



Office of Thrift Supervision
Department of the Treasury

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John F. Downey
Director of Supervision

RESCINDED

January 27, 1995

Any attachments to this document are rescinded only as they relate to national banks and federal savings associations.

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: Amendments to the Depository Institution Management Interlocks Act

The Depository Institution Management Interlocks Act (the "Interlocks Act") generally prohibits a management official of a depository organization, *i.e.*, a depository institution or holding company, from serving as a management official of an unaffiliated depository organization. The prohibition applies in specified circumstances that depend on the location and size of the entities involved.¹

Management officials serving more than one depository organization prior to the enactment of the Interlocks Act (November 10, 1978) were grandfathered under section 206 of that statute (12 U.S.C. § 3205). Their service was allowed to continue until November 10, 1993.

The Riegle Community Development and Regulatory Improvement Act of 1994 (the "RCDRIA") was signed into law on September 23, 1994. Section 338(a) of the RCDRIA extended the statutory grandfathering period until November 10, 1998. The new amendment requires the person who serves in the interlock to petition the appropriate federal banking agency in a timely manner for permission to continue the interlock. The appropriate federal banking agency must review the petition and determine whether to permit the interlock to continue within six months of the date of enactment of the RCDRIA (before March 23, 1995).

The Office of Thrift Supervision ("OTS") is the appropriate federal banking agency for persons who serve in interlocks involving savings associations, savings and loan holding companies, or their affiliates. If the person serves in an interlock between entities that are supervised by different federal banking agencies (for example, an interlock between a savings association and an insured nonmember bank which are respectively supervised by the OTS and the Federal Deposit Insurance Corporation, a petition should be submitted to both agencies simultaneously. The agencies will coordinate processing of the petition.

¹ The Interlocks Act, at 12 U.S.C. §§ 3202 and 3203, specifies the circumstances under which the prohibitions apply.

The OTS will review grandfathered management interlocks when the person serving in the interlock submits a petition to continue service under section 206 of the Interlocks Act. The OTS is required, by March 23, 1995, to:

(1) review, on a case-by-case basis, the circumstances under which the petitioner has served as a management official under the statutory grandfather provision; and

(2) permit the management official to continue to serve in such position only if:

(a) The person has provided a resolution from the board of directors of each affected depository institution or depository holding company certifying to the OTS that there is no other qualified candidate from the community who:

(i) possesses the level of expertise necessary for such service with respect to the affected depository institution or depository holding company; and

(ii) is willing to serve as a management official at the affected institution or holding company; and

(b) The OTS determines that continuation of service by the management official does not produce an anti-competitive effect with respect to each affected depository institution or holding company.

To provide the OTS with sufficient time for processing, all requests for review submitted under this statutory change should be sent to the appropriate OTS Regional Office as soon as possible, but no later than February 15, 1995. Requests should contain sufficient information to address the statutory factors for approval listed above.

A person who does not file a timely petition for review with the appropriate federal banking agency will not be eligible for continued service in a grandfathered management interlock. A person who files a petition for review of a grandfathered interlock that is approved by the OTS should be aware that the revised statutory grandfathering expires on November 10, 1998.

We will revise our regulation governing grandfathered interlocking relationships (12 C.F.R. Part 563f) to reflect the new grandfather provisions and other statutory changes to the

Interlocks Act. In the meantime, please follow the instructions in this letter.

You may direct any questions concerning this matter to the appropriate OTS Regional Office.

Sincerely,



John F. Downey
Director of Supervision

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