

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 9931
October 9, 1985

RULES REGARDING DELEGATION OF AUTHORITY

**Delegation of Authority to Act on Certain Applications
to Establish Edge Corporations**

*To All Domestic Commercial Banks
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 Federal Reserve Banks the authority to act on applications by *domestic* U.S. banking organizations to establish Edge Corporations. That delegation of authority does not include applications by foreign banks or by nonbanking organizations.

Printed on the reverse side is the text of the amendment; questions thereon may be directed to our Domestic Banking Applications Department (Tel. No. 212-791-5878).

E. GERALD CORRIGAN,
President.

(Over)

FEDERAL RESERVE SYSTEM

12 CFR Part 265

[Docket No. R-0551]

Rules Regarding Delegation of Authority; Delegation of Authority to Reserve Banks To Act on Certain Applications To Establish Edge Corporations

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is amending 12 CFR Part 265, its Rules Regarding Delegation of Authority, to delegate to the Federal Reserve Banks authority to act on applications by U.S. banking organizations to establish Edge corporations. It is anticipated that this delegation of authority will aid in the expeditious processing of applications to establish Edge corporations.

EFFECTIVE DATE: September 27, 1985.

FOR FURTHER INFORMATION CONTACT: James Keller, Manager, International Banking Applications, Division of Banking Supervision and Regulation (202/452-2523) or Kathleen O'Day, Senior Counsel, Legal Division (202/452-3786), Board of Governors of the Federal Reserve System, Washington, D.C. 20551; or Joy W. O'Connell, Telecommunication Device for the Deaf (TDD) (202/452-3244).

SUPPLEMENTARY INFORMATION: The Board's Regulation K sets forth the procedures and requirements for establishment of an Edge corporation (12 CFR 211.4). In acting on a proposal to establish an Edge corporation, the Board considers factors such as the financial condition and history of the applicant; the general character of its management; the convenience and needs of the community to be served; and the effects of the proposal on competition. Notice of such proposals are published by the Board in the *Federal Register* in order to allow interested persons an opportunity to express their views.

Based on its experience in processing applications by U.S. banking organizations¹ to establish Edge corporations, the Board believes that standards can be established under which it is appropriate to delegate approval of these applications to the Reserve Banks. The amendment to the Rules Regarding Delegation of Authority would permit a Reserve Bank, after consideration of the factors specified in § 211.4, to approve an application by a U.S. banking organization to establish an Edge corporation if the application meets the following criteria:

(1) The U.S. banking organization meets minimum capital guidelines and is otherwise in satisfactory condition;

(2) The proposal does not involve a joint venture; and

(3) No other significant policy issue is raised on which the Board has not previously expressed its view.

Failure to meet these criteria does not indicate that an application would be disapproved. It requires only that the application must be acted on by the Board rather than by a Reserve Bank.

The Board believes that this delegation of authority will be useful in the expeditious processing of applications by U.S. banking organizations to establish Edge corporations and will review the standards for delegation from time to time.

The provisions of 5 U.S.C. 553 relating to notice, public participation and deferred effective date are not followed in connection with the adoption of this amendment because the changes involved are procedural in nature and do not constitute substantive rules subject to the requirement of that section.

Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L. 96-354; 5 U.S.C. 601 *et seq.*), the Board of Governors of the Federal Reserve System certifies that the amendment adopted will not have a significant economic impact on a substantial number of small entities that would be subject to the regulation.

List of Subjects in 12 CFR Part 265

Authority delegations (Government agencies). Banks, Banking, Federal Reserve System.

PART 265—[AMENDED]

12 CFR Part 265 is amended as follows:

1. The authority citation for Part 265 continues to read as follows:

Authority: Sec. 11, 38 Stat. 261; 12 U.S.C. 248.

2. Section 265.2 is amended by adding paragraph (f)(47) to read as follows:

§ 265.2 Specific functions delegated to Board employees and to Federal Reserve Banks.

(f) * * *

(47) Under section 25(a) of the Federal Reserve Act and Subpart A of the Board's Regulation K, to approve applications by a United States banking organization to establish an Edge corporation if all the following criteria are met:

(i) The U.S. banking organization meets capital adequacy guidelines and is otherwise in satisfactory condition;

(ii) The proposed Edge corporation will be a wholly-owned subsidiary of a single banking organization; and

(iii) No other significant policy issue is raised on which the Board has not previously expressed its view.

¹ The delegation of authority would not include applications to establish Edge corporations where the investor is a foreign bank or a U.S. nonbanking organization.

By order of the Board of Governors of the Federal Reserve System, September 27, 1985.

James McAfee,

Associate Secretary of the Board.

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