

Press Releases

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OTS 99-07 - OTS Proposes Rule Clarifying Exempt Multiple S&L Holding Company Status

Office of Thrift Supervision

News Release

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OTS Proposes Rule Clarifying Exempt Multiple S&L Holding Company Status

WASHINGTON, D.C., Feb. 8, 1999 -- The Office of Thrift Supervision (OTS) has proposed a rule to clarify the limited circumstances under which a holding company owning multiple thrifts that is exempt from restrictions on activities may retain the exemption if it undergoes a corporate restructuring or acquires additional thrifts.

In the past, this "exempt multiple" provision has proven to be a valuable incentive for attracting acquirers of ailing or failed institutions, thereby reducing demands on the deposit insurance fund. Attracting acquirers of such institutions from outside the banking industry, in particular, is more feasible if they can retain the benefits of unitary thrift holding company status.

The Home Owners' Loan Act restricts multiple savings and loan holding companies - those owning more than one thrift -- and their non-thrift subsidiaries to traditional thrift activities and services and to activities permitted bank holding companies, unless all, or all but one, of the subsidiary thrifts were acquired in a sale of an ailing or failed institution - a so-called supervisory thrift. This is the statutory "exempt multiple" provision. Unitary thrift holding companies - those owning only one thrift - are not subject to the same activities restrictions. All subsidiary thrifts must meet and maintain Qualified Thrift Lender status for either a unitary or exempt multiple holding company to engage in a wider range of activities.

In the event a subsequent merger or acquisition changes the corporate ownership and structure that qualified the multiple holding company for the original exemption, OTS, under the proposed rule, would determine whether the supervisory thrift had existed continuously since it was acquired. OTS would take into account its corporate identity, its relative size in terms of assets or liabilities, or both, and other factors in making that determination on a case-by-case basis. If the combination causes the supervisory thrift to lose its essential character, the holding company would forfeit its exempt status.

The proposed rule would have the following practical consequences:

First, an exempt multiple holding company that merged its thrift subsidiaries to become a unitary holding company and later acquired another thrift would be eligible for exempt multiple status again only if the subsequent acquisition were a qualifying supervisory acquisition, or unless all of the merged thrifts were supervisory acquisitions.

Second, the qualifying supervisory status of a thrift would not transfer from the initial holding company to a succeeding acquirer unless the new acquisition is supervisory, or the new owner is a holding company formed by an internal reorganization.

Holding companies that might not automatically qualify under the rule but believe they may be entitled to exempt status based on past acquisitions and earlier OTS rulings or legal opinions could - during a one-time 60-day period - apply to OTS for a determination that they do qualify for exempt status.

The proposed rule was published in the Feb. 8, 1999, edition of the Federal Register. OTS welcomes comments on the proposed rule. The comment period will close on April 9, 1999. Comments should be addressed to: Manager, Dissemination Branch, records Management and Information Policy, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552.

Exempt Savings & Loan Companies: Proposed Rule

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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 <http://www.ots.treas.gov>.