

Press Releases

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OTS 98-57 - New Rules Proposed for Employment with More Than One Thrift or Bank

Office of Thrift Supervision

NEWS

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Contact: William Fulwider

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New Rules Proposed for Employment with More Than One Thrift or Bank

WASHINGTON, D.C., Aug. 11, 1998 - The Office of Thrift Supervision and the other federal banking regulators today proposed changing their management interlocks rules to expand the situations in which individuals may serve as managers or directors of two unaffiliated depository institutions or their holding companies.

Whether interlock arrangements are permitted or prohibited depends on several factors such as the size and location of the organizations, including thrifts, banks and holding companies. For example, they are generally prohibited if both depository organizations have branch offices in the same community. On a larger map, persons cannot serve two unaffiliated depository organizations in the same Relevant Metropolitan Statistical Area (RMSA) if both have assets of \$20 million or more. And under the "major assets" test, two large depository organizations, regardless of location, can't retain the same official.

The law defining "major assets" - the Depository Institution Management Interlocks Act (DIMIA) - was modified by a 1996 statute to raise the "major assets" thresholds. The law now stipulates that a management official working at a depository organization with assets of \$2.5 billion or more cannot also serve as a management official with a depository organization

having assets of \$1.5 billion or more. Today's proposal would raise the thresholds to conform with the law and establish a mechanism to periodically adjust those thresholds based on changes in the Consumer Price Index.

Modifications to DIMIA also permit federal banking regulators to adopt general exemptions to otherwise prohibited management interlocks, provided they do not result in a monopoly or substantial lessening of competition. Today's proposed rule would establish two new exemptions and eliminate two old exemptions - the regulatory standards exemption and the management consignment exemption, which also were dropped from the revised law.

The two new exemptions are intended to enlarge the pool of management talent upon which depository organizations draw, resulting in more competitive, better-managed organizations without causing significant anticompetitive effects.

Under the first proposed new exemption - called the general exemption - a depository organization would apply to its federal regulator for an exemption based upon a finding that the interlock would not result in a monopoly or a substantial lessening of competition.

The federal banking regulators proposed to establish certain presumptions that would favor approval of the general exemption request because the organizations qualifying for the exemption are deemed to be inherently less threatening to competition. Otherwise prohibited interlocks would be presumed to be allowed if at least one depository organization applying for the exemption:

- primarily serves low- or moderate-income areas, or
- is controlled or managed by members of a minority group or women, or
- is a thrift or bank that has been chartered for less than two years, or
- is deemed to be in a troubled condition

Federal regulators could rebut the presumption favoring approval under the general provision and deny the request if the regulator finds that the interlock would, in fact, result in a monopoly or substantial lessening of competition.

The other proposed new exemption - called the deposit share exemption -- would allow interlocks for depository organizations (including their depository institution affiliates) that together control less than 20 percent of the deposits in a community or relevant Metropolitan Statistical Area (MSA), provided that the interlock does not violate the major assets prohibition. No application would be required for this deposit share exemption, but depository organizations must retain records sufficient to support an exemption claim.

The proposed regulation was published in today's Federal Register by OTS, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. The agencies will accept comments for the next 60 days.

[Management Official Interlocks; Proposed Rule \(8/11/98\)](#)

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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

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