instructions as to Financial Statements 9, 4, and 3, respectively) of this chapter (Regulation F), to permit the omission of financial statements from reports by a member State bank and/or to require other financial statements in addition to, or in substitution for, the statements required therein.

(10) To exercise the functions described in subparagraph (4) of paragraph (1) of this section in cases in which the conditions specified therein as prerequisites to exercise of such functions by the Federal Reserve Banks are not present or in which, even though such conditions are present, the appropriate Federal Reserve Bank considers that nevertheless it should not take action on the member bank's request, and to exercise the functions described in subparagraphs (1), (2), and (7) of paragraph (f) of this section in cases in which the appropriate Federal Reserve Bank considers that it should not take action to approve the member bank's request.

(11) Under sections 25 and 25(a) of the Federal Reserve Act and Part 211 of this chapter (Regulation K), to approve increases and reductions in

the capital stock and amendments to the articles of association of a corporation organized under section 25(a) and *additional* investments by a member bank in the stock of a corporation operating under an agreement with the Board pursuant to section 25.

(12) To exercise the functions described in subparagraphs (15)(i) and (ii) of paragraph (f); and to exercise the functions described in subparagraph (15)(iii) of paragraph (f) in those cases in which the appropriate Federal Reserve Bank concludes that, because of unusual considerations, or for other good cause, it should not take action.

(13) Under the provisions of the seventh paragraph of section 25 of the Federal Reserve Act (12 U.S.C. 602), to require submission of a report of condition respecting any foreign bank in which a member bank holds stock acquired under the provisions of § 211.5(b) of this chapter (Regulation K).

(14) Under the twelfth paragraph of section 13 of the Federal Reserve Act (39 Stat. 754), to permit any member bank to accept drafts or bills of exchange drawn upon it for the purpose of furnishing dollar exchange.

(15) Under the provisions of section 4(b) of the Federal Deposit Insurance Act (12 U.S.C. 1814(b)), to certify to the Federal Deposit Insurance Corporation that, with respect to the admission of a State-chartered bank to Federal Reserve membership, the factors specified in section 6 of that Act (12 U.S.C. 1816) were considered.

(16) Under the provisions of section 17(A)(c)(2) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78q-1), to accelerate the effective date of a registration statement filed by a member State bank or a subsidiary thereof, a bank holding company, or a subsidiary of a bank holding company which is a bank as defined in section 3(a)(6) of that Act other than a bank specified in clause (i) or (iii) of section 3(a)(34)(B) of that Act (15 U.S.C. 78c) with respect to its transfer agent activities.

(17) Under the provisions of section 17A(c)(3)(C) of the Securities Exchange Act of 1934, as amended, (15 U.S.C. § 78q-1(c)(3)(C)) to withdraw or cancel the transfer agent registration of a member State bank or a subsidiary thereof, a bank holding company, or a subsidiary bank of a bank holding company that is a bank as defined in section 3(a)(6) of the Act (other than a bank



specified in clause (i) or (iii) of section 3(a)(34)(B) of the Act (15 U.S.C. § 78c(3)(a)(34)(B)) that has filed a written notice of withdrawal with the Board or upon a finding that such transfer agent is no longer in existence or has ceased to do business as a transfer agent.

(18) Under the provisions of §§ 207.2(f), 220.2(e), and 221.3(d) of this chapter (Regulations G, T, and U, respectively) to approve issuance of the list of OTC margin stocks and to add, omit, or remove any stock in circumstances indicating that such change is necessary or appropriate in the public interest.

(19) Under the provisions of § 207.4(a)(2)(ii) of this chapter (Regulation G) to approve repayments of the "deficiency" with respect to stock option or employee stock purchase plan credit in lower amounts and over longer periods of time than those specified in the regulation.

(20) Pursuant to the provisions of Part 261 of this chapter, to make available reports and other information of the Board acquired pursuant to Parts 207, 220, 221, and 224 (Regulations G, T, U, and X) of the nature and in circumstances described in § 261.6(a)(2) and (3) of Part 261.

