PROPOSED AMENDMENT TO REGULATION L
Interlocking Relationships With Minority Banks

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

Following is the text of a statement issued October 14 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today proposed to ease its rules to permit interlocking relationships between a member bank and a minority bank.

The Board will receive comment through November 15, 1976.

Interlocking relationships between member banks and other banks in the same city, town or village are generally prohibited by section 8 of the Clayton antitrust law and the Board's Regulation L. However, the law permits the Board by regulation to make exceptions and the Board has previously done so with respect to interlocks between a member bank and a director, officer or employee of a Morris Plan bank, a bank in a low income area, or a bank that is actively being considered for merger or consolidation with a member bank.

The Board proposed to make a further exception for interlocks between a director, officer or employee of a member bank (or its parent bank holding company) to serve as a director, officer, or employee of a minority bank where:

1. The Board determines that the relationship is necessary to provide management or operating expertise to the minority bank.
2. There are no more than three such interlocks and the interlocks do not constitute a majority of the board of the minority bank.
3. No interlock continues for more than five years.
4. The minority bank is at least 50 per cent owned, controlled or managed by persons who are members of a minority group by reason of race, religion, color, national origin or sex.

Printed below is the text of the proposed amendment. Comments thereon should be submitted by November 15 and may be sent to our Bank Regulations Department.

PAUL A. VOLCKER,
President.

[Reg. L]
(Docket No. R-0059)

PART 212—INTERLOCKING BANK RELATIONSHIPS UNDER THE CLAYTON ACT
Notice of Proposed Rulemaking

The Board of Governors invites public comment on a proposed amendment to Regulation L (12 CFR 212) that would permit, with certain prescribed limitations, a director, officer, or employee of a member bank to serve simultaneously as a director, officer, or employee of a minority bank.

Interlocking relationships between member banks and other banks in the same city, town, or village are generally prohibited by section 8 of the Clayton Act (15 U.S.C. 19). The statute provides that the Board of Governors may by regulation permit interlocking relationships between a member bank and another institu-

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tion. Pursuant to this authority by regulation the Board previously has permitted a director, officer, or employee of a member bank to serve as a director, officer, or employee of a Morris Plan bank, a bank in a low income area, or a bank that is actively being considered for merger or consolidation with the member bank.

The Board is aware that minority banks are often in need of managerial or operating expertise in order to continue to develop and to continue to serve the community in a profitable manner. Additional managerial and operating expertise would be procompetitive in that it would result in a stronger minority bank. Many directors, officers, and employees of member banks are willing to provide such assistance to minority banks in the same geographic area. However, such assistance is generally prohibited by the restrictions of the Clayton Act. Consequently, the Board is of the view that public benefits would result if such interlocking relationships were authorized by the Board. It is believed that the proposed amendment would not be inconsistent with the purposes of section 8 of the Clayton Act.

Interested persons are invited to submit their views or arguments on this proposal. Any such material 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 November 15, 1976. All material submitted should include the docket number R-0059. Such material will be made available for inspection and copying upon request, except as provided in section 261.6(a) of the Board’s Rules Regarding Availability of Information.

Pursuant to its authority under 15 U.S.C. 19, the Board proposes to amend section 212.3 of Regulation L (12 CFR 212.3) by adding a new subparagraph (h) to read as follows:

SECTION 212.3—RELATIONSHIPS PERMITTED BY BOARD

In addition to any relationships covered by the foregoing exception, not more than one of the following relationships is hereby permitted by the Board of Governors of the Federal Reserve System in the case of any one individual.

(h) Minority Bank. Any director, officer, or employee of a member bank of the Federal Reserve System may be at the same time a director, officer, or employee of not more than one other bank that is at least 50 per cent owned, controlled, or managed by persons who are members of a minority group by virtue of their race, religion, color, national origin, or sex, subject to the following conditions: (1) Such relationship is determined by the Board to be necessary to provide management or operating expertise to such other bank; (2) not more than three interlocking relationships between any two banks shall be permitted by this paragraph, except that persons serving in interlocking relationships pursuant to this paragraph shall in no instance constitute a majority of the board of directors of the other bank; (3) no interlocking relationship permitted by this paragraph shall continue for more than a five-year period, and (4) upon such other terms and conditions in addition to or in lieu of the foregoing, as may be determined by the Board in any specific case.