PROPOSED AMENDMENT TO REGULATION Y

To Permit Bank Holding Companies to Perform Property Management Services

To All Banks, and Others Concerned,
in the Second Federal Reserve District:

Following is the text of a statement issued September 7 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System proposed today to permit bank holding companies to perform property management services. Comments on the proposal should be submitted to the Board by October 8.

This proposal is part of a series the Board has made concerning activities regarded as closely related to banking under the 1970 amendments to the Bank Holding Company Act and thus permissible activities for bank holding companies, subject to Board approval in individual cases.

Under section 4(c)(8) of the Act, the Board may permit bank holding companies to engage in activities that are "so closely related to banking or managing or controlling banks as to be a proper incident thereto."

The Board's proposal would define property management to encompass farm management, the management of office buildings and other business or industrial properties, the management of residences ranging from single-family dwellings to high-rise apartment buildings, and the management of the air rights or the oil and mineral rights of a particular parcel of land.

Printed on the reverse side is the text of the notice of proposed rule making. Comments thereon should be submitted by October 8 and may be sent to our Bank Applications Department. Additional copies of this circular will be furnished upon request.

Alfred Hayes,
President.

(Over)
The Board of Governors proposes to permit bank holding companies, subject to established regulatory procedures, to engage in property management following a determination by the Board that such activity is "so closely related to banking or managing or controlling banks as to be a proper incident thereto" within the meaning of section 4(c)(8) of the Bank Holding Company Act.

Property management encompasses farm management, the management of office buildings and other business or industrial properties, the management of residences ranging from single-family dwellings to high-rise apartment buildings, and the management of the air rights above, or the oil and mineral rights below, a particular parcel of land.

Property management does not, in the Board's judgment, include activities such as the buying and selling of property or the development of real estate. Although serving as an intermediary in bringing lessor and lessee together does not itself constitute property management, serving in that capacity might nonetheless fall within the permissible scope of incidental activities necessary to carry on functions that are regarded by the Board as property management.

To implement the Board's proposal, § 222.4(a) would be amended by adding subparagraph (10), to read as follows:

§ 222.4 Nonbanking activities.

(a) Activities closely related to banking or managing or controlling banks. The following activities have been determined by the Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto:

(10) performing property management services.

To aid in the consideration by the Board of this matter, interested persons are invited to submit relevant data, views, or arguments. In accordance with the provisions of section 4(c)(8) of the Act, interested persons are also given opportunity to request a hearing on this matter. Any comments or requests for hearing should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than October 8, 1971. Such material will be made available for inspection and copying upon request, except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information.

By order of the Board of Governors, September 7, 1971.