(21) Pursuant to the provisions of section 11(a) of the Federal Reserve Act (12 U.S.C. 248(a)) and sections 17(c), 17(g), and 23 of the Securities Exchange Act of 1934 (15 U.S.C. 78q(c), 78q(g), and 78w) to issue examination or inspection manuals, registration, report, agreement, and examination forms, guidelines, instructions or other similar materials for use in connection with the administration of sections 7, 8, 15B, and 17A(c) of the Securities Exchange Act of 1934 (15 U.S.C. 78g, 78h, 78o-4, and 78q-1).

(22) With the prior concurrence of the appropriate Federal Reserve Bank and the General Counsel of the Board, to act to refuse an application to the Board to stay, modify, terminate or set aside any effective cease and desist order previously issued by the Board pursuant to section 8(b) of the Federal Deposit Insurance Act or any written agreement between the Board or the Reserve Bank and a bank holding company or any non-banking subsidiary thereof or a State member bank (12 U.S.C. § 1818(b)).

(23) Pursuant to section 23 of the Securities Exchange Act of 1934 (15 U.S.C. 78w) (i) to grant or deny requests for waiver of examination

and waiting period requirements for municipal securities principals and municipal securities representatives under Municipal Securities Rulemaking Board Rule G-3, (ii) to grant or deny requests for a determination that a natural person or municipal securities dealer subject to a statutory disqualification is qualified to act as a municipal securities principal or municipal securities representative or municipal securities dealer under Municipal Securities Rulemaking Board Rule G-4, and (iii) to approve or disapprove clearing arrangements under Municipal Securities Rulemaking Board Rule G-8, in connection with the administration of Municipal Securities Rulemaking Board rules for municipal securities dealers for which the Board is the appropriate regulatory agency under section 3(a)(34) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(34)). (15 U.S.C. 78w and 12 U.S.C. 248.)

(24) To approve a State member bank's proposed subordinated debt issue as an addition to the bank's capital structure if all of the following conditions are met:

(i) The terms of the proposed debt issue satisfy the requirements of §§ 204.1(f)(3)(i) and 217.1(f)(3)(i) of this Part (Regulations D and Q) and the Board's guideline criteria for approval of subordinated debt as an addition to capital.

(ii) The appropriate Reserve Bank recommends approval.

(iii) No significant policy issue is raised by the proposed issue as to which the Board has not expressed its view.

(d) **The Staff Director for Federal Reserve Bank Activities** or the Staff Director's designee is authorized:

(1) To approve

(i) requests of up to \$500,000 for each Reserve Bank for the purchase or lease of computer mainframes, if the acquisition is consistent with the long-range automation plan approved by the Board of Governors, and

(ii) requests of up to \$500,000 for each Reserve Bank for purchase or lease of automation or communication equipment not specifically included in the long-range automation plan approved by the Board of Governors, except computer mainframes.



(2) To approve proposed remodeling or renovation of or additions of Reserve Bank or Branch buildings if the cost is over \$500,000, but not over \$1,000,000, and if the project has been included in the capital or operating budget approved by the Board of Governors.

(3) Under the provisions of the third paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 413), to apportion credit among the Reserve Banks for unfit notes that are destroyed, giving consideration to the net number of notes of each denomination that were issued by each Reserve Bank during the preceding calendar year.

(4) Under the provision of §§ 216.5(b), 216.5(d), and 216.6 of this chapter (Regulation P), with respect to Federal Reserve Banks and branches

(i) to require reports on security devices;

(ii) to require special reports; and

(iii) to determine in view of the provisions of §§ 216.3 and 216.4 whether security devices and procedures are deficient in meeting the requirements of Part 216, to determine whether such requirements should be varied in the circumstances of a particular banking office, and to require corrective action.

(5) To review Bank agreements with architects and other consultants for new construction or renovation projects over \$100,000, but not over \$1,000,000.

(6) Within the contingency allowance for a new building project, to approve individual construction change orders over \$500,000, but not over \$1,000,000.

(7) To exercise supervision over the following matters relating to Federal Reserve notes:

(i) printing orders and

(ii) contracts for shipment, giving consideration to:

(a) the desirability of maintaining a two-year reserve supply of \$5 and \$100 notes and a one-year supply of \$1 notes, and

(b) awarding contracts to the lowest bidder determined to be qualified.

