

Corporate & Financial Weekly Digest

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Federal Reserve Issues Interim Rules for Savings and Loan Holding Companies

The Federal Reserve (the Board) on August 12 issued an interim final rule establishing regulations for savings and loan holding companies (SLHCs). Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), supervisory and rulemaking authority for SLHCs and their nondepository subsidiaries transferred from the Office of Thrift Supervision (OTS) (now defunct) to the Board on July 21, 2011. Last month, the Federal Reserve sought comment on a notice identifying regulations previously issued by the OTS that the Federal Reserve will continue to enforce. The interim final rule issued on August 12 implements the transfer of those regulations from the OTS to the Federal Reserve.

The interim final rule has three components: (1) new Regulation LL (Part 238), which sets forth regulations generally governing SLHCs; (2) new Regulation MM (Part 239), which sets forth regulations governing SLHCs in mutual form; and (3) technical amendments to current Board regulations necessary to accommodate the transfer of supervisory authority for SLHCs from the OTS to the Board.

In drafting new Regulation LL, the Board has sought to collect all current OTS regulations applicable to SLHCs (other than regulations pertaining uniquely to SLHCs in mutual form) and transfer them into a single part of Chapter 2 of Title 12 for ease of locating. Generally, the structure of the new Regulation LL closely follows that of the Board's Regulation Y, which houses regulations directly related to bank holding companies (BHCs), in order to provide an overall structure to rules that were previously found in disparate locations. In many instances, this process has involved copying the current OTS regulations into the new Regulation LL with only technical modifications to account for the shift in supervisory responsibility from the OTS to the Board. The Board also made several substantive changes to the OTS regulations as they were incorporated into Regulation LL. Additionally, the Board added or modified regulations to reflect substantive changes introduced by the Dodd-Frank Act. The modifications relate to application processing, control determinations, financial holding company activities, activities 'closely related to banking,' insurance agency activities, certain grandfathered activities, and the declaration of dividends by subsidiary savings associations.

Regulation MM organizes the current OTS regulations specific to SLHCs in mutual form (MHCs) and their subsidiary holding companies into a single part of the Board's regulations. Previously, regulations governing MHCs were largely found in parts 575 and 563b of the OTS rules. In many cases, Regulation MM mirrors the current OTS rules with only technical modifications to account for the shift in supervisory responsibility from the OTS to the Board. Regulation MM also reflects several substantive changes to OTS regulations.

Finally, technical amendments were made to current Board regulations necessary to accommodate the transfer of supervisory authority for SLHCs from the OTS to the Board.

The Board on August 12 also issued an Order delegating to staff and to the Reserve Banks the authority to take certain actions with respect to SLHCs.

The Board will accept comments on the interim final rule through October 27.

For more information about the interim rule, click [here](#) and [here](#).

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