

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 6532
April 30, 1970

INTERPRETATION OF REGULATION L
Interlocking Relationship Between Member Bank
and Credit Card Subsidiary of Another Bank

To the Member Banks of the Second Federal Reserve District:

Printed below is an excerpt from the Federal Register of April 25, containing the text of an interpretation of Regulation L of the Board of Governors of the Federal Reserve System regarding the applicability of Section 8 of the Clayton Act and Regulation L to an interlock between a member bank and a credit card subsidiary of another bank.

Additional copies of this circular will be furnished upon request.

Alfred Hayes,
President.

Title 12—BANKS AND BANKING

Chapter II—Federal Reserve System

**SUBCHAPTER A—BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM**

[Reg. L]

PART 212—INTERLOCKING BANK RELATIONSHIPS UNDER THE CLAYTON ACT

**Interlocking Relationship Between
Member Bank and Credit Card Subsidiary of Another Bank**

1. Effective immediately the title of this Part is amended to read as shown above.

2. The following section is added:

§ 212.101 Applicability of section 8 of the Clayton Act to an interlock between a member bank and a credit card subsidiary of another bank.

(a) The Board of Governors recently considered the question whether simultaneous service by an individual as a director of a wholly-owned credit card

subsidiary of a national bank and as a director of another member bank in a contiguous municipality was prohibited by section 8 of the Clayton Act (15 U.S.C. 19).

(b) Section 8 of the Act and § 212.1(a) of the Board's Regulation L issued pursuant thereto prohibit any "director, officer, or employee of any member bank * * * or any branch thereof" from serving "at the same time" as a "director, officer, or employee of any other bank", national or State, subject to certain exceptions.

(c) The credit card subsidiary involved was an "operating subsidiary" of the national bank under a ruling of the Comptroller of the Currency, Comptroller's Manual for National Banks ¶ 7376. The similar position of the Board as to State member banks is published at § 250.141 of this subchapter. The Comptroller's ruling states that, "Except as otherwise permitted by statute or regulation, all provisions of Federal banking laws applicable to the operations of the parent bank shall be equally applicable to the operations of its operating sub-

siidiaries." The position of both the Comptroller and Board sustaining the legality of such subsidiaries is based on the assumption that the only functions performed by the subsidiary are functions that could be lawfully performed by the bank. So viewed, the method of organization is irrelevant.

(d) The Board was of the view that the credit card subsidiary was essentially a department or division of the bank, that a contrary view would be inconsistent with the purpose of section 8 of the Act, and that none of the exceptions specified in the Act or Regulation L was applicable. Accordingly, the Board concluded that the interlocking service in question was prohibited by section 8 of the Act and Regulation L.

(Interprets and applies 15 U.S.C. 19)

By order of the Board of Governors,
March 12, 1970.

[SEAL]

KENNETH A. KENYON,
Deputy Secretary.

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