(8) To modify the Reserve Bank Accounting Manual (after considering the views of the Subcommittee on Accounting Systems, Budgets and Expenditures of the Committee on Management Systems and Support Services of the Conference

of First Vice Presidents) in accordance with generally accepted accounting practices for banks, except that the following will not be authorized:

(i) reserves for contingencies,

(ii) charge-off of land to below estimated market value,

(iii) charge-offs of buildings, or special allowances for depreciation that would result in full depreciation before 40 years after the date of completion of the structure, and

(iv) write-down of Government securities below cost, including establishment of a valuation reserve.

(e) **[Reserved]**

(f) **Each Federal Reserve Bank** is authorized as to a member bank or other indicated organization for which the Reserve Bank is responsible for receiving applications or registration statements; as to its officers under subparagraph (23) of this paragraph; and as to its own facilities under subparagraph (26) of this paragraph:

(1) Under the provisions of the third paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 321), section 5155 of the Revised Statutes (12 U.S.C. 36), and § 208.8 of this chapter (Regulation H), to approve the establishment by a State member bank of a domestic branch if the proposed branch has been approved by the appropriate State authority and if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management;

(ii) the ability of bank's management to cope successfully with existing or foreseeable problems, and to staff the proposed branch without any significant deterioration in the overall management situation;

(iii) the convenience and needs of the community;

(iv) the competitive situation (either actual or potential);



(v) the prospects for profitable operations of the proposed branch within a reasonable time, and the ability of the bank to sustain the operational losses of the proposed branch until it becomes profitable; and

(vi) the reasonableness of bank's investment in bank premises after the expenditure for the proposed branch.

(2) Under the provisions of the sixth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 324) and the provisions of section 5199 of the Revised Statutes (12 U.S.C. 60), to permit a State member bank to declare dividends in excess of net profits for the calendar year combined with the retained net profits of the preceding two years, less any required transfers to surplus or a fund for the retirement of any preferred stock, if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management; and

(ii) the bank's capitalization after payment of the proposed dividend.

(3) Under the provisions of the tenth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 328), to approve or deny applications by State banks for waiver of the required six months' notice of intention to withdraw from Federal Reserve membership.

(4) Under the provisions of the eleventh paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 329), to permit a State member bank to reduce its capital stock if its capitalization thereafter will be:

(i) in conformity with the requirements of Federal law, and

(ii) adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management.

(5) Under the provisions of the seventeenth paragraph of section 9 of the Federal Reserve Act

(12 U.S.C. 334), to extend the time, for good cause shown, within which an affiliate of a State member bank must file reports.

(6) Under the provisions of the seventh paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 372), to permit a member bank to accept commercial drafts in an aggregate amount at any one time up to 100 per cent of its capital and surplus.

(7) Under the provisions of section 24A of the Federal Reserve Act (12 U.S.C. 371d), to permit a State member bank to invest in bank premises in an amount in excess of its capital stock, if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management: *And provided, That*

(ii) upon completion of the proposed investment, the bank's aggregate investment (direct and indirect) in bank premises plus the indebtedness of any wholly-owned bank premises subsidiary will not exceed 40 per cent of its total capital funds (including capital notes and debentures) plus reserves other than valuation reserves.

(8) Under the provisions of the ninth paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 615), to extend the time in which an "Edge Act" corporation must divest itself of stock acquired in satisfaction of a debt previously contracted.

(9) Under the provisions of the twenty-second paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 628), to extend the period of corporate existence of an "Edge Act" corporation.

(10) Under the provisions of section 5(a) of the Bank Holding Company Act (12 U.S.C. 1844(a)), to extend the time within which a bank holding company must file a registration statement.

(11) Under the provisions of section 4(a) of the Bank Holding Company Act (12 U.S.C. 1843(a)), to extend the time within which a bank



holding company must divest itself of interests in nonbanking organizations.

(12) Under the provisions of section 4(c)(2) of the Bank Holding Company Act (12 U.S.C. 1843(c)), to extend the time within which a bank holding company must divest itself of interests in a nonbanking organization acquired in satisfaction of a debt previously contracted.

(13) Under the provisions of section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844(c)), to acquire reports under oath to determine whether a company is complying with the provisions of such Act and the Board's regulations promulgated thereunder.

