

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 9040
March 20, 1981

**STUDY ON ACQUISITION OF THRIFT INSTITUTIONS
BY BANKS AND BANK HOLDING COMPANIES
Comment Requested by April 30**

*To All Depository Institutions, and Others Concerned,
in the Second Federal Reserve District:*

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

The Federal Reserve Board has requested public comment on the potential effects of the acquisition of thrift institutions by banks and bank holding companies. Public comment is being sought to assist the Board in completing a study for Congress on this issue.

The Board has previously found the operation of a savings and loan association to be "closely related" to banking but not a "proper incident" to banking. The Board's study of the affiliation of banks and bank holding companies with thrift institutions is not limited to this issue, and interested persons are invited to express views not only on the "proper incident" question but also on any potential effects of such affiliation.

At the same time, the Board dismissed an application by National Detroit Corporation, Detroit, Michigan, to acquire Landmark Savings and Loan Association, Saginaw, Michigan. The application was dismissed without prejudice to its resubmission at a later date.

Enclosed is a copy of the Board's official notice requesting comment. Comments should be submitted by April 30, 1981, and may be sent to our Domestic Banking Applications Department.

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE SYSTEM

Notice Requesting Comment on the Acquisition
of Thrift Institutions by Banks and Bank
Holding Companies

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Request for comment.

SUMMARY: Congress has asked the Board to undertake a study of the potential effects of the acquisition of thrift institutions by banks and bank holding companies. The Board is soliciting comment from the public on this issue to assist the Board in completing its study.

DATE: Comments must be received by April 30, 1981.

ADDRESS: Secretary, Board of Governors of the Federal Reserve System,
Washington, D.C. 20551.

FOR FURTHER INFORMATION CONTACT: Michael E. Bleier, Assistant General Counsel (202-452-3721), Carl V. Howard, Senior Attorney (202-452-3786), Legal Division; or Joe M. Cleaver, Assistant Director (202-452-3905), Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 4(c)(8) of the Bank Holding Company Act, 12 U.S.C. § 1843(c)(8), provides that bank holding companies may acquire

. . . [S]hares of any company the activities of which the Board after due notice and opportunity for hearing has determined (by order or regulation) to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In determining whether a particular activity is a proper incident to banking or managing or controlling banks the Board shall consider whether its performance by an affiliate of a 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.

The Board has previously found the operation of a savings and loan association to be "closely related" to banking, but has not determined this activity to be a "proper incident" to banking.^{1/} Accordingly, interested persons are invited to express their views on the "proper incident" question. The Board's study of the affiliation of banks and bank holding companies and thrift institutions is not limited to this issue, however, and interested persons are also invited to express their views on any potential effects of such affiliation.

The Board has advised the Senate Committee that the Board intends to complete this study by the early summer of 1981. Accordingly, persons wishing to comment on the issues described above should submit their views in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received by April 30, 1981.

Board of Governors of the Federal Reserve System, March 16, 1981.

(signed) James McAfee

James McAfee
Assistant Secretary of the Board

[SEAL]

^{1/} D.H. Baldwin Company, 63 Federal Reserve Bulletin 280 (1977). The Board recently received an application from National Detroit Corporation, Detroit, Michigan, to acquire Landmark Savings and Loan Association, Saginaw, Michigan. The Board has dismissed the application without prejudice to its resubmission following completion of the study.