

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10602**]
December 15, 1992]

MANAGEMENT OFFICIAL INTERLOCKS

**Clarification of Certain Filing
Requirements Under the Depository
Institution Management Interlocks Act**

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

Following is the text of a statement issued jointly by the four Federal financial institutions regulatory agencies:*

The Federal financial institutions regulatory agencies have issued an interpretation to clarify certain filing requirements under the agencies' regulations implementing the Depository Institution Management Interlocks Act ("Interlocks Act").

The agencies are issuing the statement to remind institutions seeking a regulatory exception from the prohibitions of the Interlocks Act that they need only obtain the approval of the primary regulator of the institution seeking management or operating expertise.

For the Federal Reserve System, the implementing regulation to which this interpretation applies is Regulation L, "Management Official Interlocks." Printed on the following pages is the text of the interagency interpretation.

Questions regarding this matter may be directed, at this Bank, to Jay B. Bernstein, Staff Director, Domestic Banking Applications Division (Tel. No. 212-720-5861).

E. GERALD CORRIGAN,
President.

* The Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision.

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (collectively "the agencies") are issuing this interpretation to clarify certain filing requirements under the agencies' regulations implementing the Depository Institution Management Interlocks Act ("Interlocks Act" or "Act"). The Interlocks Act prohibits management interlocks between unaffiliated depository organizations when the organizations have offices located in the same community or metropolitan statistical area, or when one of the organizations has assets in excess of \$500 million and the other organization has assets in excess of \$1 billion.

The Act authorizes the agencies to adopt regulations making available exceptions from these restrictions for certain categories of depository institutions. Under this authority, the agencies have, by regulation, established exceptions from the Act's prohibitions where the benefits that would result from the increased availability of managerial expertise to certain institutions are expected to outweigh any adverse effects on competition. In other words, management interlocks are excepted where the interlock is expected to strengthen a depository organization or perhaps even avoid the failure of a depository organization, thus enabling a viable institution to continue to provide services to its community.

The regulatory exceptions include: 1) an exception of up to five years for depository organizations located in low-income areas, and for minority and women-owned organizations,

2) an exception of up to two years for newly-chartered institutions, 3) an exception for depository institutions which face conditions that endanger safety and soundness, and 4) an exception of up to thirty months for institutions facing the loss of 30 percent or more of their total number of directors or of their total number of management officials due to changes in circumstances that cause the directors' or management officials' interlocking service to become prohibited. Each exception requires only the prior approval of the primary supervisory agency for the institution which is eligible for the exception.

The regulatory exceptions will generally be granted if it is determined: 1) that the institution requesting the exception falls within one of the above categories, and 2) that the interlocking relationship is necessary to provide management or operating expertise to the institution requesting the exception.

To date, institutions in need of management or operating expertise who have requested regulatory exceptions from the management interlocks prohibitions have on occasion sought approval for these exceptions not only from their primary regulator, but from the primary regulator of the institution at which the management official for whom the exception is sought currently serves. The added review is not required, and such review does not enhance to a significant extent the agencies' ability to enforce provisions of the Interlocks Act. It instead

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only imposes an additional burden on institutions seeking exceptions from the Act's prohibitions.

Accordingly, the agencies are issuing this statement to remind institutions seeking a regulatory exception from the prohibitions of the Interlocks Act that they need only obtain the approval of the primary regulator of the institution in need of management or operating expertise. For example, in the case of a management interlock between a newly-chartered institution and an existing bank in the same community, approval would be required only from the primary regulator for the newly-chartered bank. After obtaining this approval, the institution should retain copies of the approval letter in its files.

This statement does not affect the procedures that an institution must follow when seeking an Interlocks Act exception that is specifically provided for in the Act.

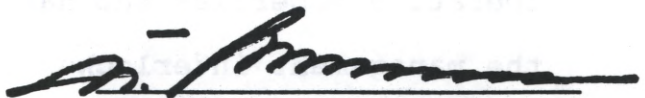
Board of Governors of the
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J. Virgil Mattingly, Jr.
General Counsel

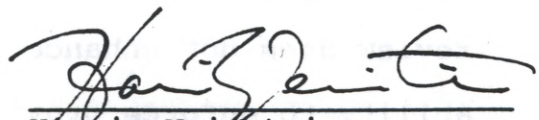
Office of the Comptroller
of the Currency


William P. Bowden, Jr.
Chief Counsel

Federal Deposit Insurance
Corporation


Alfred J. T. Byrne
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Office of Thrift
Supervision


Harris Weinstein
Chief Counsel

Dated: November 12, 1992

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The regulatory exceptions include: 1) an exception of up to five years for depository organizations located in low-income areas, and for minority and women-owned organizations,

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The regulatory exceptions will generally be granted if it is determined: 1) that the institution requesting the exception falls within one of the above categories, and 2) that the interlocking relationship is necessary to provide management or operating expertise to the institution requesting the exception.

To date, institutions in need of management or operating expertise who have requested regulatory exceptions from the management interlocks prohibitions have on occasion sought approval for these exceptions not only from their primary regulator, but from the primary regulator of the institution at which the management official for whom the exception is sought currently serves. The added review is not required, and such review does not enhance to a significant extent the agencies' ability to enforce provisions of the Interlocks Act. It instead

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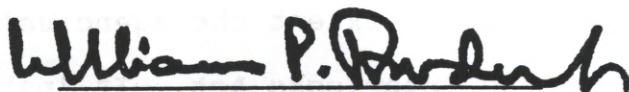
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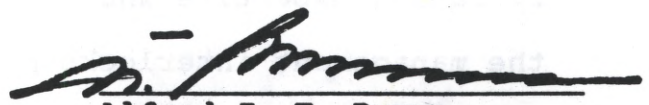
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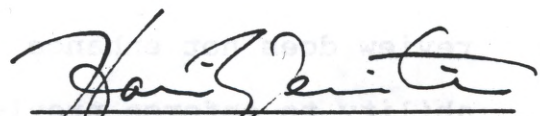
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