(14) Under the provisions of § 208.11(c) of this chapter (Regulation H), to extend the time within which a member bank that has given notice of intention to withdraw from membership must surrender its Federal Reserve Bank stock and its certificate of membership.

(15) Under the provisions of §§ 216.5(b), 216.5(d), and 216.6 of this chapter (Regulation P), with respect to State member banks only:

- (i) to require reports on security devices;
- (ii) to require special reports; and
- (iii) to determine, in view of the provisions of §§ 216.3 and 216.4, whether security devices and procedures are deficient in meeting the requirements of Part 216, to determine whether such requirements should be varied in the circumstances of a particular banking office, and to require corrective action.

(16) Under § 208.10(a) of this chapter (Regulation H), for good cause shown, to extend the time for publication of reports of condition, such extensions not ordinarily to be for more than 10 days except in very unusual circumstances beyond control of the reporting bank.

(17) Under the provisions of § 207.1(b) of this chapter (Regulation G), to approve applications for termination of registration by persons who are registered pursuant to § 207.1(a).

(18) Under the provisions of the second paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 612), and § 211.3 of this chapter (Regulation K), to approve amendments to the Articles of Association of any "Edge Act" corporation to reflect the following:

(i) any increase in the capital stock of such corporation where all additional shares are to be acquired by existing shareholders;

(ii) any change in the location of the home office of such corporation within the city where such corporation is presently located; and

(iii) any change in the number of members of the Board of Directors of such corporation.

(19) Under § 225.4(d) of this chapter (Regulation Y),

(i) to notify a bank holding company that has informed it of a proposed acquisition of a going concern that, because the circumstances surrounding the application indicate that additional information is required or that the acquisition should be considered by the Board, the acquisition should not be consummated until specifically authorized by the Reserve Bank or by the Board.

(ii) to permit a bank holding company that has informed it of a proposed acquisition of a going concern to make the acquisition before the expiration of the 45-day period referred to in that paragraph, because exigent circumstances justify consummation of the acquisition at an earlier time.

(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.



(21) Under § 225.4(c)(2) of this chapter (Regulation Y) to permit or stay a proposed *de novo* modification or relocation of activities engaged in by a bank holding company on the same basis as *de novo* proposals under subparagraph (20) of this paragraph.

(22) Under the provisions of § 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), §§ 3(a) and 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1842(a) and 1843(c)(8)) and §§ 225.3(b) and (c), and §§ 225.4(a) and (b) of Regulation Y (12 CFR 225.3(b) and (c), and 225.4(a) and (b)), to approve applications requiring prior approval of the Board, and under the provisions of § 18(c) (4) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)(4)), to furnish to the Comptroller of the Currency and the Federal Deposit Insurance Corporation reports on competitive factors involved in a bank merger required to be approved by one of these agencies, unless one or more of the following conditions is present:

(i) a member of the Board has indicated an objection prior to the Reserve Bank's action; or

(ii) the Board has indicated that such delegated authority shall not be exercised by the Reserve Bank in whole or in part; or

(iii) a written substantive objection to the application has been properly made; or

(iv) the application raises a significant policy issue or legal question on which the Board has not established its position; or

in formations, bank acquisitions or mergers:

(v) the proposed transaction involves two or more banking organizations:

(a) that rank among a State's ten largest banking organizations in terms of total domestic banking assets; or

(b) each of which has more than \$100 million of total deposits in banking offices in the same local banking market that, after consummation of the proposal, would control over 5 per cent of total deposits in banking offices in that local market; or

in nonbank acquisitions:

(vi) the nonbanking activities involved do not clearly fall within activities that the Board has designated as permissible for bank holding companies under § 225.4(a) of Regulation Y; or

(vii) the proposal would involve the acquisition by a banking organization that has total domestic banking assets of \$1 billion or more of a nonbanking organization that appears to have a significant presence in a permissible nonbanking activity.<sup>2</sup>

(23) To set the salaries of its officers below the level of First Vice President (including the General Auditor) within guidelines issued by the Board of Governors.

(24) Under the provisions of the first paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 325) to approve applications for membership in the Federal Reserve System if the Reserve Bank is satisfied with respect to each of the following criteria:

(i) the financial history and condition of the applying bank and the general character of its management;

(ii) the adequacy of its capital structure in relation to the character and condition of its assets and to its existing and prospective deposit liabilities and other corporate responsibilities and its future earnings prospects;

(iii) the convenience and needs of the community to be served by the bank; and

(iv) whether its corporate powers are consistent with the purposes of the Federal Reserve Act and the Federal Deposit Insurance Act.

(25) Under the provisions of section 5(c) of the Bank Holding Company Act, as amended (12 U.S.C. 1844(c)), to grant to a bank holding company a 90-day extension of time in which to file an annual report; and for good cause shown an additional extension of time, not to exceed 90 days, may be granted.

(26) Under the provisions of sections 3 and 11j of the Federal Reserve Act (12 U.S.C. 521 and 248(j)) to undertake remodeling, renovation of or addition to its existing buildings or those of its branches if the expenditure for any completed project is not over \$500,000, and if it has

<sup>2</sup> While other situations may involve the issue of significant presence, the Board regards, as a general guideline, any company that ranks among the 20 largest independent firms in any industry as having a significant presence.



been included in the capital or operating budget approved by the Board of Governors.

(27) Under § 211.5(e) of this chapter (Regulation K) to extend the time in which a member bank must divest itself of stock or other evidences of ownership in a foreign bank acquired in satisfaction of a debt previously contracted.

(28) With the prior approval of both the Director of the Board's Division of Banking Supervision and Regulation and the General Counsel of the Board, to enter into a written agreement with a bank holding company or any nonbanking subsidiary thereof or with a State member bank concerning the correction of an unsafe or unsound practice in conducting the business of such bank holding company, nonbanking subsidiary or State member bank and concerning the correction of any violation of law, rule or regulation incident to such an unsafe or unsound practice. (12 U.S.C. 248(a), 321, 324, 325, 330, 1844; 12 CFR § 208.8).

(29) Under the provisions of section 2(a)(5)(D) and 3(a) of the Bank Holding Company Act (12 U.S.C. 1841(a)(5)(D), 1842(a)), to extend the time within which a company or a bank must divest itself of banks shares acquired in satisfaction of a debt previously contracted.

(30) Under the provisions of the Change in Bank Control Act of 1978 (12 U.S.C. § 1817(j)) and section 225.7 of this chapter (Regulation Y), with respect to a bank holding company or State member bank, to determine the informational sufficiency of notices and reports filed under the Act, to extend periods for consideration of notices to determine whether a person who is or will be subject to a presumption described in section 225.7(a) of this chapter should file a notice regarding a proposed transaction, and, if all the following conditions are met, to issue a notice of intention not to disapprove a proposed change in control:

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank concur.

(iii) if the proposal involves shares of a State member bank or a bank holding company controlling a State member bank, the appropriate bank supervisory authorities have indicated that

they have no objection to the proposal, or no objection has been received from the appropriate bank supervisory authorities within the time allowed by the Act.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(31) Under the provisions of the twenty-first paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 306), to approve the appointment of assistant Federal Reserve agents (including representatives or alternate representatives of such agents).

(32) Under the provisions of the sixteenth paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 304), to classify member banks for the purposes of electing Federal Reserve Bank class A and class B directors, giving consideration to:

(i) the statutory requirement that each of the three groups shall consist as nearly as may be of banks of similar capitalization, and

(ii) the desirability that every member bank have the opportunity to vote for a class A or a class B director at least once every three years.

(33) To increase its operating budget up to 1 per cent of the annual operating budget.

(34) To purchase or lease new automation or communications equipment, except computer mainframes, at a cost of up to \$1,000,000, if included in long-range automation plans and capital or operating budgets approved by the Board of Governors.

(35) To set the salary structure for nonofficial employees within guidelines issued by the Board of Governors, and to approve payment of salary above or below established salary ranges for one year.

(36) To approve payment of separation allowances upon the involuntary termination of employment of officers below the level of First Vice President (separation payments made to the General Auditor may be approved by the Chairman of the Board of Directors).

