

Press Releases

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OTS 98-18 - OTS Adopts Regulation Authorizing Three-Tier Mutual Holding Company Structure

Office of Thrift Supervision

NEWS

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OTS Adopts Regulation Authorizing Three-Tier Mutual Holding Company Structure

WASHINGTON, D.C., March 9, 1998 -- The Office of Thrift Supervision (OTS) today issued a final rule allowing mutual holding companies to set up a modified corporate structure with an intermediate subsidiary that has greater flexibility to repurchase its own stock in the open market.

The subsidiary is a stock holding company, sandwiched between the mutual holding company and its savings association in a three-level corporate structure, that holds all of the stock of the savings association. The subsidiary can sell up to 49.9 percent of its stock to the public, but the controlling interest in the subsidiary holding company resides with the parent mutual holding company, which, in turn, is owned by depositors at the savings association.

OTS said the new rule provides mutual holding companies with increased flexibility to establish corporate structures that can take advantage of market opportunities while protecting the rights of mutual depositors.

The mutual holding company revision is contained in a final rule published in today's Federal Register and effective April 1, 1998.

The final rule is substantially similar to the rule proposed on June 5, 1997. The final rule provides that the new subsidiary holding company must be federally chartered by OTS, and its proposed charter and bylaw requirements modeled after those for federal stock savings associations. In addition, the subsidiary holding company must follow the same rules on issuing stock that apply to a savings association, including the requirement that, in general, depositors have the first opportunity to buy a new issue of stock before the general public. All stock issues must receive prior approval from OTS, and OTS states in the rule's preamble that there may be circumstances under which share issuances would be permitted without a right of first refusal.

As in the original two-level mutual holding company, depositors of the savings association own the parent mutual holding company and have full voting rights. The permissible activities of the subsidiary holding company also are limited to those of the parent mutual holding company.

OTS received only 11 comments on the rule, most of which were favorable. OTS did not adopt most of the changes suggested by commenters because the changes would have reduced the rights of mutual depositors and reduced OTS' ability to protect those rights.

OTS made one change from the proposed to the final rule to require that during the three-year period following the issuance of stock the holding company must obtain prior approval from OTS before engaging in open-market stock repurchases to fund employee stock benefit plans. OTS made the change in order to more closely monitor such stock repurchases on a case-by-case basis.

Mutual holding companies were first authorized by Congress as part of the Competitive Equality Banking Act of 1987.

[Mutual Holding Companies](#)

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov.