

**DEPARTMENT OF THE TREASURY**

**Office of Thrift Supervision**

**12 CFR Part 575**

**[97-51]**

**RIN 1550-AB00**

**Mutual Holding Companies**

**AGENCY:** Office of Thrift Supervision, Treasury.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Office of Thrift Supervision (OTS) is proposing to amend its mutual holding company regulations to permit mutual holding companies (MHCs) to establish a subsidiary stock holding company that would hold all of the stock of a savings association subsidiary. This Notice of Proposed Rulemaking (NPR) follows a review of the comments received in response to an advance notice of proposed rulemaking. The OTS proposes to permit the establishment of intermediate stock holding companies (SHCs) that will be subject to restrictions that are substantially similar to those currently applicable to MHCs.

**DATES:** Comments must be received on or before [Insert 60 days from date of publication in the Federal Register].

**ADDRESSES:** Send comments to Manager, Dissemination Branch, Records Management and Information Policy, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, Attention Docket No. 97-51. These submissions may be hand-delivered to 1700 G Street, NW., from 9:00 a.m. to 5:00 p.m. on business days; they may be sent by facsimile transmission to FAX Number (202) 906-7755 or by e-mail: public info@ots.treas.gov. Those commenting by e-mail should include their name and phone number. Comments will be available for inspection at 1700 G Street, NW., from 9:00 a.m. until 4:00 p.m. on business days.

**FOR FURTHER INFORMATION CONTACT:** James H. Underwood, Special Counsel (202/906-7354), Dwight C. Smith, Deputy Chief Counsel (202/906-6990), Business Transactions Division, Chief Counsel's Office; Gary Masters, Financial Analyst (202/906-6729) Corporate Activities Division; Office of Thrift Supervision, 1700 G Street, NW., Washington, D.C. 20552.

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## I. Background of the Proposal

In response to inquiries from MHCs and mutual savings associations concerning the formation of a second-tier stock holding company to hold the stock of a MHC's savings association subsidiary, the OTS issued an Advance Notice of Proposed Rulemaking (ANPR)<sup>1</sup> soliciting comment on issues raised by the existence of SHCs. Under current 12 CFR Part 575, a mutual savings association may reorganize into a MHC structure in which the MHC owns at least a majority of the stock of a subsidiary savings association. Depositors of the mutual savings association continue to maintain a depositor-creditor relationship with the stock savings association subsidiary, while retaining their other indicia of ownership, *e. g.*, voting and liquidation rights, with the MHC. Under this structure, the balance of the shares (up to 49.9%) of the stock savings association subsidiary may be sold to the public in one or more offerings when the MHC is formed or later.

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<sup>1</sup> 61 FR 58144 (November 13, 1996).

The proposed holding company structure would permit the MHC to form a SHC to hold the shares of the stock savings association subsidiary. The SHC, like the stock savings association subsidiary in the traditional model, would be required to issue at least a majority of its shares to the MHC and could issue up to 49.9% of its shares to the public. The SHC will be required to hold 100% of the shares of the savings association subsidiary.

The ANPR solicited comments on seven specific issues involving the formation of SHCs. The OTS received fifteen comments on the proposal from three MHCs, four savings associations, three trade associations, two law firms, two investment banking firms and an individual investor. All but one of the commenters generally supported the concept of SHCs. Most of the commenters also indicated their support for the SHC to have the full powers of a unitary savings and loan holding company. The comments are discussed in further detail in the description of the proposed revisions to 12 CFR Part 575 set forth below.

**ATTACHMENT IS AVAILABLE UPON REQUEST**

**WRITE US AT:**

**DISSEMINATION BRANCH  
OFFICE OF THRIFT SUPERVISION  
1700 G STREET, NW  
WASHINGTON, DC 20552**

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**202/906-7755**

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