(37) In connection with building projects:

(i) to enter into agreements with architects and other consultants up to \$100,000;

(ii) to administer the contingency allowance;



(iii) within the contingency allowance for a new building to approve construction change orders up to \$500,000;

(iv) to approve exceptions to Buy American Policy for construction materials within authorized dollar limits; and

(v) to award contracts to other than the lowest bidder within authorized dollar limits.

(38) To sell real property (prior consultation with the Director of the Division of Federal Reserve Bank Operations is required for any property appraised at more than \$1,000,000).

(39) To purchase or lease new fixed or operating equipment, other than automation or communications equipment, costing up to \$250,000, if identified in capital or operating budgets approved by the Board.

(40) To make changes in territories served by offices within its district for specific functions.

(41) To extend the employment of officers and employees, except the President and First Vice President, for one year beyond mandatory retirement age.

(42) To grant performance cash awards

(i) to Senior Vice Presidents, if approved by the President, and

(ii) to the General Auditor, if approved by the Chairman of the Board of Directors.

(43) To extend the time within which a bank holding company may acquire shares, a new bank to be acquired by a bank holding company may be opened for business, or a merger may be consummated in connection with an application approved by the Board, if no material change that is relevant to the proposal has occurred since its approval.

(44) To extend the times within which

(i) a State member bank may establish a domestic branch,

(ii) a member bank may establish a foreign branch, or

(iii) an "Edge Act" or "Agreement" corporation may establish a branch or agency, if no material change has occurred in the bank's (or corporation's) general condition since the application was approved.

(45) To extend the time within which an "Edge Act" or "Agreement" corporation or a

member bank may accomplish a purchase of stock that has been authorized by the Board pursuant to section 25 or 25(a) of the Federal Reserve Act, if no material change has occurred in the general condition of the corporation or the member bank since such authorization.

(46) To extend the time within which Federal Reserve membership must be accomplished, if no material change has occurred in the bank's general condition since the application was approved.

(47) To waive the penalty for deficient reserves by a member bank, if, after a review of all the circumstances relating to such deficiency, the Reserve Bank concludes that waiver of the penalty is warranted, except that in no case shall a penalty for deficient reserves be waived if the deficiency arises out of the bank's gross negligence or conduct inconsistent with the principles and purposes of reserve requirements.

**(g) The Director of the Division of International Finance** (or, in the Director's absence, the Acting Director) is authorized, under the provisions of the sixth paragraph of section 14 of the Federal Reserve Act (12 U.S.C. 358) to approve the establishment of foreign accounts with the Federal Reserve Bank of New York.

**(h) The Director of the Division of Consumer Affairs** (or, in the Director's absence, the Acting Director) is authorized:

(1) Pursuant to the provisions of section 11(a) of the Federal Reserve Act (12 U.S.C. 248(a)), sections 108(b), 621(c), and 704(b) of the Consumer Credit Protection Act (15 U.S.C. 1607(b), 1681s(c) and 1691c(b)), section 305(c) of the Home Mortgage Disclosure Act (12 U.S.C. 2804(c)), section 18(f)(3) of the Federal Trade Commission Act (15 U.S.C. 57a(f)(3)), and section 808(c) of the Civil Rights Act of 1968 (42 U.S.C. 3608(c)), to issue examination or inspection manuals, reports, agreement, and examination forms, guidelines, instructions or other similar materials for use in connection with:

(i) sections 1 through 709 (excluding sections 201 through 500) of the Consumer Credit Protection Act (15 U.S.C. 1601-1691f),

(ii) sections 301 through 310 of the Home Mortgage Disclosure Act (12 U.S.C. 2801-2809),



(iii) sections 18(f)(1)-(3) of the Federal Trade Commission Act (15 U.S.C. 57a(f)(1)-(3)), and

(iv) section 805 of the Civil Rights Act of 1968 (42 U.S.C. 3605); and rules and regulations issued thereunder.

(2) Pursuant to sections 123, 171(b) and 186(b) of the Truth in Lending Act (15 U.S.C. 1633, 1666(j) and 1667(e)) and the Board's Regulation Z, (12 CFR Part 226.12), to grant, but not deny or revoke, exemptions to States from the requirements of:

(i) Chapter 2 (15 U.S.C. 1631-1644), where State law imposes substantially similar requirements and there is adequate provision for enforcement,

(ii) Chapter 4 (15 U.S.C. 1666), where State law imposes substantially similar requirements or gives greater protection to the consumer and there is adequate provision for enforcement, and,

(iii) Chapter 5 (15 U.S.C. 1667), where State law imposes substantially similar requirements or gives greater protection and benefit to the consumer, and there is adequate provision for enforcement.

(3) Pursuant to section 703(b) of the Consumer Credit Protection Act (15 U.S.C. 1691b(b)), to call meetings of and consult with the Consumer Advisory Council established under that section,

to approve the agenda for such meetings, and to accept any resignation for Consumer Advisory Council members.

(i) **The Secretary of the Federal Open Market Committee** (or, in the Secretary's absence, the Deputy Secretary) is authorized:

To approve for inclusion in the Board's annual report to Congress, records of policy actions of the Federal Open Market Committee.

#### SECTION 265.3—REVIEW OF ACTION AT DELEGATED LEVEL

Any action taken at a delegated level shall be subject to review by the Board only if such review is requested by a member of the Board either on the member's own initiative or on the basis of a petition for review by any person claiming to be adversely affected by the action. Any such petition for review must be received by the Secretary of the Board not later than the fifth day after the date of such action. Notice of any such review shall be given to the person with respect to whom such action was taken and be received by such person not later than the close of the tenth day following the date of such action. Upon receipt of such notice, such person shall not proceed further in reliance upon such action until such person is notified of the outcome of review thereof by the Board.



Board of Governors of the Federal Reserve System

RULES REGARDING DELEGATION OF AUTHORITY

AMENDMENT

(effective November 28, 1979)

Disclosure of Reports of Examination Under the 1975  
Amendments to the Securities Exchange Act of 1934

[Docket No. R-0264]

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

**ACTION:** Final rule.

**SUMMARY:** This amendment delegates to the Director of the Division of Banking Supervision and Regulation authority to make certain reports available to the Securities and Exchange Commission. This delegation will simplify procedures now followed by the Board.

**EFFECTIVE DATE:** November 28, 1979.

**FOR FURTHER INFORMATION CONTACT:** Stephen L. Siciliano, Senior Counsel, (202-452-3920), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

**SUPPLEMENTARY INFORMATION:** The purpose of this amendment is to delegate to the Director of the Board's Division of Banking Supervision and Regulation authority to make reports of examination of transfer agents, clearing agencies and municipal securities dealers subject to the Board's supervisory jurisdiction available to the Securities and Exchange Commission pursuant to section 17(a) (3) of the Securities Exchange Act of 1934, as amended. The Board is required by the Act to make such reports of examination available to the Commission upon request so that it might carry out its regulatory responsibilities under that statute. This delegation will simplify procedures now followed by the Board in processing such requests from the Commission. To accomplish this delegation, section 265.2(c) of the Board's Rules Regarding Delegation of Authority is amended by addition of a new subsection (25), as set forth below.

The provisions of section 553 of Title 5, United States Code, relating to notice and public participation and to deferred effective dates, are not followed in connection with the adoption of section 265.2(c) (25) because the rule involved therein is procedural in nature and accordingly does not constitute a substantive rule subject to the requirements of such section.

Effective November 28, 1979, 12 C.F.R. § 265.2(c) is amended by adding a new paragraph (25) to read as follows:

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

\* \* \*

(c) The Director of the Division of Banking Supervision and Regulation (or, in the Director's absence, the Acting Director) is authorized:

\* \* \*

(25) Under the provisions of section 17(c) (3) of the Securities Exchange Act of 1934, as amended, to make available upon request to the Securities and Exchange Commission reports of examination of transfer agents, clearing agencies and municipal securities dealers for which the Board is the appropriate regulatory agency for use by the commission in the exercise of its supervisory responsibilities under that statute.

By order of the Board of Governors of the Federal Reserve System, November 28, 1979.

For these Rules to be complete, retain:

- 1) Pamphlet amended "effective September 21, 1979".
- 2) Correction notice, dated December 13, 1979, indicating that the effective date of the pamphlet is October 24, 1979.
- 3) This slip sheet.